

PRESS NOTICE

LBMA Good Delivery List for Gold and Silver Treatment of Bars from Deep Storage

The LBMA has noted that in the past year, an increasing number of gold and silver bars have been re-appearing in the market after having been held for many years in vaults (whether in London or elsewhere). Most of these bars will still be acceptable in the London bullion market, even if they are not fully compliant with the LBMA's current Good Delivery Rules, which have been modified in a number of ways since the establishment of the LBMA in 1987.

However, some of these "deep storage" bars may no longer be regarded as acceptable, either because of physical defects or poor marking. This can apply both to bars from currently active Good Delivery List refiners and also to those from refiners which are now on the Former List (and which may well no longer be in business). In particular, the LBMA has confirmed that bars which are not stamped with the original refiner's assay mark and fineness (with these being shown instead on an accompanying certificate) will no longer be acceptable as Good Delivery.

In such cases, there are a number of scenarios:

- The receiving vault manager may refuse to accept the bars and will then discuss with the customer who submitted the bars whether they should be returned or dealt with as shown below.
- The owner of the bars may elect:
 - to have the bars upgraded, at its own cost, to an acceptable form by remelting (or refining) at a current Good Delivery List refiner; or
 - to accept a discounted price that reflects the cost of this upgrading.
- In some cases, Members of the LBMA may be able to assist in the disposal of such bars by finding industrial consumers for whom the above-mentioned defects are relatively unimportant, so that the bars may be sold for a smaller discount than would be involved in conversion to full Good Delivery status.
- Customers may incur funding costs if bars are not of acceptable quality. This will be particularly relevant if a customer intends to use the metal to fund a short position on their unallocated loco London gold or silver account. If the bars are not of suitable quality and the unallocated credit cannot be passed, there may be a requirement for the customer to borrow metal to fund their loco London account until such time that the quality issue is resolved.

Responsibility of Good Delivery Refiners

It should be noted that in the case of bars previously produced by current Good Delivery List refiners, the LBMA would expect them to make good on any problems in the form of defects which would have made their bars unacceptable at the time of their manufacture. On the other hand, where bars have been rendered unacceptable because of a modification of the LBMA's standards, it would not normally be expected that the refiner would take responsibility for converting the bars into an acceptable form.

Before implementing changes to the standards for Good Delivery bars, the LBMA will always take into consideration the likely impact that such changes may have with regard to bars produced prior to the date of implementing any such changes.

Ad Hoc Inspection Panel

In case of need, the LBMA may, without obligation or responsibility, set up a panel of inspectors to give an opinion on batches of bars whose acceptability is in doubt. However, it is the vault manager who ultimately has the right to accept or reject bars submitted to his vault.

For further information contact Stewart Murray, Chief Executive, or Susanne Capano, PR Manager, on Tel. 020 7796 3067 or Fax. 020 7796 2112.

9th June 2006