

## **NEW GOLD PRICING FORMAT v1**

Almost a century of tradition will disappear from the gold market as technology takes over.

Thursday will be the last day that traders at four banks agree by phone twice-daily prices used by miners to central banks to deal and value bullion. Gold will be the last precious metal to drop the London fixings after silver, platinum and palladium made way for electronic auctions last year.

More firms able to participate in the benchmark will make the \$18 trillion global market more transparent, said ICE Benchmark Administration, which will start running the LBMA Gold Price on Friday. Anyone can follow auctions online, rather than needing a line to a fixing dealer.

“The important thing is that information can be pushed out to a wider audience,” said Ross Norman, chief executive officer of dealer Sharps Pixley Ltd. and who was at N.M. Rothschild & Sons Ltd. in the 1990s, when it was part of the fix. “If they can bring greater depth to the market that is a change that will be welcomed.”

The first gold fixing took place in 1919. Meetings had been held in a wood-paneled room at Rothschild’s offices in St. Swithin’s Lane until the process was switched to a telephone conference call in 2004. Dealers who met in the room each had small Union Jacks, the U.K. flag, to signal the need to change orders.

Those gathering were known to keep yearly price predictions on pieces of paper in an old clock case. The usual offering of coffee and biscuits was bettered by a glass of sherry after fixings on New Year’s Eve, Steve Garwood, a trader at Baird & Co., a precious-metals dealer in London and who first took part in fixings more than three decades ago, said last year.

### **Gold Market**

About \$18 trillion of gold circulated globally in 2013, according to CPM Group, a New York-based research company. Gold was fixed at \$1,164 an ounce on Thursday morning.

Deutsche Bank AG triggered the reforms last year when it withdrew from precious metals benchmarks. That left Societe Generale SA, Bank of Nova Scotia, HSBC Holdings Plc and Barclays Plc to set gold prices.

The London Bullion Market Association said last month that Chinese banks are among those in talks to take part in the new method. There’ll be at least six companies able to participate on Friday, though none from China are yet confirmed, Finbarr Hutcheson, IBA’s president, said Thursday at press meeting. It’s possible that more firms, including those from China, may take part in the future, he said.

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### Market Tradition

The process will still take place at 10:30 a.m. and 3 p.m. London time, with buy and sell orders submitted electronically in rounds until a price is found. Like now, ICE says a chairperson will determine a price for each round and it will then consult on developing an algorithm to do so. Silver, platinum and palladium use algorithms to start auctions, while the London Metal Exchange, which runs the platinum and palladium procedure, also has a committee that can step in if necessary.

As tradition cedes to technology, a human aspect will also be lost, said James Moore, who took part in fixings for about five years from 1996.

“The inter-personal aspects of the market is being lost in the name of automation, liquidity and transparency,” Moore, an analyst in Kettering, England at FastMarkets Ltd., said by phone on Monday. While a necessity, calls were also an opportunity “to build up relationships over time and that often opened doors.”