2016 LBMA/LPPM Conference in Singapore – Singapore's Precious Metals Industry Poised for Growth

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Singapore Bullion Market Association

With a healthy regional demand for bullion metals, Singapore positions itself as a trade centre for the industry

Despite regulation and global economic uncertainty, the arrival of the LBMA Precious Metals Conference in Singapore for its 2016 edition reflected the industry's positive demand outlook for the region, as well as the country's ambition to be a leading bullion hub in Asia.

Delivering the conference's opening speech was Minister for Trade and Industry (Trade) **Lim Hng Kiang,** who talked about the developments in Singapore's Investment Precious Metals (IPM) sector, which has benefitted from Asian opportunities. In particular, Mr Lim highlighted the country's growth across the entire precious metals value chain, including refining, secured logistics and trading, since removing the Goods & Services Tax on IPM in 2012.

Mr. Lim pointed out that in 2015; the physical volume of gold traded in Singapore was about five times the amount traded in 2012, and that employment in this sector doubled to more than 280 jobs in the same period. Metalor Singapore, which commenced operations in 2014, has already grown to be the largest LBMA Good Delivery List refinery in Southeast Asia. In 2015, it quadrupled its production to more than 100 tonnes.

Instrumental to the growth of the industry has been the role of the Singapore Bullion Market Association (SBMA), which serves as the point of contact for foreign precious metals businesses seeking to establish a presence in Singapore. The association has grown with the help of International Enterprise (IE) Singapore, with which it is working to upgrade the market ecosystem.

In one of the biggest announcements at the two-day conference, Mr. Lim said that Singapore hopes to attract more trading houses to its shores by establishing an LBMA "Pre-AM" Benchmark Gold Price at 2:00 pm Singapore time in conjunction with LBMA and ICE Benchmark Administration (IBA) in a number of currencies to cater for the gold market in Asia. It could be introduced as soon as early next year, if results of a joint feasibility study are positive, SBMA said.

"Given Asia's growing importance as a source of demand for gold, it has become increasingly paramount for gold prices to be set in Asian business hours", Mr. Lim said. An earlier auction would reduce the exposure by traders to intra-day price volatility and overnight foreign exchange risks, as is the case now, with daily auctions in London held at 5:30 pm and 10:00 pm Singapore time.

Delegates at the conference expressed a healthy outlook for gold and other precious metals in Asia, owing to their status as a safe haven asset in the face of a looming global trade slowdown, and because of demand brought about by the continent's demographic changes and growing market, particularly in the luxury segment.

On Sunday, the Chinese Gold and Silver Exchange Society (CGSE) hosted a pre-conference workshop in conjunction with SBMA. Titled “Building a Physical Gold Corridor in Asia – Shanghai-Hong Kong/Qianhai-Singapore”, the session discussed the benefits of linking the precious metals markets of these cities.

As they each currently have different locational advantages, hardware availability, secured logistics and storage facilities, financial infrastructure and clearing system, regulatory environment, trading framework and talents, linking them in an ecosystem will facilitate the flow of money and physical gold within the corridor to their respective hinterlands, and expand the access of both producers and consumers, according to SBMA CEO **Albert Cheng.**

CGSE president **Steven Chan** and former CGSE president **Haywood Cheung** elaborated on the proposed physical gold corridor, which also lies within China’s strategic “Belt and Road” development plan**.** At the same time, **Dong Feng** from Ping An Commodities Trading in Shenzhen explained how the Qianhai free trade zone, with its vaulting, trading and clearing facilities can act as a bridge and facilitate the trading of gold between parties in Hong Kong and China.

Singapore’s role, apart from continuing to provide a favourable trading infrastructure for bullion, would also see it developing a platform for linking ASEAN with Asia and the rest of the global gold market through advocacy, networking at conferences, regional forums and outreach events, as well as facilitating the sharing of best practices and know-how to raise the level of transparency and professionalism in the industry.

“By taking on this role, we can help build Singapore’s relevancy in the regional gold market”, Mr. Cheng said.

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