

BUYING AND SELLING GOLD BARS

A GUIDE FOR NEW INVESTORS

This section is designed to assist investors who are planning to buy gold bars for the first time.

Before focusing on investors, some general comments on bar manufacturers, dealers and fabricators can be made.

BAR MANUFACTURERS

Apart from **standard** bars that record only the official stamps of the refiner, many accredited refiners also manufacture **customized** bars.

For example, customized bars are produced for gold-dealing banks around the world, the bars recording the name or logo of the bank – with the certification mark or name of the refiner usually also recorded on the bar or in an accompanying certificate.

In recent years, the growth in the number of banks and other entities issuing customized bars has been such that, in many countries, investors now have access to both standard and customized bars that are manufactured by accredited refiners.

For a list of accredited refiners, refer to the section on this website: “**Accredited Gold Bar Manufacturers**”.

DEALERS

Dealers that provide bars for national markets can be classified under two broad categories:

International dealers: those that order large quantities of bars from refiners so that they can supply dealers, fabricators and other trade entities around the world.

For example, dealers that supply many markets would include Commerzbank, Credit Suisse, JP Morgan Chase Bank, Standard Bank and UBS.

As a result of the activity of international dealers, bars that are manufactured by the world’s major refiners are traded by investors in many countries.

National dealers: those that service their national market by obtaining bars from local refiners and dealers, international dealers or local exchanges (if available) that deal in bars.

TROY OUNCE AND GRAM CONVERSION

1 oz = 31.1034768 g
1000 g = 32.1507465 oz

Source: London Bullion Market Association (LBMA)



Johnson Matthey
USA

Accredited refiners manufacture **standard** bars



Commerzbank
Germany

..... and **customized** bars, notably for banks.

Commerzbank bars are manufactured by Argor-Heraeus (Switzerland).



Standard Bank Plc
London

International dealers supply bars to many markets around the world.



FABRICATORS

Fabricators around the world use bars, granules or other forms of gold for the manufacture of jewellery, industrial and other products that contain gold.

As the bars will be melted down, fabricators are only concerned that the declared bar weight and gold purity are accurate and that the small residual amount of other metals in the bars (which can vary among brands) will not inhibit their use for fabrication purposes.

For this reason, they may sometimes use bar weights and brands that are not widely traded by investors in their country.

INVESTORS

SELECTING A DEALER

It is important to select a reputable dealer – ideally, one with which you can establish a long-term dealing relationship.

The reason for this is that most dealers prefer to buy back bars that they have previously sold to the investor. As the dealer will be familiar with the brand, it will normally offer a better buy-back price. Brands with which it is not familiar, or which it considers may be difficult to sell, may have to be bought back at the scrap gold price.

Although no gold-related association can guarantee the reliability of any dealer, some associations publish (with a prominent disclaimer) a list of active dealers.

For example, the **World Gold Council** refers to gold dealers in over 25 countries on its website: www.gold.org

WHICH BRAND?

As most dealers focus on a single brand or a small number of brands, an investor's choice is limited to what is available from the selected dealer.

However, to ensure that you have **tradable bars** that might have to be sold back to another dealer, it would be prudent to use a dealer that offers you bars that are (1) manufactured by an accredited refiner, and (2) well known in your country.

WHAT SIZE OF BAR?

Most dealers offer a **range** of bar weights to accommodate the requirements of large and small investors.

While some investors choose the largest bars available from the selected dealer, others may choose smaller bars so they can accumulate a gold investment over time or retain a capacity to sell their gold investment in small amounts in the future.

It can be borne in mind that larger bars usually have lower percentage premiums (i.e. mark-ups) above the prevailing value of their fine gold content – and usually a smaller "spread" (i.e. the difference between the buying and selling price per gram or troy ounce).



China Gold
China

It is important to buy bars from a dealer that has a good reputation.



Heraeus
Germany

It would be prudent to buy bars that are manufactured by an accredited refiner.



Rand Refinery
South Africa

Larger bars are normally priced with a lower premium and smaller spread.



PRICING

When selecting a dealer, it is important to be aware of its pricing policy.

Investors should calculate the following for the bar weight that they intend to buy:

- **The bar's premium above the value of its fine gold content.** The reason for this is that it gives some indication of the maximum premium reduction that could occur in the event of a market situation, where buy backs exceed sales and the dealer may be obliged to buy back bars at the scrap gold price.
- **The spread between the bar's purchase and sell-back price.** The reason for this is that it gives some indication of the current premium reduction if you were to sell the bar back to the dealer.

When bars are sold by a dealer, the premium normally includes the following costs: refining, bar manufacture, delivery of the bar to the dealer and dealer overheads.

The premium may also be affected by the extent to which the bar is available on the market, and whether the gold price is relatively stable or volatile.

For example, when the gold price is volatile, the bar's premium above the value of its gold content can be higher and the spread can be wider. The reason for this is that dealers are exposed to greater risk during these times and are obliged to increase their spreads.

TAXES

While some countries exempt designated gold investment bars from sales taxes and import duties (e.g. countries in the European Union), other countries levy import, sales or other taxes (e.g. India, Russia, Japan and many States in the USA).

It can be noted that, in countries where duties or taxes are applied to gold bars, some dealers incorporate them **within their quoted spreads**, while others record them **separately**.

STORAGE PROGRAMS

If you do not wish to take physical delivery of gold bars, some dealers offer a variety of gold investment programs that are backed by gold:

Allocated gold bars

The bars are held in your name. The weight, purity and serial number of each bar are recorded. Storage charges would normally apply.

Unallocated gold

There are two broad forms, although many companies offer variations or qualifications within each form:

- Unallocated gold where your gold investment is backed in full within a pool of gold bars that is stored by the dealer on behalf of its customers. Storage charges would normally apply.
- Unallocated gold where your gold investment is related to the gold price, but the gold may be used for other purposes. For example, the gold may be loaned to fabricators. As the dealer is able to generate income in this way, storage charges are not normally applied.



Sberbank
Russia

The dealer you select should sell and buy back bars at competitive prices.



Tanaka
Japan

In some countries, duties and taxes are applied to bars.



Metalor
Switzerland

Some dealers offer allocated or unallocated gold investment programs.



PACKAGING AND CERTIFICATES

Some brands are sold by dealers in open or sealed packaging, and some with certificates issued by the refiner.

Where this is the case, you should retain the certificates and store the bars in their packaging – to facilitate their sale back to a dealer at some stage in the future.

BUYING AND HOLDING BARS IN OTHER COUNTRIES

If you intend to do this, it would be prudent to buy brands that are traded in both the foreign country and your own, in the event that you should wish to transfer them to your own country.

When transferring bars between countries, it can be borne in mind that restrictions, duties and taxes may apply.

BASIC CHECKLIST FOR NEW INVESTORS

Dealer	Does the dealer have a good reputation?
Brand	Is the bar manufactured by an accredited refiner?
	Is the bar well known in your country?
Pricing	What is the current gold price?
	What is the quoted price to buy the bar?
	Calculate the % premium (mark-up) of the bar above the current value of its fine gold content.
	What is the quoted price if you were to sell back the bar?
	Calculate the “spread” – the difference between the purchase and sell-back price of the bar.
Storage – if applicable	Are the bars allocated or unallocated?
	What are the storage costs?
Delivery – if applicable	What is the delivery and insurance cost?
Other Costs	Are there any other transaction-related costs? For example, taxes.



Customized bars for banks in India, manufactured by PAMP (Switzerland).

If bars are sold in packaging, the packaging should be retained.



Valcambi Switzerland

Investors should be aware of the dealer's pricing policy, as well as storage, delivery and other costs, if applicable.



PAMP Switzerland

If bars are sold with certificates, the certificates should be retained.



The Perth Mint Australia

Restrictions, duties and taxes may apply, if bars are transferred to another country.



ACCREDITED REFINERS

OFFICIAL STAMPS

EXAMPLES



Heraeus
Germany



Johnson Matthey
USA



Tanaka
Japan



Rand Refinery
South Africa



The Perth Mint
Australia



Krastsvetmet
Russia

CERTIFICATION MARKS

EXAMPLES



Argor-Heraeus
Switzerland



Metalor
Switzerland



PAMP
Switzerland



Valcambi
Switzerland

Apart from standard bars, accredited refiners in Switzerland manufacture customized bars for many banks around the world.

ACCREDITATION

There are over 50 gold refiners around the world that are accredited to the **London Bullion Market Association** (LBMA).

In addition, there are approximately 50 other gold refiners that are accredited to national associations and exchanges.

Refer to disclaimer on website: www.goldbarsworldwide.com

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