

Explanatory Statement – change in administration of the London Gold Fixing

On 16 July 2014, The London Gold Market Fixing Limited (LGMFL) announced that, with support from the London Bullion Market Association, it would be commencing an RFP process with a view to appointing a third party to assume responsibility for the administration of the London Gold Fixing; the twice-daily benchmark for the London gold market. On 7 November 2014, further to completion of the RFP process, the LGMFL announced that ICE Benchmark Administration (IBA) would become the new administrator of the London Gold Fixing, expected to launch in Q1 2015.

Members of the ISDA Energy, Commodities and Developing Products Committee met by teleconference on 15 October to discuss the implications of the change to the administration of the London Gold Fixing for outstanding transactions that reference the Gold Fix as calculated by the LGMFL (including, without limitation, the 2005 ISDA Commodity Definitions Commodity Reference Prices “GOLD-A.M. FIX” and “GOLD-P.M. FIX”, each as set out in the Annex to this statement) and have a term beyond the date on which the Gold Fix is to be last published<sup>1</sup> (such transactions, the “Affected Transactions”).

ISDA, in consultation with market participants, is issuing this statement in addition to the Amendment Agreement as a means of assisting market participants in treating Affected Transactions. Parties are not obligated to enter into the Amendment Agreement and may choose to negotiate alternative means of treating Affected Transactions.

The Amendment Agreement seeks to replace references to “GOLD-A.M. FIX” and/or “GOLD-P.M. FIX” with references to new Commodity Reference Prices, which may include a reference to the new LBMA Gold Price administered by the IBA. Parties electing to amend the Affected Transactions through the Amendment Agreement may do so with effect from the date on which the replacement Commodity Reference Prices were or are expected to be first published<sup>2</sup>.

ISDA encourages member firms to refer their clients (who may not be ISDA members) to this Statement (and the Amendment Agreement) in the interest of informing all market participants of the changes to the administration of the London Gold Fixing. ISDA notes that many Affected Transactions may be governed by bilateral agreements that offer other responses to this situation, unless the parties agree otherwise.

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<sup>1</sup> This date is to be confirmed by the LBMA and IBA. At the time of publication it is expected to occur sometime in March 2015.

<sup>2</sup> Where parties intend to refer to the new LBMA Gold Price, the go live date for this new reference price is to be confirmed by the LBMA and IBA. At the time of publication it is expected to occur sometime in March 2015.

## **Annex**

In accordance with Sub-Annex A of the 2005 ISDA Commodity Definitions, the Commodity Reference Prices "GOLD-A.M. FIX" and "GOLD-P.M. FIX" have the following meanings:

"GOLD-A.M. FIX" means that the price for a Pricing Date will be that day's morning Gold fixing price per troy ounce of Gold for delivery in London through a member of the LBMA authorized to effect such delivery, stated in U.S. Dollars, as determined by the London Gold Market and displayed on Reuters Screen page "GOFO" that displays prices effective on that Pricing Date.

"GOLD-P.M. FIX" means that the price for a Pricing Date will be that day's afternoon Gold fixing price per troy ounce of Gold for delivery in London through a member of the LBMA authorized to effect such delivery, stated in U.S. Dollars, as determined by the London Gold Market and displayed on Reuters Screen page "GOFO" that displays prices effective on that Pricing Date.

ISDA notes that other variations of a London Gold Fix reference price may also be referenced in outstanding OTC derivative and/or physical gold transactions.