LBMA GOLD BAR INTEGRITY INITIATIVE

Security Feature

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Introduction

LBMA, the global authority for the precious metals market, is focused on adding value to the global precious metals industry by setting standards, developing market services and thereby ensuring the highest levels of integrity, transparency and quality.

Established in 1987 by the Bank of England, LBMA independently maintains the Good Delivery List for gold and silver. These Lists formally recognise Good Delivery refiners who produce bars to LBMA standards, therefore establishing consistency across the physical bullion market. The Good Delivery standard is seen as the international benchmark for the quality of gold and silver bars.

To maintain their Good Delivery status, Good Delivery refiners must comply with stringent technical specifications concerning the gold and silver bars they produce. Expanding on these existing checks and balances, LBMA introduced the Responsible Sourcing Programme in 2012 after close consultation with the market.

The Programme's Responsible Gold and Silver Guidance effectively makes the voluntary OECD framework mandatory for all Good Delivery refiners wishing to maintain their Good Delivery status. As a minimum standard, the Guidance includes measures to combat money laundering, terrorist financing and human rights abuses globally. A third-party audit is undertaken annually to evidence this. Under the umbrella of the Responsible Sourcing Programme, LBMA hopes to assure investors and consumers that the precious metals they buy are responsibly sourced.

A requirement of the Responsible Sourcing Programme involves Good Delivery refiners submitting thorough country of origin data. This means each Good Delivery refiner must report each country from which it sources material, the amount and whether it is mined or recycled. The data has been fundamental in tracking the supply chain provenance of the metal that enters the Good Delivery system. However, we now wish to explore how technology can ensure the integrity and quality of supply chain provenance data, and how Security Feature technology can complement this.

Overall the Responsible Sourcing Programme has led the way for best practice in addressing the various risks in the supply chain. LBMA is now keen to take this further and look at technology solutions that can help to further strengthen supply chain integrity. Technology should ideally help to streamline the process under the Responsible Sourcing Programme, whilst supplementing LBMA's existing Good Delivery processes.

Purpose

Gold, in various physical forms, is traded, transported and vaulted globally. The custodians of the market must ensure that the illegal movement and trading of gold, which includes the potential for fraud, is mitigated and therefore all gold bars must be sourced, labelled and identified correctly.

A Security Feature is a physical feature that will establish the identity and provenance of a bar.

This document establishes the specifications of a Security Feature that can be used with a 400 troy ounce London Good Delivery Bar (LGDB) and gold kilobars produced by LBMA Good Delivery refiners. The introduction of this feature will establish a minimum level of security required for bars to enter the London Market.

Whilst the likelihood of a fraudulent or counterfeit LGDB entering the London Market is extremely low, the development and introduction of a Security Feature adds a further level of integrity.

It is expected that Security Features that conform to these specifications could be ultimately utilised for all bars (COMEX gold Good Delivery bars, silver Good Delivery bars) produced by LBMA Good Delivery refiners.

Specifications: Security Feature

The Security Feature must be robust enough for current and future needs. The practicalities of using the new Security Feature must not negatively impact the efficiencies of the current market (e.g. scanning barcodes for bars entering / leaving a vault). The Security Feature approach should not create conditions where it is impossible to bring gold into the system.

The specifications set out below will help ensure that any bar can be registered and subsequently be reliably and uniquely identified with high degree of confidence.

Bar Integrity

The Security Feature must not significantly affect the integrity or quality of the bar in terms of weight or purity.

Applicability

The Security Feature must be applied during the production of the bar and prior to storage or dispatch.

The Good Delivery refiner will be responsible for the Security Feature for primary production. The vault will ensure that existing, grandfathered stocks incorporate the Security Feature if and when required.

Robustness

The Security Feature must be robust and readable for the lifecycle of the bar.

The Security Feature must be destroyed when the bar is destroyed and must not be a contaminant or deleterious agent.

Readability

The Security Feature must be readable under normal vault conditions.

Lighting etc.

The Security Feature can be Covert, Overt or Forensic in nature.

It is expected that the introduction of the Security Feature in conjunction with the database will provide efficiency improvement opportunities.

Infrastructure

The Security Feature should not require significant investment in additional reading or handling equipment.

The Security Feature should be readable using existing technology such as bar code readers or high-resolution cameras.

Longevity

The Security Feature should be adaptable to ensure future proofing.

It is expected that the Security Feature will adapt to ensure that unforeseen threats are mitigated against.

Cost

The Security Feature should not significantly add to the production costs of the bar.

A significant increase in production costs is unlikely to be tolerated.

Database

The Security Feature, in conjunction with the standard bar markings, must populate the fields of the LBMA database.

- Unique Good Delivery refiner-generated serial number (serial number guidance is provided in the LBMA Good Delivery Rules);
- Security Feature or other technology (if any);
- Assay (four digits);
- Brand (as per LBMA GDL);
- Production date (MM/YYYY);
- Whether the bar data has been directly entered by a Good Delivery refiner;
- Date the bar was destroyed (only possible by a Good Delivery refiner otherwise status is outside the Chain of Custody);
- Which Good Delivery refiner destroyed the bar.

Recognition

LBMA will maintain details of the Security Feature that conform to the above specifications.

LBMA Team

The LBMA team is available to help address any questions throughout the Gold Bar Integrity initiative. Please contact the following: gdl@lbma.org.uk

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