

Moving precious metals into to the modern world



Executive summary

The rapid rise in the gold market's infrastructure in Asia in the past decade is now being followed by increasing technology, aimed at driving efficiency and transparency within the bullion sector, as well as making the purchasing and storage of gold more accessible.

Some innovative digital platforms provide free, direct and real-time access to precious metals inventory across the world, connecting Buyers to LBMA refineries, bullion banks, wholesalers and logistics firms, without the need to open multiple accounts.



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GOLD IS A GLOBAL BUSINESS, SO CLIENTS considering investment in physical gold should seek out firms that provide a full-service precious metals trading capability and universal access to the related financial markets through centres such as London, Singapore, Shanghai, Dubai and the USA.

The gold industry is a remarkably diverse and fascinating business, with precious metals firms dealing with clients from mining companies to jewellery makers to HNW individuals. Therefore, the ability to provide follow-the-sun, seamless, and continuous service to clients across the whole of the precious metal sector is increasingly essential. Such global precious metals businesses are set up to cater for the varied needs and orders of bullion wholesalers, traders, refiners and smelters, government agencies, banks and financial institutions, jewellery manufacturers and other industrial users of precious metals. And of course, individual HNW investors.

A specialist global physical bullion company might, for example, buy gold in raw material form from mining companies, especially in major producing regions such as China, Australia, Russia, Africa or North and Latin America. It may then send the raw material to LBMA accredited refineries around the globe that convert it to gold bars that can then be marketed and delivered to institutions, or to HNW individuals. Or it might be turned into jewellery and other fashion accessories.

These global precious metal companies act as reliable and competitive wholesale suppliers of gold, silver and platinum group metals in the form of London good-delivery bars, other bars, grains, sheets, dore, wafers and wire.

"If there are other trusted alternatives to the banks to store their physical gold and they are able to monitor the holding regularly and obtain advice on when to accumulate, or sell, our clients will be interested."

Source: Hubbis Gold Survey

3 MAIN FACTORS TO CONSIDER WHEN PURCHASING PHYSICAL GOLD:

RELIABLE SOURCE

- Reputable Bullion Traders
- LBMA Refinery
- Bullion Banks

SECURE LOCATION

- Safe jurisdiction
- Politically stable
- Accessible
- Stable environment (e.g. not exposed to earthquakes)

LOGISTICS PROVIDER & INSURANCE

- Expert logistics and security firm should be selected
- Track record and expertise in Bullion
- Global network preferable





Online platforms for the new world of gold

For many decades, the buying and selling of gold have been labour intensive, non-transparent and convoluted, with numerous steps and modes of communication and transportation. This becomes especially unwieldy across the world's time zones, opening the door for private companies to provide a more seamless, technology-enabled array of services.

From opaque to transparent – technology as a catalyst

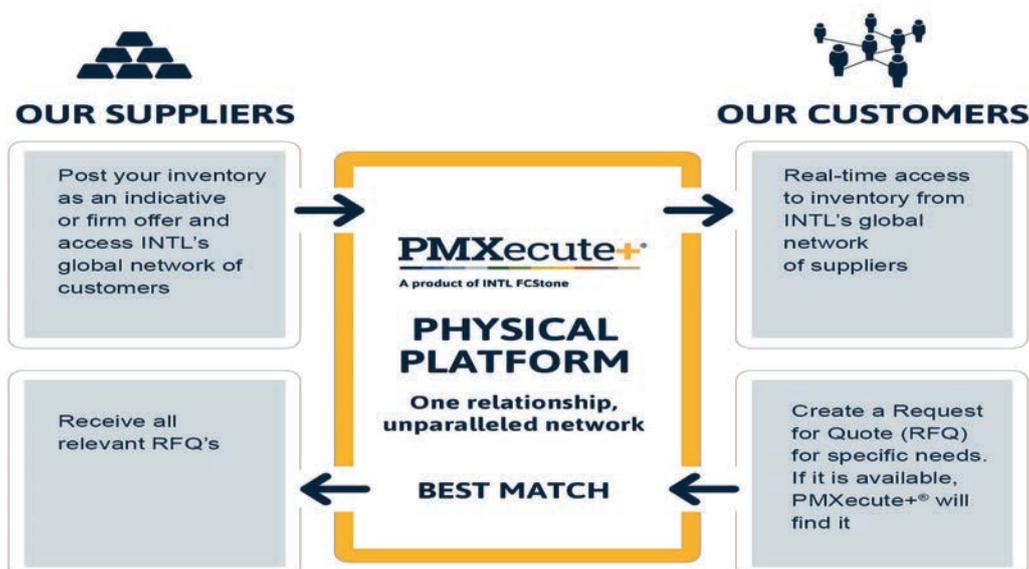
Historically, the opaque character of the physical gold market was preferred by many within the industry, who liked to be able to cloak the margins involved. But the new web-based platforms are ideal for transparency in buying physical gold, allowing clients to select a location, to view exactly what is on offer in all the

locations, choose the brand, and select the product.

Platforms that have been established include INTL FCStone's web-based trading platform, PMXecute+ (PMX+), which connects precious metals consumers and suppliers of physical gold with seamless, real-time access to the global bullion market.

Some of the commercial firms see the introduction of new technology as pioneering modern practices in the industry. Making the purchasing and logistics for precious metals more efficient is creating a better experience for the users. It also encourages more clients into the market as understanding grows and as the simplicity of transactions and the variety of secure storage options increase.

The actual prices quoted for purchases on such platforms will be a premium over the prevailing gold price, unlike existing platforms and exchanges where you are obliged to fix the spot price at the time of trade.



One-stop shopping

Via some of these platforms, clients can thereby get access to the many elements of the gold market, for example, LBMA refineries, bullion banks, wholesalers and logistics firms, without the need to open accounts directly with them to enable this. Such a platform can provide customers with free, direct and real-time access to precious metals inventory across the world, as well as all products offered through its global network of supply partners. The platforms can automate and accelerate interaction with customers, improving market access and efficiency.

The platforms help clients with price protection, allowing the client to take gold on an unfixed basis. A jewellery manufacturer might buy gold today but sell only weeks or months later. Price protection allows those clients to either fix immediately or stay unpriced until point of sale is locked in

Keying in specific requirements

Platforms such as INTL FCStone's PMX+ also have added functionality where customers (Buyers) can submit a "Request for Quote" if they do not see inventory that meets their specific requirements (such as a particular quantity, specification or location) notifying suppliers around the world of the request. For example, a client might key in a price request for 20kg of gold, for Hong Kong delivery tomorrow. And the same platform might then determine who can deliver gold to that vault in that time scale and then take the best offer and deliver it to the client.

Suppliers can separately create firm or indicative offers on the platform for all customers (Buyers) to view and trade. A key advantage of such a platform is that clients

have the option to buy or sell unpriced, in other words without immediately fixing the price of gold. Customers with larger requirements may have previously entered purchase contracts with multiple suppliers, being banks, refiners or bullion traders, and would be required to post cash or collateral of about 10% with each where the gold is taken on an unpriced basis.

Instead, those customers can now contract with one central supplier (the platform provider), whilst maintaining access to the entire supplier base that sits behind it. Particularly attractive is that it not only removes any KYC challenges, but also requires only one set of margin collateral; thereby easier to manage and simultaneously enhancing liquidity and risk exposure.

In this way the platform provider can align its business and its clients with the latest technology, thereby helping create a venue to match buyers and sellers together in an efficient and open marketplace. If the entire process is automated in this way, it can dramatically simplify price discovery, trading, logistics and documentation.

Credibility is vital in dealing with such valuable assets and large sums. Companies at the forefront of such advances also highlight the importance of stringent compliance controls and responsible sourcing for gold and regulatory oversight by various leading bodies across the world, for example, the UK's Financial Conduct Authority amongst others.

The larger precious metals firms offer a complete range of financial and physical trading services in gold, silver and platinum group metals, e.g platinum or palladium.

Clients can access markets through trading and advisory services and, if available, the new, ultraconvenient electronic trading platforms. ■