

Memorandum of Understanding between HM Revenue & Customs

and

The London Bullion Market Association

and

London Platinum and Palladium Market

on the transactions effected by their members and the VAT issues arising

18th April 2013

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1 **Purpose**

This Memorandum of Understanding (MOU) has been prepared on behalf of the London Bullion Market Association (LBMA) and the London Platinum and Palladium Market (LPPM).

It is intended to assist Members of the LBMA, LPPM and HM Revenue & Customs (HMRC) to:

- understand the transactions that take place on the London Bullion markets;
- determine the supplies that take place for VAT purposes;
- determine the liability to VAT of those supplies in respect of the different precious metals and markets; and
- confirm those transactions that need to be reported on quarterly statistical reports of cross-border services.

This paper provides background information on trades typically affected by LBMA and LPPM Members, their current treatment for VAT purposes, and where we believe greater clarity and certainty can be introduced. In particular, we wish to reach an understanding of the nature of the transactions carried out on the markets, such that as markets develop, both HMRC and the markets are able to determine liability to VAT easily.

Supplies of goods and services that take place outside the UK are not within the scope of this paper. For supplies outside of the UK, Members should seek their own advice.

2 **Background**

London is the global clearing centre for gold and silver in much the same way that all US dollar transactions eventually clear in New York, and all Japanese yen transactions clear in Tokyo, and is the pricing centre for platinum and palladium. The reliefs from VAT that the markets enjoy are an integral part of their success. It is recognised that markets are ever changing and legislation is static; we are grateful for the opportunity to assist HMRC in ensuring that the reliefs are still relevant and up to date.

The Members of the two markets trade in what collectively are known as precious metals, and in this paper, we have referred to them as metal, defined at Annex 1. However, there are differences in both the activities of the two markets and the VAT legislation. We have, therefore, included separate sections on each, as appropriate.

2.1 **LBMA**

The London Bullion Market Association is the London-based trade association that represents the wholesale gold and silver bullion market. London is the focus of the international Over-the-Counter (OTC) market for gold and silver, with a client base including the majority of the central banks that hold gold, plus producers, refiners, fabricators and other traders throughout the world.

The LBMA was formally incorporated in 1987 in close consultation with the Bank of England, which was the bullion market's regulator at that time. The primary regulator for the bullion market in the UK is now the Financial Services Authority, with which the Association maintains a close working relationship.

The LBMA's membership includes companies that are active in the bullion market, encompassing banks, dealers, fabricators, refiners, shippers and brokers. There are two categories of full membership: market making and ordinary (although the latter term is not currently used in the LBMA's Articles, which simply refer to Members and Market Making

Members). Although originally open only to UK-based companies, full membership can now be granted to companies in other countries as long as they have a branch or subsidiary in the UK. In January 2000, the Association widened its base of participation by introducing a third category of membership, Associateship, which is designed for companies that have strong ties to the London bullion market. Associates, however, are not Members and, for instance, have no vote in the affairs of the Association. The Association's 63 Members, 52 Associates and 3 Affiliates are located in 19 countries.

Unlike other commodity exchanges, the London Bullion Market does not operate as a commodities exchange with a clearing house as a central counterparty, but instead operates on an Over-the-Counter (OTC) or principal-to-principal basis, which enables participants throughout the world to trade with Members of the London market. Six of the Market Making Members provide a clearing service for both paper gold and silver (based on unallocated accounts) and physical gold and silver in the form of allocated metal. A list of Full Members is shown at Annex 2. As the London Bullion Market is an OTC market, no comprehensive data is published as to the amount of metal that is traded in the London market, but the average daily value for gold and silver cleared through the London Bullion Market in June 2007 was US\$14.3 billion and US\$1.48 billion, respectively.

The London Bullion Market is a truly international market, in that although dealers in other bullion trading centres may trade in their local markets and commodity exchanges, they also deal extensively in "loco London" metal. This term means that the gold or silver will be settled in London by the LBMA Member, either by way of book transfer or physically. The location of the underlying metal will be referred to within the contract with the customer, whether the trade is on an unallocated or allocated basis, but at all times, the metals remain under the physical control of the LBMA Member. For VAT purposes, transactions in metals held by LBMA Members are referred to as being supplied within the "black box".

The on-going work of the Association encompasses many areas, among them refining standards, trading documentation and the fostering of good trading practices.

In the refining industry, the LBMA Good Delivery List is now widely recognised as representing the de facto standard for the quality of gold and silver bars, in large part thanks to the stringent criteria that an applicant must satisfy before being listed. In January 2004, the LBMA announced the introduction of proactive monitoring of refiners on the List, an important initiative that further enhances the reputation of the List and the refiners on it.

In conjunction with the foreign exchange and money markets in London, the Association has developed the Non-Investment Products Code, which provides a code of conduct by which all Members and Associates are required to abide.

The Association and the London Platinum and Palladium Market produced a joint publication, *A Guide to the London Precious Metals Market*, which describes the products available in the London market and how these can be used by market participants around the world. This is available from the LBMA website and upon request.

The LBMA's annual precious metals conference is now the premier professional forum for the world's bullion market. Following the conference held in Hong Kong in November 2012, the next event in the series will take place in Rome, Italy in September 2013.

The *Alchemist*, the LBMA's quarterly journal, contains articles of general interest to all participants in, and observers of, the bullion market. It is available free of charge from the LBMA Executive.

The LBMA's website can be found at www.lbma.org.uk and contains a range of statistics and other information about the bullion market.

2.2 LPPM

The LPPM operates on an OTC basis in the same way as the LBMA, but with trades being undertaken in troy ounces of platinum and palladium. Full membership of the Market is open to those companies in the UK currently engaged in trading in the metals and offering services in the UK to the market, including market-making, clearing services, refining or manufacturing. The list of current Full Members and Associates is attached at Annex 3. Associate membership is open to companies in the UK that engage in trading and dealing in platinum and palladium.

3 Transactions Undertaken

3.1 Legislative Background

Relief from VAT, on both the London Bullion and London Platinum and Palladium Markets, is provided by the Terminal Markets Order (TMO) which applies the zero rate of VAT to sales of goods ordinarily dealt with on the market. In addition, certain services may also be zero rated. Sales of investment gold (refer to <http://www.hmrc.gov.uk/manuals/vgoldmanual/VGOLD1300.htm>) are exempt from VAT. Furthermore, the LBMA Market agreement with HMRC dated 12 June 1991 (also adopted by the LPPM) provides additional clarification of the TMO.

Together, the Terminal Markets Order and the Investment Gold Directive relieve nearly all transactions traded on the two markets from a positive rate of VAT. Whilst the Investment Gold Directive applies to gold of a specified quality, the TMO applies to goods ordinarily dealt with on a market; The range of goods (metals) traded by Members of the market is detailed at Annex 1.

3.2 Goods or Services?

Trades on the two markets take place either on an allocated or unallocated basis. Where a market member owns metal and it is identifiable stock, then that metal is treated as a good for the purposes of VAT (the ingots numbered one to ten are mine). Where the metal is part of a larger stock (there are 50 ingots and 10 belong to me), then the supply of the metal is treated as a service for VAT. Investors acquire an interest in the metals, although in most situations, physical delivery will not occur and in 95% of trades, trading in unallocated metals will be undertaken.

3.2.1 Allocated

Where metal is held on an allocated basis, specific metal is held for a client's account. The client will know which bars belong to him, and the metal is an asset of the client. Therefore, in the event of bank bankruptcy, the metal is not available for the bank's creditors as it belongs to the client.

VAT Analysis

Transactions in allocated metal are treated as supplies of goods for VAT purposes. If the metal is located in the UK then potentially a charge to UK VAT can arise. Physical movement of metal to a place outside the UK must be reported as either an export (to a non-EU location) or on an ESL and intrastat for goods moved to an EU location.

3.2.2 Unallocated

This is an account where specific bars are not set aside and the customer has a general entitlement to the metal. This is the most convenient, cheapest and most commonly used method of holding metal. The holder is an unsecured creditor.

Transactions in unallocated metal that take place when the metal is stored in a Fiscal Warehouse are treated as supplies of goods for VAT purposes. Only silver, platinum, palladium and rhodium are eligible to be stored in this way.

VAT Analysis

Transactions in unallocated metal are treated as services for VAT purposes. It follows that the physical location of the metal is less relevant for VAT purposes, as the important

consideration in respect of the charge to UK VAT is the location of the client. Transactions with clients in other member states of the EU, with the exception of transactions in investment gold, may therefore be reportable on ESLs for services.

3.2.3 Delivery of Physical Metal to an Unallocated Account

This arises where a client delivers its own physical metal to a Member for credit to his unallocated account. Equally, a client can request that metal in his unallocated account is physically delivered to him.

VAT Analysis

We consider that there are two ways in which this transaction could be interpreted. The first is to see the conversion of allocated metal to unallocated, and vice versa, as being no transaction at all for VAT purposes, akin to cash moving in and out of a bank account. The alternative is to see a supply between the client and the member, and the member and the client, respectively. This would be on the basis that title to the metal changes from the client to the member when the metal is moved from an allocated to unallocated account. The supply would however have no value for VAT purposes.

3.3 Loco London / Loco Zurich

Metal is described as loco London or Zurich. This means that the metal that is used to settle trades is held in one of these locations – the contract will specify which. For VAT purposes, we do not consider that this alters the VAT analysis. 95% of transactions are in unallocated metal: therefore, because they are treated as services, the location of the underlying metal is not relevant. Transactions in allocated metal in Zurich would, we believe, benefit from the same reliefs as transactions in London.

3.4 Control of Metal by Members

Where a Member retains physical control over a metal (i.e. it is stored within a Member's vault), any transactions undertaken have historically been treated as benefiting from reliefs available under the Terminal Markets Order. This has applied specifically to transactions between non-members. At paragraph 4.3, we have set out that Members are within the supply chain in these transactions and therefore the relief continues to apply. It follows that relief under the Terminal Markets Order is in practice available when the metal is under the control of a Member, but **not** available when:

- (a) Metal is not under the control of a Member; and
- (b) Metal leaves the control of Members and is taken to use or consumption.

In these circumstances a liability to VAT will arise unless a further and different relief is set out in VAT legislation.

4 The Basic Types of Trade

4.1 Spot/Forward Trades

In a spot trade, a contract is entered into under which metal is sold and purchased at the current price and current time. In a forward trade, the sale or purchase is to take place at a time in the future. These trades are predominantly in respect of unallocated metals and can be closed out before the contract maturity date – they can be cash settled, rather than the underlying metal being physical delivered. However, a significant number of spot and

forward trades will reach maturity, and the underlying metal will be physically delivered or credited across unallocated accounts.

VAT Analysis

When these trades are in respect of unallocated metal, they are treated as supplies of services, and when the metal is allocated, as supplies of goods. Although the majority of contracts do not go to delivery, they are still treated as being taxable supplies for VAT purposes as the contracts are capable of delivery.

4.2 Futures Contracts

A futures contract is essentially a hedging mechanism, locking buyer and seller into predetermined prices for metal. Title does not pass until delivery occurs, and the advantage of a futures contract is that the buyer pays a deposit or margin of only 5%-10% of the value of the metal. The contracts are capable of physical delivery and, as with forward contracts, are treated as being taxable supplies. However, the way that the metal markets operate, means that a large proportion of futures contracts are 'closed out' before the contract reaches maturity, i.e. they are cash settled.

VAT Analysis

As with forward contracts, when these trades are in respect of unallocated metal, they are treated as supplies of services, and when the metal is allocated, as supplies of goods. Although the majority of contracts do not go to delivery, they are still treated as being taxable supplies for VAT purposes as the contracts are capable of delivery.

4.3 Non-Member Transactions

The TMO applies the zero rate to supplies between Members, or a Member and a non-member, of the LBMA. A transaction between two non-members in which the metal concerned is under the physical control of a Member will invariably include a Member, specifically a clearing member, to transfer the interest in the metal. Although the sale is agreed between two non-members that sale is assigned to enable clearing and settlement to take place. Therefore, the transactions are entered into between non-members and Members, and thus conditions set out in the TMO are met.

If there is no involvement of an LBMA Member then the relief cannot apply.

VAT Analysis

In order for relief under the TMO to apply, a member of the LBMA must be one of the parties to a transaction – a supply must be made by or to a member for the zero rate to apply. As the member is holding title to the metal then it is making a supply of that metal to the receiving party.

4.4 Option Contracts over Physical Metal

An option will give the right to either sell metal (or a futures contract for metal) at a particular date (a put option), or to buy metal or a futures contract at a particular date (a call option). The purchaser of the option pays a premium, and it is up to the purchaser to decide whether to exercise that option at maturity date. The option can be sold on, or allowed to lapse – in which case the premium paid is lost.

VAT Analysis

The grant of an option is a service for VAT purposes, the consideration for which is the premium payable.

4.5 Exchange Traded Funds (ETFs)

ETFs are securities that provide exposure to the price of the underlying metal. Such securities are freely traded and their issue or redemption requires an amount of the underlying metal, equal to the value of the security to be either deposited or withdrawn from the stock of metals, held by the appointed custodian. In the UK, the custodian is typically an LBMA Member.

VAT Analysis

The securities themselves are not metal, and therefore the sale of them is a supply of a security identical for VAT purposes to any other supply of a security.

Whether there is a supply in respect of the withdrawal of the metal from stock will depend upon the precise circumstances. The deposit and withdrawal of metal related to the issuing and redemption of securities is predominantly on an unallocated basis and therefore via book entries. Generally, the metal is already within the wholesale market.

On the depositing leg, the metal must be held in the metal account of the fund that resides with the appointed custodian (who is nearly always a market member). For example, the Participating Agent (Bank authorised to issue such shares) will deposit the requisite amount of metal into its metal account and if this metal account is not with the custodian, it will debit the metal account with the non-custodian and credit the fund's metal account with the custodian. The non-custodian will then deliver the metal and the fund's unallocated metal account will be debited and the allocated metal account credited. At this point, the metal is no longer within the wholesale market but held as allocated metal. The reverse will apply to withdrawals.

The practice in the UK is that the metal will remain within the black box. However, there is nothing to prevent metal being removed from the black box should an ETF investor require the underlying metal on redemption.

5 Transactions Involving Removal of Metal in the UK

5.1 Commercial Use

It is possible that a customer who is not a member of a market requires metal to be removed so that it can, for example, be used in processes, such as the making of jewellery, or to be transferred to their own storage.

In these circumstances, the removal of the metal will result (with the exception of investment gold) in a charge to VAT arising, as the metal is removed from the control of an LBMA Member.

5.2 Personal Use

It is not unknown for private clients of banks to consider the possibility of physically storing investment gold themselves. However, the terms and conditions are such that this rarely if ever arises. We are not aware that other metals have ever been delivered to private individuals. VAT would however be due.

6 Transactions Involving Removal of Metal to Another Country

6.1 Consignment Stock

This type of transaction involves the transfer of a stock of metal to another country, with no change in legal title. The stock is then sold by or on behalf of the owner.

VAT Analysis

The transfer of own metal to another member state is deemed to be a supply of goods by the owner. The owner will then make supplies of goods in that other member state when a sale of the metal is made. The important point is that at the time of movement of the metal, there is no specific customer for the goods.

Where metal is transferred to a country outside the EU in this way, there is no supply for VAT purposes, but the export should be supported by appropriate commercial evidence to prove removal of the metal.

6.2 Call-off Stock

This is where a stock of metal is transferred to a customer in another country (usually within the EU) with no change in legal title. The customer can then call for the stock, title will transfer, and the customer will use and pay for stock as required.

VAT Analysis

The transfer of own metal in this way can be treated as a supply of goods for VAT purposes from the owner to the customer at the time that the metal is transferred.

6.3 Exports

This involves the sale and removal of metal to a person who is outside the member states.

VAT Analysis

As an export, subject to the appropriate proof being held, the supply will be zero rated.

6.4 Despatch

A despatch occurs when metal is sold and removed to a country that is a member state of the EU.

VAT Analysis

A despatch is an 'export' to a customer in the EU. Subject to the appropriate proof being held, the supply will again be zero rated.

6.5 Shipping/Transport Fees

Shipping and transport fees are charged to clients when metal is delivered to them. They are therefore made when metal is exported, dispatched or delivered to a client in the UK.

VAT Analysis

When metal is delivered, the supply made is one of delivered metal. Any charge for shipping and transport is part of the consideration for underlying metal and adopts the same liability as set out above.

6.6 Collection and Transport Fees

These are charged to clients when the client collects the metal, rather than it being delivered to them.

VAT Analysis

When metal is delivered, the supply made is one of delivered metal. Any charge for shipping and transport is part of the consideration for underlying metal and adopts the same liability as set out above.

7 Other Charges

Charges are made by Clearing Members for various services. It is not uncommon for similar or identical services to be given different names by clearers; it is important to determine the true nature of the service.

7.1 Account Fees

7.1.1 Storage Charges

Historically, banks have charged their clients for storing precious metals. However, in the case of unallocated metal (about 95% of the total) there is no actual charge for storage as the metal belongs to the bank.

For allocated accounts, the fee charged covers custodial storage costs incurred by the bank for holding specific gold bars, to which the counterparty has legal title.

For unallocated accounts, such fees are similar to “account maintenance fees”, which cover the expenses incurred by the bank for having to store a certain amount of gold to cover the account if the counterparty requested physical delivery.

VAT Analysis

For unallocated accounts, the charge made is not for storage in the normal way, as the customer does not own any goods to store. For allocated metal, this is a fee for holding and storing another person’s goods.

From 1 January, 2010, the place of supply for a service of the storage of unallocated precious metal would be where the customer belongs. A fee for the storage of unallocated precious metal charged to a person in the UK would therefore be subject to VAT at the standard rate. Where fees are charged to persons in the rest of the EU no VAT is due but the supply will be reportable on ESLs.

For storage of allocated precious metals, historically a distinction was drawn between gold, silver, platinum and palladium.

Gold was viewed as being akin to a currency and an investment product, and accordingly a fee for storing allocated gold has always been seen as a financial service for VAT purposes.

A charge to a person in the UK is therefore subject to VAT; a charge to a person outside the UK is not subject to VAT. Where fees are charged to persons in the rest of the EU they will be reportable on ESLs.

Prior to 2012 the storage of silver, platinum and palladium had been seen as a land related service, and consequently always liable to UK VAT where the metal was located in the UK. In a business brief dated 2nd August 2012 HMRC announced a change in policy. If the supplier agrees to store the metal but does not grant a specific area for the exclusive use of the customer, the service would not relate to land, the place of supply would be where the customer belongs and the VAT consequences set out above would follow. If agreement is reached for a specific area in the vault to be provided to a specified customer, then the supply is related to land and liable to UK VAT.

7.2 Metal loans

There will be instances where a third party has to meet an obligation to fulfil an order for metals. The third party may be a refiner or manufacturer requiring a physical delivery, or an investor or broker who is short in a metal's position. As a result, a loan can be either a physical consignment or merely a book transfer, the latter being completed by way of a credit to the third party's account. In both cases, the terms of the loan will specify the quantity to be lent, the period of the loan (usually fixed), and the rate of interest. The interest rate of a metal loan reflects the price of metal but is charged in dollars.

VAT Analysis

Loans involve the lending of both allocated and unallocated metal (typically a client will request physical metal from an unallocated account), and a large proportion of loans made in the metals market are in respect of unallocated metals. If the loan involves a physical loan of metals, such a loan is treated as a supply of goods, the value of which includes the interest charged. A loan that is a pure book transfer is treated as a supply of services, the value of which is the interest charged.

7.3 Metal Transfers

A metal transfer is effectively the same as a currency transfer and hence is not subject to VAT.

7.4 Metal Overdrafts

Metal overdrafts arise where the borrower is overdrawn on his metal account. They are similar to metal loans but differ in two important respects in that the term of the contract and rate of interest charged by the lender are not fixed.

VAT Analysis

Overdrafts can involve borrowing both allocated and unallocated metal, and, as with loans, a large proportion of overdrafts are in respect of unallocated metals. If the overdraft involves the physical borrowing of metals, the supply is treated as a supply of goods, the value of which includes the interest charged. An overdraft which is a pure book transfer is treated as a supply of services, the value of which is the interest charged.

7.5 Credit Fees

This arises where a counterparty has sold more metal than it has in its allocated account and is given credit by the bank.

VAT Analysis

These fees are another type of account fee, but in reality, are similar to metal overdrafts and VAT should be applied in the same way.

7.6 Empty Account Fees

These charges are made to customers when their accounts are empty or have been dormant for a period of time. They are made in order to encourage them to close these accounts, in order to save bookkeeping work.

VAT Analysis

These fees are another type of account fee.

7.7 Handling charges

There are two types of handling charge or fee.

7.7.1 Inspection

When a bank receives metal, it will charge a fee that covers, for example, inspection, quality review and weighing. This is similar to any other inspection service.

VAT Analysis

In reality, this is an inspection service. From 1 January, 2010, the place of supply for an inspection service will be where the customer belongs; as such, no VAT would be due when the customer is established outside the UK.

It follows that for all metals, a fee for inspection charged to a person who belongs in the UK would therefore be subject to VAT at the standard rate; where the service is supplied to a person in the E.U. it will be reportable on ESLs.

7.8 Despatch

Where metal is delivered by a bank to a client, the handling charge on despatch will relate to the packaging and transport of the precious metal, and as such, is part of the consideration for the supply of the metal. This is a supply of goods, (it is not possible, by definition, to deliver unallocated metal), delivered to a particular location.

VAT Analysis

Where a bank is supplying precious metal to a client, any charge for packing, delivery, etc. is part of the consideration for the supply of the precious metal and adopts the same liability.

7.9 Collection

This is a charge made to a client when a client collects metal and removes it.

VAT Analysis

In these circumstances, the client is collecting his own metal, and any charge made is for a handling or inspection type service. It follows that for all metals, a fee for collection charged to a person who belongs in the UK would therefore be subject to VAT at the standard rate; where the service is supplied to a person in the EU, it will be reportable on ESLs.

Annexes

1 Metal Traded by Members of the LBMA and LPPM

1.1 Gold

The physical settlement of a loco London gold trade is a bar conforming to the following specifications:

Weight: minimum gold content: 350 fine troy ounces (approximately 10.9 kilograms)

maximum gold content: 430 fine troy ounces (approximately 13.4 kilograms)

The gross weight of a bar should be expressed in troy ounces, in multiples of 0.025, rounded down to the nearest 0.025 of a troy ounce.

Fineness: the minimum acceptable fineness is 995.0 parts per thousand fine gold.

Marks: serial number, assay stamp of refiner, fineness (expressed to four significant figures); year of manufacture.

1.2 Silver

The physical settlement of a loco London silver trade is a bar conforming to the following specifications:

Weight: minimum silver content: 750 troy ounces (approximately 23 kilograms) maximum silver content: 1,100 troy ounces (approximately 34 kilograms).

The gross weight of a bar should be expressed in troy ounces in multiples of 0.10, rounded down to the nearest 0.10 of a troy ounce.

Fineness: the minimum acceptable fineness is 999.0 parts per thousand silver.

Marks: serial number, assay stamp of refiner, fineness, (expressed to either three or four significant figures), year of manufacture.

1.3 Gold & Silver Grain

Form: grain.

Weight: no limit.

Purity: for gold, minimum 995.0 parts per thousand fine gold; for silver, minimum 999.0 parts per thousand silver.

1.4 Platinum

Form: plate or ingot

Weight: the maximum weight permitted is 6 kilograms (192.904 troy ounces), the minimum weight permitted is 1 kilogram (32.151 troy ounces).

Purity: minimum 999.5 parts per thousand platinum.

Markings: each plate or ingot must bear:

the producer's recognised mark; the letters PT or PLATINUM, with a stamp indicating the purity; an individual number or mark; year of manufacture; the weight in grams, kilograms or troy ounces (if in grams to one decimal place, if in kilograms to four decimal places, or if in troy ounces to three decimal places).

Appearance: smooth, free from cavities and easy to handle.

1.5 Palladium

Form: plate or ingot.

Weight: the maximum weight permitted is 6 kilograms (192.904 troy ounces), the minimum weight permitted is 1 kilogram (32.151 troy ounces).

Purity: minimum 999.5 parts per thousand palladium.

Markings: each plate or ingot must bear: the producer's recognised mark; the letters PD or PALLADIUM, with a stamp indicating the purity; an individual number or mark; year of manufacture; the weight in grams, kilograms or troy ounces (if in grams to one decimal place, if in kilograms to four decimal places, or if in troy ounces to three decimal places).

Appearance: smooth, free from cavities and easy to handle.

1.6 Platinum & Palladium Sponge

Form: sponge.

Weight: not applicable

Purity: minimum 999.5 parts per thousand platinum or palladium.

Markings: platinum or palladium and purity; Individual batch numbers and year of manufacture. Each bottle must be accompanied by a copy of the refiner's assay certificate.

Nett and gross weight in grams, kilograms or troy ounces (if in grams to one decimal place, if in kilograms to four decimal places, or if in troy ounces to three decimal places).

Appearance: free-flowing grey powder

2. LBMA Full Members

Amalgamated Trading UK Limited
Ames Goldsmith UK Limited
Argor Heraeus SA
Australia & New Zealand Banking Group Limited
Baird & Co Limited
Bank of China
Bank of Montreal
Bank of Nova Scotia-ScotiaMocatta
Bank Julius Baer
Barclays Bank Plc
BASF Metal Limited
Bayerische Landesbank
BNP Paribas
Britannia Refined Metals Limited
Brink's Limited
BullionVault.com
Canadian Imperial Bank of Commerce
Citibank NA
Commerzbank AG,
Commonwealth Bank of Australia
Cookson Precious Metals Limited
Credit Agricole CIB London
Credit Suisse
Credit Suisse AG Zurich
CRI Criterion Catalyst Co Ltd
Derek Pobjoy International Limited
Deutsche Bank AG
EBS Dealing Resources International Ltd
FIXI Plc
GFI Brokers Limited
G4S International
Goldman Sachs International
HSBC Bank USA NA
HSBC Bank Plc
ICAP Energy Limited
Industrial Commercial Bank of China
INTL Commodities Inc
Jefferies Bache Ltd
Johnson Matthey PLC
JP Morgan Chase Bank
Koch Metals Trading Limited
Landesbank Baden-Wuerttemberg
Macquarie Bank Limited
Malca-Amit Commodities Ltd
Marex Financial Limited
Merrill Lynch International Bank Limited
Metalor Technologies SA
Mitsubishi Corporation International (Europe) Plc
Mitsui & Co Precious Metals Inc
Morgan Stanley & Co International Limited
Natixis Commodity Markets Limited

2. LBMA Full Members (Continued...)

Natixis London Branch
Newedge UK Financial Ltd
Pamp SA
Phibro Ltd
Rand Merchant Bank a division of First Rand Bank Ltd
Rand Refinery Ltd
Royal Bank of Canada Limited
Royal Bank of Scotland Plc
Royal Mint
SCMI Ltd
Societe Generale
Standard Bank Plc
Standard Chartered Bank
Sudcen Financial Limited
Sumitomo Corporation Global Commodities Limited
Tanaka Kikinzoku Kogyo K.K.
The Toronto Dominion Bank
Triland Metals Limited
UBS AG
UBS Limited
VIA MAT International Limited
Westpac Banking Corporation
Zurcher Kantonalbank

3. LPPM Full Members and Associates

Barclays Bank Plc
BASF Metals Limited
Credit Suisse
Deutsche Bank AG
Goldman Sachs International
HSBC USA NA (London Branch)
Johnson Matthey Plc
JP Morgan Chase Bank
Mitsui & Co Precious Metals Inc (London branch)
Standard Bank Plc
UBS AG
Amalgamated Metal Trading Limited
Baird & Co Ltd
BASF Metals Forwards Ltd
BNP Paribas
Britannic Strategies Ltd
Citibank NA
Commerzbank AG
Cookson Precious Metals Ltd
Credit Agricole CIB
CRI / Criterion Catalyst Company Limited
DD&Co Limited
ETF Securities Ltd.
Gerald Limited

Heraeus Metallhandelsgesellschaft GmbH
HSBC Bank PLC
INTL Commodities Inc. (London Branch)
Jefferies Bache Ltd
Lonmin Plc
Merrill Lynch International
Merrill Lynch International Bank
Metalor Technologies SA
Mitsubishi Corporation International (Europe) Plc
Morgan Stanley & Co International Ltd
Natixis Bank
Natixis Commodity Markets Limited
Pamp SA
RBS Plc
Richmond Commodities Limited
Sabin Metal Corporation
Societe Generale
Standard Chartered Bank
Sumitomo Corporation
Sumitomo Corporation Global Commodities Limited
Tanaka Kikinzoku Kogyo K.K.
The Bank of Nova Scotia, SoctiaMocatta,
The Royal Bank of Canada
The Toronto Dominion Bank
Triland Metals Limited
UOP Limited
Valcambi sa
Vale Inco Europe Ltd

4. VAT Liability Matrix

KEY

ZR	Zero-rate / Zero-rated	Taxable transactions with 0% VAT rate
SR	Standard rate/Standard rated	For UK transactions this is 20%
RC	Reverse Charge	Self-charge to VAT
Exempt	Exempt from VAT	Not Taxable transactions

Section 4	The Basic Types of Trade	Description	Investment Gold	Silver	Platinum	Palladium
4.1	Spot/Forward Trades	Spot - sale or purchase of metal at the current price and current time Forward - sale or purchase that will take place at a time in the future	Unallocated	Unallocated	Unallocated	Unallocated
			Member to Member - ZR	Member to Member - ZR	Member to Member - ZR	Member to Member - ZR
			Member to Non-members - ZR (if metal remains under a member's control and responsibility)	Member to Non-members - ZR (if metal remains under a member's control and responsibility)	Member to Non-members - ZR (if metal remains under a member's control and responsibility)	Member to Non-members - ZR (if metal remains under a member's control and responsibility)
			Member to Non-member - Exempt (if metal is not under the control of a member)	Member to Non-member - SR (if metal is not under the control of a member)	Member to Non-member - SR (if metal is not under the control of a member)	Member to Non-member - SR (if metal is not under the control of a member)
			Allocated	Allocated	Allocated	Allocated
			Member to Member - ZR	Member to Member - ZR	Member to Member - ZR	Member to Member - ZR
			Member to Non-member - Exempt (if metal is not under the control of a member)	Member to Non-member - SR (if metal is not under the control of a member)	Member to Non-member - SR (if metal is not under the control of a member)	Member to Non-member - SR (if metal is not under the control of a member)

4.2	Futures Contracts	Essentially a hedging mechanism, locking buyer and seller into predetermined prices for metal deliverable at a future date.	Unallocated	Unallocated	Unallocated	Unallocated
			Member to Member - ZR	Member to Member - ZR	Member to Member - ZR	Member to Member - ZR
			Member to Non-members - ZR (if metal remains under a member's control and responsibility)	Member to Non-members - ZR (if metal remains under a member's control and responsibility)	Member to Non-members - ZR (if metal remains under a member's control and responsibility)	Member to Non-members - ZR (if metal remains under a member's control and responsibility)
			Allocated	Allocated	Allocated	Allocated
			Member to Member - ZR	Member to Member - ZR	Member to Member - ZR	Member to Member - ZR
			Member to Non-member - Exempt (if metal is not under the control of a member)	Member to Non-member - SR (if metal is not under the control of a member)	Member to Non-member - SR (if metal is not under the control of a member)	Member to Non-member - SR (if metal is not under the control of a member)
4.3	Transactions where first and last party are Non-members	Transaction where metal is assigned to member by non-member for clearing	Unallocated / Allocated	Unallocated / Allocated	Unallocated / Allocated	Unallocated / Allocated
		Transaction where metal is not assigned to members by non-member for clearing - there is no member involvement at all	UK Clients - ZR if a member is involved in transaction. The sale is assigned to a member for clearing and the TMO relief applies	UK Clients - ZR if a member is involved in transaction. The sale is assigned to a member for clearing and the TMO relief applies	UK Clients - ZR if a member is involved in transaction. The sale is assigned to a member for clearing and the TMO relief applies	UK Clients - ZR if a member is involved in transaction. The sale is assigned to a member for clearing and the TMO relief applies
			Non-member to Non-member - Exempt (if metal is not under the control of a member). If metal is under the control of a member the metal is assigned (see above)	If a sale is between non members, and there is no member involvement, then the TMO relief cannot apply. Supplies are SR if metal is in the UK, otherwise outside the scope of UK VAT.	If a sale is between non members, and there is no member involvement, then the TMO relief cannot apply. Supplies are SR if metal is in the UK, otherwise outside the scope of UK VAT.	If a sale is between non members, and there is no member involvement, then the TMO relief cannot apply. Supplies are SR if metal is in the UK, otherwise outside the scope of UK VAT.
4.4	Option Contracts over Physical Metal	A right to either sell metal (or a futures contract for metal) at a particular date (a put option), or to buy metal or a futures contract at a particular date (a call option). The purchaser of the option pays a premium.	Member to Member - ZR	Member to Member - ZR	Member to Member - ZR	Member to Member - ZR
			Member to Non-members - ZR (if the option relates to metal under a member's control)	Member to Non-members - ZR (if the option relates to metal under a member's control)	Member to Non-members - ZR (if the option relates to metal under a member's control)	Member to Non-members - ZR (if the option relates to metal under a member's control)
4.5	Exchange Traded Funds (ETFs)	Securities that provide exposure to the price of the underlying metal. Such securities are freely traded and their issue or redemption requires an amount of the underlying metal, equal to the value of the security to be either deposited or withdrawn from the stock of metals, held by the appointed custodian. In the UK, the custodian is typically an LBMA	Unallocated / Allocated	Unallocated / Allocated	Unallocated / Allocated	Unallocated / Allocated
			Member to Member - ZR	Member to Member - ZR	Member to Member - ZR	Member to Member - ZR
			Member to Non-members - ZR (if metal remains under a member's control and responsibility)	Member to Non-members - ZR (if metal remains under a member's control and responsibility)	Member to Non-members - ZR (if metal remains under a member's control and responsibility)	Member to Non-members - ZR (if metal remains under a member's control and responsibility)

Section 5	Transactions involving the removal of metal in the UK	Comment	Investment Gold	Silver	Platinum	Palladium
5.1	Commercial Use	Removal of metal from control of LBMA member. Metal stays in UK.	VAT registered client = Special Accounting Scheme applies	UK Client = SR	UK Client = SR	UK Client = SR
			Non-VAT registered client = Exempt	Non-UK Client = SR	Non-UK Client = SR	Non-UK Client = SR
5.2	Personal Use	Removal of metal from control of LBMA member. Metal stays in UK. Rarely occurs.	Assume all non-VAT registered clients = Exempt	UK Client = SR	UK Client = SR	UK Client = SR
				Non-UK Client = SR	Non-UK Client = SR	Non-UK Client = SR
Section 6	Transactions involving removal of metal to another	Comment	Investment Gold	Silver	Platinum	Palladium
6.1	Consignment stock	This type of transaction involves the transfer of a stock of metal to another country, with no change in legal title. The stock is then sold by or on behalf of the owner.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale.
			UK to non-EU = Export, ZR for UK VAT, usual commercial evidence to retain.	UK to non-EU = Export, ZR for UK VAT, usual commercial evidence to retain.	UK to non-EU = Export, ZR for UK VAT, usual commercial evidence to retain.	UK to non-EU = Export, ZR for UK VAT, usual commercial evidence to retain.
			EU to UK = Acquisition into UK	EU to UK = Acquisition into UK	EU to UK = Acquisition into UK	EU to UK = Acquisition into UK
			non-EU to UK = import	non-EU to UK = import	non-EU to UK = import	non-EU to UK = import
6.2	Call-off stock	A stock of metal is transferred to a customer in another country (usually within the EU) with no change in legal title but dedicated for a specific customer. The customer can then call for the stock, title will transfer, and the customer will use and pay for stock as required.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale.
			UK to non-EU = Export, ZR for UK VAT, usual commercial evidence to retain.	UK to non-EU = Export, ZR for UK VAT, usual commercial evidence to retain.	UK to non-EU = Export, ZR for UK VAT, usual commercial evidence to retain.	UK to non-EU = Export, ZR for UK VAT, usual commercial evidence to retain.
			EU to UK = Acquisition into UK	EU to UK = Acquisition into UK	EU to UK = Acquisition into UK	EU to UK = Acquisition into UK
			non-EU to UK = import	non-EU to UK = import	non-EU to UK = import	non-EU to UK = import
6.3	Exports	The sale and removal of metal to a person who is outside the member states.	UK to non-EU; ZR for UK VAT subject to usual commercial Export documents being retained	UK to non-EU; ZR for UK VAT subject to usual commercial Export documents being retained	UK to non-EU; ZR for UK VAT subject to usual commercial Export documents being retained	UK to non-EU; ZR for UK VAT subject to usual commercial Export documents being retained

6.4	Despatch	A Despatch occurs when metal is sold and removed to a country that is a member state of the EU.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale in disport.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale in disport.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale in disport.	UK to EU = Despatch, ZR for UK VAT if registered in discharge location. Transfer of own goods with subsequent domestic resale in disport.
			EU to UK = Acquisition into UK	EU to UK = Acquisition into UK	EU to UK = Acquisition into UK	EU to UK = Acquisition into UK
6.4	Acquisition	An Acquisition occurs when metal is received into a country that is a member state of the EU, from another member state.	EU to UK = ZR if received into custody of an LBMA member	EU to UK = ZR if received into custody of an LBMA member	EU to UK = ZR if received into custody of an LBMA member	EU to UK = ZR if received into custody of an LBMA member
6.5	Shipping/Transport Fees	Shipping and transport fees are charged to clients when metal is delivered to them. They are therefore made when metal is Exported, dispatched or delivered to a client in the UK.	UK to UK client = SR	UK to UK client = SR	UK to UK client = SR	UK to UK client = SR
			UK to non-UK EU client = ZR if EU client is VAT registered in another member state	UK to non-UK EU client = ZR if EU client is VAT registered in another member state	UK to non-UK EU client = ZR if EU client is VAT registered in another member state	UK to non-UK EU client = ZR if EU client is VAT registered in another member state
			UK to non-EU client = ZR	UK to non-EU client = ZR	UK to non-EU client = ZR	UK to non-EU client = ZR
6.6	Collection/Transport Fees	These are charged to clients when the client collects the metal, rather than it being delivered to them.	UK to UK client = SR	UK to UK client = SR	UK to UK client = SR	UK to UK client = SR
			UK to non-UK EU client = ZR if EU client is VAT registered in another member state	UK to non-UK EU client = ZR if EU client is VAT registered in another member state	UK to non-UK EU client = ZR if EU client is VAT registered in another member state	UK to non-UK EU client = ZR if EU client is VAT registered in another member state
			UK to non-EU client = ZR	UK to non-EU client = ZR	UK to non-EU client = ZR	UK to non-EU client = ZR
Section 7	Other Charges	Comment	Investment Gold	Silver	Platinum	Palladium
7.1	Allocated Storage Fees	Storage of precious metals without client dedicated space in a vault	UK Client = SR	UK Client = SR	UK Client = SR	UK Client = SR
			Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR
		Storage of precious metals with client dedicated space in a vault	UK Client = SR	UK Client = SR	UK Client = SR	UK Client = SR
			Non-UK Client = SR	Non-UK Client = SR	Non-UK Client = SR	Non-UK Client = SR

7.1	Unallocated 'Storage' Fees	Viewed as a taxable financial service, not as 'storage'.	UK Client = SR	UK Client = SR	UK Client = SR	UK Client = SR
			Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR
7.1	Transfer Fees (isolated)	Most appropriate to align an isolated charge on the account with unallocated storage Fees.	UK Client = SR	UK Client = SR	UK Client = SR	UK Client = SR
			Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR
7.1	Transfer Fees (clearing)	If these fees are part of a clearing service then it will be ZR regardless of the client or metal location.	ZR	ZR	ZR	ZR
7.1	Account Fees	For allocated accounts only, such a fee is deemed to be a "account maintenance fee"	UK Client = SR	UK Client = SR	UK Client = SR	UK Client = SR
			Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR
7.2	Metal Loan - physical (<i>investment gold</i>) where the metal is in the UK	A loan which involves the physical loan of investment gold. Such a loan is treated as a supply of goods and the value is the value of the metal including any interest charged	Member to member = ZR	NA	NA	NA
			Member to Non-member (metal remains under the control of a member) = ZR			
			Member to Non-member (metal not under the control of a member) = non member accounts for VAT under special accounting scheme			
7.2	Metal Loan - physical (<i>excluding investment gold</i>) where the metal is in the UK	A loan which involves the physical loan of metals. Such a loan is treated as a supply of goods and the value is the value of the metal including any interest charged	NA	Member to member = ZR Member to Non-member (metal remains under the control of a member) = 7R	Member to member = ZR Member to Non-member (metal remains under the control of a member) = 7R	Member to member = ZR Member to Non-member (metal remains under the control of a member) = 7R
				Member to Non-member (metal not under the control of a member) = SR	Member to Non-member (metal not under the control of a member) = SR	Member to Non-member (metal not under the control of a member) = SR
7.2	Metal Loan - Unallocated (<i>excluding investment gold</i>) where the borrower is in the UK	A loan which is a pure book entry is a supply of services and the value is the interest charged	Member to member = ZR	Member to member = ZR	Member to member = ZR	Member to member = ZR
			Member to Non-member (metal remains under the control of a member) = ZR	Member to Non-member (metal remains under the control of a member) = 7R	Member to Non-member (metal remains under the control of a member) = 7R	Member to Non-member (metal remains under the control of a member) = 7R
			Member to Non-member (metal not under the control of a member) = Exempt	Member to Non-member (metal not under the control of a member) = Exempt	Member to Non-member (metal not under the control of a member) = Exempt	Member to Non-member (metal not under the control of a member) = Exempt

7.3	Metal Transfer	If this service relates to transfers between metal clearing accounts belonging to the same account holder, then VAT will not apply in any case.	No VAT	No VAT	No VAT	No VAT
7.4	Metal Overdraft - physical (investment gold) where the metal is in the UK	A loan which involves the physical loan of metals. Such a loan is treated as a supply of goods and the value is the value of the metal including any interest charged	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = Exempt	NA	NA	NA
7.4	Metal Overdraft - physical (excluding investment gold) where the metal is in the UK	A loan which involves the physical loan of metals. Such a loan is treated as a supply of goods and the value is the value of the metal including any interest charged	NA	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = SR	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = SR	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = SR
7.4	Metal Overdraft - Unallocated where the borrower is in the UK	A loan which is a pure book entry is a supply of services and the value is interest charged	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = Exempt	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = Exempt	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = Exempt	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = Exempt
7.5	Credit fees - physical (excluding investment gold) where the metal is in the UK	A type of metal overdraft in so much as a metal account holder has traded more metal than it has in its allocated account and its custody and clearing bank provides additional credit.	NA	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = SR	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = SR	Member to member = ZR Member to Non-member (metal remains under the control of a member) = ZR Member to Non-member (metal not under the control of a member) = SR

7.6	Empty Account Fee	Such charges are made to customers who have empty metal accounts or accounts which have been dormant for a period of time.	UK Client = SR	UK Client = SR	UK Client = SR	UK Client = SR
			Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR
7.7	Inspection Fee	When a bank receives metal, it will charge a fee that covers for example, inspection, quality review and weighing.	UK Client = SR	UK Client = SR	UK Client = SR	UK Client = SR
			Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR
7.8	Despatch Fee	Any charge made to a client for packing delivery etc is part of the consideration for the supply of precious metal.	Liability same as underlying supply	Liability same as underlying supply	Liability same as underlying supply	Liability same as underlying supply
7.9	Collection Fee	This is a charge made to a client when a client collects metal and removes it.	UK Client = SR	UK Client = SR	UK Client = SR	UK Client = SR
			Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR	Non-UK Client = ZR
ZR	Zero-rate / Zero-rated	Taxable transactions with 0% VAT rate				
SR	Standard rate/Standard rated	For UK transactions this is 20%				
RC	Reverse Charge	Self-charge to VAT				
Exempt	Exempt from VAT	Not Taxable transactions				

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