

A Bullion Bank's viewpoint

Professional Bullion Transaction Facts

The LBMA Accredited System of Vaults, Refineries, Mints, Banks, etc.

- The LBMA is the London Bullion Market Association that represents the wholesale gold and silver bullion market in London. London is the focus of the international OTC (over-the-counter) market with a client base that includes the majority of central banks, producers, refiners, fabricators, and traders globally.
- The LBMA Good Delivery List is widely recognized as representing the de facto standard in gold and silver bar quality based upon the stringent criteria for assaying standards and bar quality that an applicant must satisfy in order to be listed.
- For bullion to be recognized by the global financial system as money, it must be certified by an LBMA accredited firm on the Good Delivery List.
- There is a great deal of confusion amongst the amateur segment of “bullion intermediaries” in terms of not understanding that gold is actually money.
- Once gold has been refined and certified with the stamp hallmark of an LBMA Good Delivery refinery, this gold is now recognized as money in the global financial system. As money, LBMA certified and hallmarked gold is never discounted; you cannot get a discount on money.

Buying and selling gold at a discount

- There are many self proclaimed intermediaries and mandates claiming to represent buyers or sellers willing to conduct gold bullion business at a discount. We recommend exercising the greatest caution when dealing with these claims.
- With over 17 years in the bullion industry, the bank's experience has shown that none of these deals has ever come to fruition and are always fraudulent.
- First of all, anyone claiming to represent a bank, mint, government, or some kind of fund and searching in the non-professional bullion market is highly unlikely.
- No bank, government, refinery, or mint requires the assistance of non-professionals, nor would such search for gold this way.
- Each one of these entities has direct access to market makers on the London Bullion Clearing and does not need to enlist the services of non-professionals.
- Additionally, when dealing with dust, d'ore, or concentrate, it is common sense that any legitimate source of this type of gold such as a mining company would already have contracts in place with reputable refineries and smelters. With such relationships they can command market prices and do not need to sell at a discount.
- The only exception would be mining operations with questionable nature and reputation. These “sources” can be fraught with risk in transportation to smelters and refineries as well as questionable purity and quality.
- Any private seller who claims to have gold outside the LBMA can exist (although very rare), but again, does not need to sell at a discount. They would simply have the gold refined and certified at an LBMA refinery for a small fee, after which they could sell it at market price plus whatever premium they negotiate.
- Anyone willing to sell at a discount would be a complete fool.

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Transactions over 15 metric tons

- According to the LBMA global gold trading statistics, total transactions globally for all of 2008 amounted to approximately 7,782.02 tons.
- This was spread over 23,172 transactions with an average trading weight of 10,797.51 ounces (just over 1/3 of a ton) per transaction.
- There are a large number of non-professionals claiming to represent buyers and or sellers of 100MT, 500MT, 1,000MT, 5,000MT, and even 15,000MT.
- What many amateurs that have not bothered to study the supply / demand statistics for gold and silver bullion markets do not realize, is that 1,000 metric tons of gold is greater than the entire foreign exchange reserves in gold for all of China!
- While the motivation to believe such numbers, especially if combined with the preposterous 8% discounts and 3% commissions, is understandable, the facts do not support it.
- The reality is such claims, in our experience, are again, always fraudulent.

Bullion, Dust, Dore, and Slurry Concentrate

- Many who find themselves new to the bullion industry often confuse these terms for the same thing.
- Bullion refers to gold that has been refined to a specific purity of 999.5 parts per thousand or better. Bullion that is refined to this degree or higher by an LBMA accredited refinery is certified as money in the LBMA system.
- Dust, Dore and Slurry Concentrate, on the other hand, is not considered money. It is unrefined and does not meet the purity requirements to be classified as bullion.

I hope these facts and realities have been helpful to everyone. We all need to focus our time on real transactions that can close and financially reward everyone involved.