

London Gold Traders to Open Vaults in Transparency Push

"Open vaults"? Hardly. The LBMA will issue reports that no independent auditor will be permitted to check and confirm.

Those reports will not account for gold swaps and leases with central banks and other bullion banks that allow gold to be counted multiple times. And the data will be three months old besides.

These failings are obvious but, being a mere public-relations agency for the financial industry, the Financial Times can't bring itself to question them. It's all pathetic but this at least shows that the gold gangsters are getting nervous.

By Henry Sanderson
Financial Times, London
Sunday, February 5, 2017

<https://www.ft.com/content/8c816eac-e9ff-11e6-967b-c88452263daf>

London's centuries-old gold market is to usher in an era of transparency with plans to reveal how much bullion is held in vaults in and around the city, including those controlled by the Bank of England.

The move is being led by the London Bullion Market Association, which will provide data for the first time on how much gold is traded in the Square Mile.

Some of the world's biggest banks are trying to shift trading of the precious metal on to an exchange. By providing greater transparency and data, the LBMA, whose members include HSBC and JPMorgan, hopes to head off the challenge and persuade regulators that banks trading bullion should not have to face more onerous funding requirements.

In London most gold is traded "over-the-counter," or directly between buyers and sellers, so there is little data on how much changes hands. Estimates from the LBMA suggest that about \$26 billion of gold is traded daily in the City but there are no official figures.

The LBMA plans to release the monthly vault data on a three-month lag, according to people involved in the process. It will show gold bars held by the Bank of England, the gold clearing banks, and those operated by the security companies such as Brink's, which are also members of the LBMA, according to a person involved in setting up the programme.

The LBMA declined to comment.

London's vaults hold billions of dollars of gold, one of the largest stashes. Vaults owned by HSBC are used to back the largest gold exchange traded fund, the SPDR Gold Shares.

The vaults, in secret locations within the M25 orbital motorway, are normally equipped with extreme security measures such as blast doors and fingerprint sensors that detect the flow of blood to prevent the use of severed digits. Access is rarely granted to members of the public.

An estimated 400,000 large gold bars are stored at the Bank of England's vaults in the City, worth some \$150 billion, according to the LBMA. The Bank of England holds the most gold because it acts as a custodian for the holdings of other central banks.

Last year a gold vault owned by Barclays, which can house \$80 billion of bullion, was bought by China's ICBC Standard Bank.

Since the financial crisis, policymakers have been pushing for financial instruments to be traded on exchanges and cleared through centralised systems. Last year the London Metal Exchange and the World Gold Council announced plans for a gold futures contract backed by a consortium of banks including Goldman Sachs and ICBC.

HSBC and JPMorgan, London's biggest bullion banks, are backing the initiatives by the LBMA to improve transparency.