

# The London Platinum and Palladium Market

## THE ROLE OF THE LPPM IN THE DAILY PRICE FIXINGS OF PLATINUM AND PALLADIUM PRICES

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*The London Platinum and Palladium Market (LPPM) oversees dealings in platinum and palladium. Twice each day, four members of the LPPM fix the bid prices. The bid price is the price at which LPPM members agree they will buy “good delivery” metal. The bid prices are benchmarks for the market and hence for the industry. Bid prices in turn affect the offer prices that customers are asked to pay for metal. The market values of platinum and palladium, as is the case for all commodities, ultimately affect manufacturing costs. Here, the background to the establishment of the LPPM is summarised and its current role in this important metal market is briefly described.*

London has historically been an important centre for the discovery, research in, and development of most of the platinum group metals (1); and also for trading in platinum and palladium. Trade was established in the early 20th century, typically by existing dealers of gold and silver. In 1973 the “London Platinum Quotation” was introduced. This was the forerunner of today’s twice-daily ‘fixings’. The fixings provide a benchmark, at the time, for the price of ‘spot’ platinum and palladium (metal ingot or sheet held in Zurich).

In 1979 the leading London and Zurich dealers decided to standardise the specifications for the quality and origins of the metal they would trade. This metal, originating from accredited melters and assayers, is termed “good delivery”. In 1987 the informal trading, which had previously taken place between the major (international) companies on a ‘principal-to-principal’ basis, was formalised into the London Platinum and Palladium Market (LPPM), the aim of which is to promote professional trading in London of both platinum and palladium. Currently there are over 35 members of the LPPM (2).

### Trading Metal on the LPPM

Platinum and palladium trading takes place during working hours in London and Zurich. The prices for platinum and palladium constantly move in response to worldwide supply and demand, currencies and other economic data, and members of

the LPPM compete for business. The metal prices are generally expressed in U.S. dollars per troy ounce, and platinum and palladium are usually traded in multiples of 1000 troy ounces of “good delivery” metal.

### The Fixings

In 1989 the London Platinum and Palladium Quotations were upgraded to become full fixings. These fixings, also known as the London Fix, are a snapshot taken twice daily, at 09:45 (am fix) and 14:00 (pm fix) London time, of the varying metal price. At present four members of the LPPM together make the price fixings. These are J. Aron & Co. (U.K.), Engelhard Metals Limited, HSBC U.S.A. London Branch, and Standard Bank London Limited. The fixing process is conducted by telephone, and takes place each day that members are open for dealing in London.

The members of the LPPM fix have an elected Chairman who presides over the fixing. (This Chairman is not the same as the Chairman of the LPPM.) At the start of each fixing, on the basis of prevailing market prices, the Chairman announces an opening price which is relayed to the members’ dealing rooms. This price is relayed to their customers and, on the basis of orders received, members declare as a buyer or a seller.

After members have declared their buying and selling interests, they are asked to state the volumes of metal they wish to trade. If the amounts of

## Requirements for Platinum or Palladium Qualifying as “Good Delivery” for the Market (2)

Property	Description
Form	Plate or ingot
Weight	Maximum 6 kg (192.904 troy ounces), minimum 1 kg (32.151 troy ounces)
Purity	At least 99.95% platinum or at least 99.95% palladium
Markings	Each plate or ingot must bear: the producer’s recognised mark; the letters PT or PLATINUM with a stamp indicating the purity; similarly for PD or PALLADIUM; an individual number or mark; the weight in grams or troy ounces (if in grams to one decimal place, if in troy ounces to three decimal places)
Appearance	Smooth, free from cavities and easy to handle

buying and selling do not balance, the procedure is repeated, at a higher or lower price, until a balance is achieved. The fixing price is the price at which all the buying and selling orders declared by members are matched.

Customers may be buying or selling metal and can be kept informed of price changes throughout the fixing process. They may alter their instructions at any time until the price is fixed. If all orders cannot be balanced at any price then the fixing price can be determined on the Chairman’s discretion. Buyers of metal may choose to buy in the market, or to buy at the time of the fixing. In the latter case they will not know in advance what the fix price will be. (The price has been known to move considerably between fixes!)

Sellers of “good delivery” metal at the fix will receive the fixing price; buyers pay a small premium. Settlement (exchange of money and metal) takes place two working days after the fixing date.

The fixing prices act as a reference point for the platinum industry, and are widely published. The fix is a bid price for ‘loco Zurich plate’, that is, the price that the LPPM fixing members are prepared to pay for spot platinum or spot palladium, at that fix time.

In the ‘spot’ market, platinum or palladium is sold immediately for cash and immediate delivery – as plate or ingot – with payment within 2 working days

The market-making members of the LPPM act as principals, issue their own contracts, and quote buying and selling prices of platinum and palladium metal. Other parties may also quote prices.

### “Good Delivery”

This describes the standards to which platinum or palladium must conform to be acceptable to the LPPM. To facilitate trading the LPPM maintains a list of melters and assayers: “The London/Zurich Good Delivery List”. The standards for platinum and palladium are in the Table (2).

### Conclusions

Although the prices of platinum and palladium are continuously changing in response to many different external influences, the fixing prices are a valuable reference point within the spot market. In effect, the fixing price represents matched orders from customers across the world to buy or sell. The fixings make it transparent to interested parties: supplier, consumer, dealer or investor, the price at which all current dealings have been satisfied.

### References

- 1 D. McDonald and L. B. Hunt, “A History of Platinum and its Allied Metals”, Johnson Matthey, London, 1982
- 2 [www.lppm.org.uk](http://www.lppm.org.uk)

### The Author

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