

Best Practice Guidelines; Used by “Loco London” Vaults Opening a new vault for the storage of precious metals

A company that wishes to open a vault for the storage of precious metals may wish to first become a member of the London Bullion Market Association (LBMA). In order to join the LBMA a company must be involved in activities closely related to the London market in gold or silver bullion. (See http://www.lbma.org.uk/pages/index.cfm?page_id=65&title=joining_the_lbma for further details).

The key factors you should consider when opening a new vault are: your choice of location, how the vault should be built, security measures, and appropriate staffing.

The feasibility of opening a vault in a given location will depend upon the type of metal to be stored there, and its proximity to London. Vaults are located in the City of London or within the M25 to keep transportation costs and journey times to a minimum. However silver can be stored in areas further outside of London due to its comparatively low value; such vaults may need to offer lower charges to their prospective customers in order to compete with those vaults located nearer to London. Some locations are considered to have higher security risks than others. If you choose to set up your vault in a higher risk area you are likely to find it more difficult to acquire insurance cover.

If you wish to store the higher value precious metals then you may find that insurers insist that your vaults are subterranean. You will need to seek specialist advice regarding how your vault should be constructed. This will take into account aspects such as the materials that should be used and the loading limits of the ground you will be building upon. Ongoing security measures will be of great importance therefore you should also seek advice regarding these, unless you have the required expertise within your company. This will ensure that your premises are appropriately secure by the use of security technology and procedures.

Current operational vaults in London are maintained by:-

The Bank of England

HSBC Bank

JP Morgan Chase Bank

Brinks Limited

Via Mat International Limited

An operational vault will require the use of much specialised equipment in order to weigh, move and stack the metals held there. A system will be needed in order to record all of the bars in storage, to assign ownership of them, and produce paper and electronic weight lists as required.

It is important that you acquire a suitable level of insurance to cover the metals that you hold. Your cover will need to be reviewed frequently as levels of stock will vary. There are specialist insurers who do offer policies of this nature, but they will require you to share detailed information with them about your business.

When your vault is operational you should expect your customers to ask to perform regular audits of your facility and the stock that you hold of on their behalf.

One of the most important aspects of opening and running a vault is the leadership of an effective vault manager. It would be difficult to set up a vault without a manager who has practical experience of working in the precious metals industry. If this is so then it is possible for that manager to train new staff members in specialised processes such as weighing and checking that bars meet the LBMA's 'Good Delivery' standard, and will ensure that health and safety rules are adhered to. It may be a challenge to appoint an appropriate vault manager with the required skill set. Most of your staff will need to be qualified to operate forklift trucks and have demonstrable proficiency in weighing bars using beam balance and electronic scales. Your company can apply to the LBMA for status as an 'Approved Weigher' so that you are authorised to check the weights of bars entering London for the first time on behalf of the market. It is vital to your vault security that you engage a trustworthy workforce, and it is therefore necessary that all staff are vetted by the Criminal Records Bureau prior to appointment.

Disclaimer:-

Please note this represents only guidelines for opening a new vault. Adherence to the above DOES NOT guarantee acceptance to the London Clearing. New Applicants should seek further discussion, with the LBMA and the London Precious Metals Clearing Limited, regarding Membership.

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