

ScotiaMocatta to trade in Shanghai

Pledge to develop local market opens door

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Barry Wainstein, head of ScotiaMocatta, says "We have spent a long time speaking to the authorities in China"

ScotiaMocatta, the world's oldest gold dealer, has been granted access to the Shanghai Gold Exchange, completing another link in the Canadian-owned trader's leading position in global markets for precious metals.

The gold dealer -- a unit of Bank of Nova Scotia since 1997 -- was chosen by Chinese regulators because of its commitment to developing the local market, said Barry Wainstein, head of ScotiaMocatta.

"We have spent a long time speaking to the authorities in China, making them aware of our capabilities and explaining how we could help them develop a market that is liquid, and with transparent prices," Mr. Wainstein said in an interview.

ScotiaMocatta has almost 350 years of expertise in global gold and precious metals markets. The company was founded in the 17th century in London as a bullion dealer to the Bank of England. It has branches in New York, Dubai, Hong Kong and India, and has had a representative in Shanghai since 2006.

The China Gold Association claims the country will surpass South Africa to be the world's top gold producer in 2008 -- with output rising from 270.5 tonnes in 2007 to 300 tonnes this year -- and the country is the source of rapidly increasing demand for gold and other precious metals from consumers, investors and industry.

Meanwhile, gold trading volumes on the Shanghai Gold Exchange have more than doubled in the past year. And while China's precious metals market still lacks the sophistication of Western markets, the Shanghai Exchange will become the benchmark for prices of gold and other metals within a matter of years, Mr. Wainstein said.

ScotiaMocatta received approval from Chinese regulators on Friday and expects to begin trading on the Shanghai exchange within a few weeks, conducting business there through a local branch in Guangzhou, southern China.

"It is an exciting policy to allow overseas banks access to China's gold market," said Tong Gang, a spokesman for the Shanghai Gold Exchange, according to China Daily News. "A closer tie between China's gold market and the global market is expected to be established."

The only other foreign banks with similar approvals are Standard Chartered PLC and HSBC Holdings PLC, which became the first foreign dealer to trade on the exchange last week. Both HSBC and Standard Chartered have extensive banking operations on the ground in China. While Scotiabank has a more limited banking presence there, the Canadian bank has leading product expertise in precious metals through ScotiaMocatta.

China Daily reported that the approval of foreign banks is "widely considered a major effort to help increase the liquidity of the domestic gold market and bring in the foreign expertise that can promote the development of the market in the longer term."
