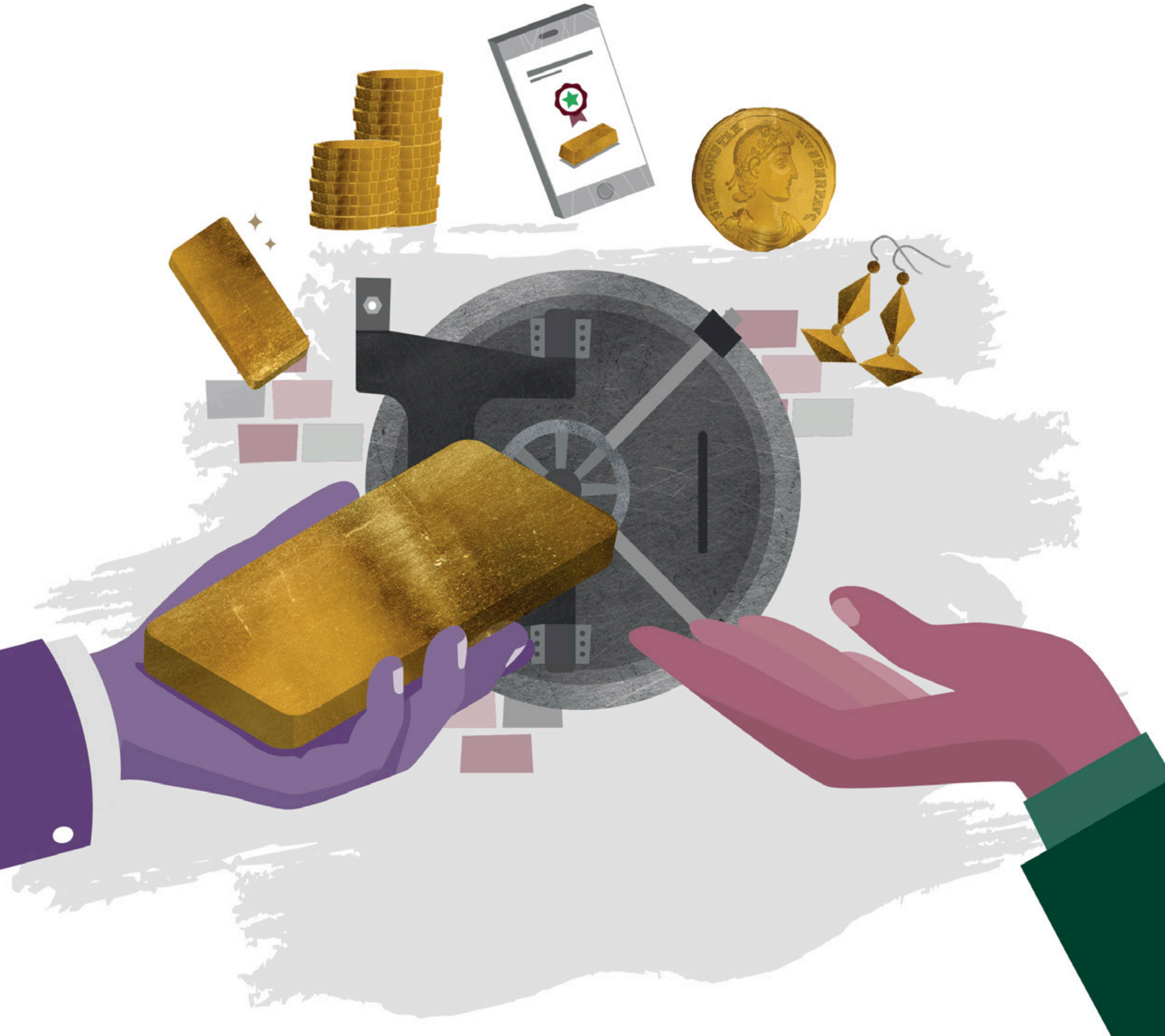
World Gold Council

Retail Gold Investment Principles (RGIPs)™



About the World Gold Council

The World Gold Council is the market development organisation for the gold industry. Our purpose is to stimulate and sustain demand for gold, provide industry leadership, and be the global authority on the gold market.

We develop gold-backed solutions, services and products, based on authoritative market insight, and we work with a range of partners to put our ideas into action. As a result, we create structural shifts in demand for gold across key market sectors.

We provide insights into the international gold markets, helping people to understand the wealth preservation qualities of gold and its role in meeting the social and environmental needs of society.

Based in the UK, with operations in India, China, Singapore and the USA, the World Gold Council is an association whose members comprise the world's leading and most forward thinking gold mining companies.

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Foreword

For thousands of years, gold has been prized by cultures around the world as a means of accumulating and preserving wealth.

Over the past two decades however, demand for gold as an investment asset has stepped up, increasing by an average of 15% annually since 2001. Today, retail investors own close to 40 thousand tonnes of gold[1] valued currently at approximately US$2 trillion (tn).

Once the investment market comprised bars, coins and jewellery. Today, there are many ways to invest in gold, including regulated products such as exchange-traded funds. But the vast majority of retail gold investments are held in unregulated products, including traditional bars, coins and investment jewellery, as well as numismatics, gold pension and savings plans and tokenised gold.

While products such as ETFs are subject to financial market regulation, many other gold investment products are not. This could be why trust and understanding in the retail gold market is low. A comprehensive consumer survey from the World Gold Council, covering 18,000 participants worldwide, highlights this issue. It shows that almost half of prospective retail gold investors cite lack of trust as a barrier to purchase.[2]

This can and should be addressed.

The World Gold Council works with governments, international agencies and policymakers to develop policies that reduce barriers and improve access to gold. We develop globally recognised standards that create clarity and consistency where it is lacking and reinforce trust across the gold value chain.

Using this experience and expertise, we have created a set of principles for the retail gold market, the Retail Gold Investment Principles. These are designed to raise the bar for product providers across the market and encourage retail investors to place their trust in gold. Greater trust should benefit customers and product providers alike, creating value and driving demand across the industry.

The Principles have been developed in close consultation with industry stakeholders. Over time, they will be supported by more detailed implementation guidance, also in cooperation with key stakeholders.

We believe that the Principles will be a major step forward, as we strive to build trust with retail investors. However, they will only deliver lasting results if industry practitioners commit to them. In this vein, we will work with the industry to encourage global adherence to the Principles.

The rationale behind our endeavours is simple. The retail gold industry will only fulfil its potential if it is trusted by investors. Adoption of the Principles and implementation of best practice are key to fostering that trust.

1 Data as of December 2019, more information on above-ground stocks can be found under www.gold.org/goldhub/data/above-ground-stocks

2 www.retailinsights.gold

Introduction

Gold is a unique asset class, valued by investors ranging from central banks to individuals. It is highly liquid yet scarce. It is no one's liability. And it is bought as a luxury good as much as an investment. These characteristics mean that gold can play a fundamental role in an investment portfolio, delivering long-term returns, mitigating losses in tough times, bolstering liquidity and enhancing overall performance.

For retail investors, gold is an important means of wealth preservation. We estimate that retail gold investment holdings in the form of bars, coins and numismatics amounts to more than US$2 trillion,[3] with annual demand of approximately US$40 billion in 2019. If jewellery purchased for investment purposes were to be included, these numbers would increase significantly.

The range of products on offer means that gold can address a variety of investor needs.

Some investors choose to keep gold in their direct possession; others prefer to hold gold in professional vaults, with delivery or withdrawal on demand. In some markets, gold jewellery is well-established as an investment. In others, products such as gold savings plans are popular, one reason being that the minimum investment levels are low.

Across the investment landscape however, one key difference stands out. While gold-backed exchange-traded funds (ETFs) are financial securities and therefore subject to strict regulation, other forms of gold investments are, in the most part, unregulated.

Yet these products also need to be perceived as safe, secure and trusted if they are to inspire investor confidence, fulfil their potential and increase annual demand from current levels. That is why the World Gold Council was keen to create a set of principles for the retail investment market. The Retail Gold Investment Principles are a result of that work, developed in close collaboration with industry stakeholders, particularly product providers from different product categories and various global regions.

Effective dissemination and implementation of the principles can and should improve safety, promote trust and encourage the development of gold investment products that satisfy diverse investor needs and reduce barriers to gold ownership. This should, in turn, drive demand for both established and new gold investment products, benefitting investors and industry.

3 As of December 2019, the above-ground stocks of private investments amount to nearly 43,000 tonnes, whereof about 3,000 tonnes were held in exchange traded funds. More information can be found on goldhub.com

The scope of the principles

The Retail Gold Investment Principles ("The Principles") are aimed primarily at the providers of unregulated gold investment products, encouraging best practice, so that customers can feel confident in this important market segment.

The Principles intend to cover the following product types:

Gold bullion bars and coins

Bullion gold comes in the form of bars and coins. The value of bullion gold is determined by the value of its physical gold content. Bullion gold can be described as investment gold in its narrowest sense. Some countries go further, defining 'investment gold' by its purity and form. In the EU, investment gold is defined as gold bars with a purity of 99.5% or higher. Gold coins must meet certain requirements, such as a purity of at least 90% and current or historical use as a legal tender.[4]

Gold investment jewellery

In many markets, such as India, China and Turkey, gold jewellery plays an important role as an investment product. Gold investment jewellery is characterised by its high purity, and therefore excludes gold-plated and similar items. Purity can start at 21 carat and go up to 999.9 gold, depending on the market. Importantly, the price of gold investment jewellery is primarily determined by its gold content so investors should be able to exchange it for a price that is similar to, or higher than, its material value.

Numismatic coins and other collectibles

Collector coins or numismatic coins do not qualify as bullion coins. They are often expected to have an additional value beyond the value of their precious metals content, based on scarcity or design. Collector coins are similar to investments in art and require additional expertise from investors. Investors in collector coins bear different/additional risks compared to investors in bullion gold. Despite these differences, many precious metals dealers also deal in numismatics, which are popular among certain customer groups.

Managed gold products

Managed gold products are based on vaulted gold, allocated or pool allocated, which is stored in professional vaults on behalf of customers. This caters to investors who want outright ownership of gold and exposure to its price, but do not want to take physical possession of their holdings. Product variations include, for example, gold savings plans – which allow for the continuous accumulation of holdings – and tokenised gold, where ownership is represented by digital tokens on a blockchain.

Regulated gold-backed financial securities, such as exchange-traded funds (ETFs) lie outside the scope of these principles. The same applies for other regulated gold investment instruments, such as products using leverage, or products that are not targeted at retail investors, such as bullion bank allocated gold accounts.

All of the products within the scope of these Principles can be offered in retail shops or online. However, the Principles are in general applicable across all distribution channels.

4 A list of gold coins considered by the EU as investment gold can be found under eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52017XC1111(01)

Overview of the Retail Gold Investment Principles (RGIPs)

The Principles are as follows:

Principle	Description
1. Fairness and integrity	A provider must treat customers fairly and act with integrity, from information and service provision through to transaction completion.
2. Transparency	A provider must be transparent about prices and key terms and disclose other material information related to product features.
3. Protection of client assets	A provider must ensure adequate protection of customers' gold holdings and other assets including cash held on behalf of customers.
4. Responsible gold sourcing	A provider must source gold of high integrity from trustworthy suppliers, whilst considering Environmental, Social and Governance (ESG) criteria.
5. Regulatory compliance	A provider must adhere to all applicable regulations and local laws.
6. Commercial prudence	A provider must not take excessive risks and should be prepared for various eventualities, including a company wind-down.
7. Operational professionalism	A provider must conduct their business with due skill, care and diligence, and manage key risks.

Development of the Principles and stakeholder engagement

Various operational and reputational issues by a small number of retail gold investment providers have damaged consumer trust and, by extension, the industry more widely. Recognised problems have also prompted warnings from regulators and consumer protection organisations in certain countries.

Against this backdrop, the World Gold Council developed guidance for investors and product providers in the internet investment gold space. Working with industry participants and other stakeholders, the guidance papers were designed to address the issues and concerns of consumers, regulators and other stakeholders.

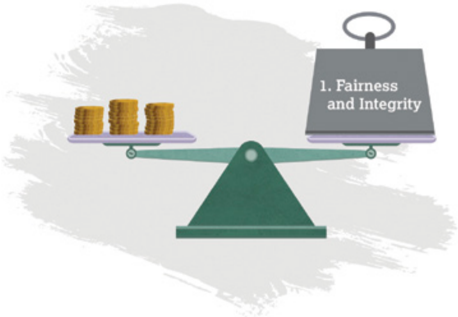
These papers were, in effect, a precursor to the Retail Gold Investor Principles, which cover a broader range of retail investment products.

The process of developing the Principles has included:

1. Analysis of the value chain of product providers
2. Assessment of past failures
3. Review of regulations, voluntary standards and best practices addressing similar issues
4. Reviews with World Gold Council experts
5. Consultation with providers and other stakeholders

Genuine collaboration with the industry is essential to ensure not only that the principles are robust and appropriate but also that they will be adopted by product providers. With this in mind, we aim to support providers in their work as well as strengthen demand for their products by building trust among their customers.

The Retail Gold Investment Principles (RGIPs)



Principle 1 – Fairness and integrity

A provider must treat customers fairly and act with integrity, from information and service provision through to transaction completion.

Fair marketing

1.1. Promote offers clearly and fairly to customers by representing key product characteristics, including safeguards and potential risks. Avoid pressurising customers or using manipulation tactics.

Education and support

1.2. Provide customers with relevant education or training about your products or platforms, as well as on gold as an asset class in general. Be reachable for your clients and offer support, where necessary.

Fair pricing and fees

1.3. Charge fair prices and ensure that all fees are appropriate. Provide customers with sufficient information so that they can understand and assess prices properly.

Fair trading and transaction completion

1.4. Optimise liquidity and prices for customers. Be clear about transaction completion, settlement times and terms. Minimise related risks for customers.

Principle 2 – Transparency

A provider must be transparent about prices and key terms and disclose other material information related to product features.

Fees and terms transparency

2.1. Provide clear information about fees, terms and conditions so that customers can make informed investment decisions. Information should include fee components, base and purchase prices and investor rights.

Disclosure

2.2. Disclose material corporate information to customers, prospects and other stakeholders, such as service providers. Explain what type of organisation you are. Include details about key personnel and highlight key safety aspects, where applicable.

Principle 3 – Protection of client assets

A provider must ensure adequate protection of customers' gold holdings and other assets, including cash held on behalf of customers.

Safekeeping of client assets

3.1. Protect any assets held on customers' behalf. This applies to investment gold that has been purchased but not yet collected or delivered. It applies to gold that is being delivered to customers. And it applies to cash held for customers, before, during or after a gold purchase or sale.

Insurance

3.2. Procure adequate insurance of business operations and gold holdings to protect customers directly and indirectly. This is especially relevant when safekeeping client assets, such as gold or cash. It is also important to procure insurance so as to satisfy any claims incurred.

Principle 4 – Responsible gold sourcing

A provider must source gold of high integrity from trustworthy suppliers, whilst considering Environmental, Social and Governance (ESG) criteria.

High-integrity gold

4.1. Buy and sell only high quality, authentic products, whose integrity can be verified by customers or other stakeholders.

Trustworthy suppliers

4.2. Conduct due diligence and ongoing monitoring of gold suppliers to ensure they have genuine integrity and can be trusted at all times.

Environmental, Social and Governance criteria

4.3. Consider the Environmental, Social and Governance (ESG) credentials of products and suppliers according to existing ESG standards.

Principle 5 – Regulatory compliance

A provider must adhere to all applicable regulations and local laws.

Know-Your-Customer (KYC) and Anti-Money-Laundering (AML) controls

5.1. Adhere to global and local regulations by preventing, detecting or reporting any money laundering activities. Establish robust controls and compliance functions. Collect and keep customer records, as and where required.

Adherence to regulations and local laws

5.2. Comply with any additional applicable regulations and laws in all markets served, such as consumer protection, taxation, financial services regulation and document compliance procedures.

Principle 6 – Commercial prudence

A provider must not take excessive risks and should be prepared for various eventualities, including a company wind-down.

Adequate financial resources

6.1. Monitor and maintain adequate financial resources to meet any liabilities, especially with regard to customers' claims. Resources should include safety buffers for unexpected events.

Limited risk-taking

6.2. Limit risks, such as those which can arise from unhedged gold stock positions or foreign exchange holdings, so that even adverse conditions do not threaten customers' assets and claims or the continuity of the company's operations.

Wind-down planning

6.3. Be prepared for potential wind-down scenarios, including involuntary market exit or company collapse. The key objective is to avoid or minimise any negative impact on customers.

Principle 7 – Operational professionalism

A provider must conduct their business with due skill, care and diligence, and manage key risks.

Sound risk management

7.1. Identify key risks for the company and its customers and manage them on an ongoing basis. Implement adequate measures for risk mitigation.

Physical security

7.2. Ensure adequate physical protection of assets. In addition to the safekeeping of valuables, this includes physical protection of IT infrastructure, as well as sensitive information, such as customer data.

Reliable information technology

7.3. Invest in adequate information technology systems and processes so that sensitive data is protected. Implement cyber-security best practices and be prepared for IT emergencies, including system failures.

Diligent outsourcing

7.4. Choose third-party service providers and contractual terms carefully and monitor providers closely. Disclose information on key service providers, such as vault operators, to customers if they can significantly affect customer experience or pose material risks.

Dissemination and outlook

The Retail Gold Investment Principles (RGIPs) provide high-level guidance for gold investment product providers. Practical application of The Principles will often require more detailed guidance; for example, guidance that is specific to a particular global region or a particular product. The following section provides more detailed recommendations on how best to implement each Principle.

Initially, The Principles are voluntary, so there will be no audit or public endorsement. However, we believe that conforming with these practices will strongly benefit product providers and investors. Over time, we expect investors and other stakeholders to push for implementation of The Principles, which may come via the formation of regional industry organisations.

In the meantime, product providers are encouraged to demonstrate compliance of their own volition. This should strengthen trust in their offerings, facilitate customer acquisition, drive business growth and foster cooperation with external partners such as gold dealers, security carriers or vault operators.

Providers can demonstrate adherence through public disclosure to customers, prospects and other interested parties. This can be achieved in several ways – via providers' own websites, through marketing materials or more generally online.

Over the coming months we will engage with providers around the globe to discuss how to encourage adherence to The Principles. This could include options such as the establishment of a standards board, certification of compliance and other measures. Every action will be pursued with one overarching goal in mind: to benefit retail investors and industry practitioners.

Implementation guidance
for general principles

The following more detailed implementation guidance intends to support providers with the implementation of the Principles:

Principle	Implementation guidance
1. Fairness and integrity	Fair marketing Education and support Fair pricing and fees Fair trading and settlement
2. Transparency	Fees and terms transparency Disclosure
3. Protection of client assets	Safekeeping of client assets Insurance
4. Responsible gold sourcing	High-integrity gold Trustworthy suppliers Environmental, Social and Governance criteria
5. Regulatory compliance	Know-Your-Customer and Anti-Money-Laundering controls Adherence to regulations
6. Commercial prudence	Adequate financial resources Limited risk-taking Wind-down planning
7. Operational professionalism	Sound risk management Physical security Reliable information technology Diligent outsourcing

1. Principle – Fairness and integrity

A provider must treat customers fairly and act with integrity, from information and service provision through to transaction completion.

1.1 Fair marketing

Promote offers clearly and fairly to customers by representing key product characteristics, including safeguards and potential risks. Avoid pressurising customers or using manipulation tactics.

Promote offers in a fair and clear way to investors

Objective information

- Offer fair and clear information on key product characteristics in marketing materials or product promotions.
- Do not misrepresent own or competing products.
- Present offerings in a balanced way in connection with any comparisons made to other products.

Disclosure of material facts

- Key risks should not be omitted, disguised or misstated.
- Central legal parameters related to the offering should be disclosed.

No pressure

- Investors should not be pressured in any way. Providers should refrain from hard sales tactics and scare-mongering.

1.2 Education and support

Provide customers with relevant education or training about your products or platforms, as well as on gold as an asset class in general. Be reachable for your clients and offer support, where necessary.

Provide guidance and support to customers

Customer training

- Providers should offer investors educational material on gold as an asset class or point them to other credible sources of such information.
- Online providers should support customers with tutorials and frequently asked questions and answers on topics such as how to buy and sell gold.

Support

- Support staff should be available to customers during standard office hours by email and phone at a minimum.

1.3 Fair pricing and fees

Charge fair prices and ensure that all fees are appropriate. Provide customers with sufficient information so that they can understand and assess prices properly.

Charge fair prices and fees that are appropriate for the product being offered

Fee types

- Ensure the type of fees charged and costs levied are fair and are aligned with local market practices.
- Do treat customers consistently, i.e. do not discriminate against any customers, for example based on their knowledge of the market.

Price level

- Ensure charges generally are fair and aligned with local market prices for comparable products or services.

Disclosure

- Disclose the price and time of executed trades.
- Provide sufficient information to allow customers to calculate the overall premium they are paying on top of the base price for gold.

1.4 Fair trading and settlement

Optimise liquidity and prices for customers. Be clear about transaction completion, settlement times and terms. Minimise related risks for customers.

Trade fairly with customers and minimise settlement risks

Counterparties and trading prices

- Maximise liquidity and optimise prices for investors, e.g. by trading with large and multiple suppliers.

Settlement time and risk

- Provide investors with transparency on settlement times and terms, such as whether positions can be closed before final settlement or what happens in case of a transaction failure or a cancellation.
- Minimise settlement risks by ensuring, for example, that operating models have been appropriately configured and reviewed.

2. Principle – Transparency

A provider must be transparent about prices and key terms and disclose other material information related to product features.

2.1 Fees and terms transparency

Provide clear information about fees, terms and conditions so that customers can make informed investment decisions. Information should include fee components, base and purchase prices and investor rights.

2.2 Disclosure

Disclose material corporate information to customers, prospects and other stakeholders, such as service providers. Explain what type of organisation you are. Include details about key personnel and highlight key safety aspects, where applicable.

Fully disclose fees and key contractual terms

Fee transparency

- Fee schedules and other costs should be clearly disclosed to investors before they make any investment decisions. These will typically include transaction fees and others such as fees for delivery or storage.
- Fully disclose additional operational charges, such as gold delivery costs.
- Information on any applicable basis price,[5] the purchase price and the date and time of the transaction should be available to investors.

Key terms transparency

- Make key terms and conditions available to prospects and investors.
- Disclosed terms should include information on customer rights; reference to applicable fees and other costs.

Changes in fees or terms

- Communicate any changes to the fee schedule, costs, terms or conditions to customers.

Disclose key information to investors

Recipients

- Providers should disclose key information to customers or prospects, as well as other stakeholders, such as regulators and tax authorities, as applicable by relevant local laws and regulations.

Scope of information

- Disclosed information should include:
  – jurisdiction under which the company operates
  – company name, legal form, registration number
  – information on key personnel, including relevant gold market experience.

5 The basis price for gold is equal to the local trading price.

3. Principle – Protection of client assets

A provider must ensure adequate protection of customers' gold holdings and other assets, including cash held on behalf of customers.

3.1 Safekeeping of client assets

Protect any assets held on customers' behalf. This applies to investment gold that has been purchased but not yet collected or delivered. It applies to gold that is being delivered to customers. And it applies to cash held for customers, before, during or after a gold purchase or sale.

3.2 Insurance

Procure adequate insurance of business operations and gold holdings to protect customers directly and indirectly. This is especially relevant when safekeeping client assets, such as gold or cash. It is also important to procure insurance so as to satisfy any claims incurred.

Keep client assets safe

Scope

- Safeguard customers' assets such as gold held on their behalf or cash balances.
- Notable scenarios could include cash held on behalf of a customer before final settlement of a transaction or gold held in custody for the customer in the short or long term.

Operational measures

- Protect customers' assets against misuse, fraud, or operational loss through establishing adequate operational procedures such as access controls or record-keeping.

Ownership rights

- Make adequate arrangements to safeguard customers' ownership rights in any of its assets, e.g. in case of insolvency of the company.

Ensure appropriate insurance

Custody of gold

- All gold holdings should be adequately insured. Insurance should cover loss, damage and theft.

Logistics

- Gold in transit to customers should be adequately insured by the provider or logistics company.

Company operations

- Take out and maintain appropriate general insurance policies such as liability cover.
- Consider procuring further insurance cover such as cyber insurance as appropriate for the company concerned.

4. Principle – Responsible gold sourcing

A provider must source gold of high integrity from trustworthy suppliers, whilst considering Environmental, Social and Governance (ESG) criteria.

4.1 High-integrity gold

Buy and sell only high quality, authentic products, whose integrity can be verified by customers or other stakeholders.

Trade high-integrity gold products

Products

- Buy and sell gold products that conform with market standards for the respective product category, e.g. in terms of purity.
- Disclose key features such as purity, weight and manufacturer – e.g. the mint or refiner – of a product.

Authenticity mark

- Provide assay proofs, certificates of authenticity or tamper-proof packaging to demonstrate the authenticity of a product.

4.2 Trustworthy suppliers

Conduct due diligence and ongoing monitoring of gold suppliers to ensure they have genuine integrity and can be trusted at all times.

Source gold from trustworthy suppliers

Due diligence

- Conduct initial due diligence on suppliers to ensure sourcing from reputable or accredited suppliers.
- As applicable, source from suppliers who by themselves and whose upstream partners adhere to responsible gold standards, e.g. the World Gold Council's Responsible Gold Mining Principles, the LBMA Responsible Gold Guidance or the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Ongoing monitoring

- Proactively monitor suppliers as well as products sourced to identify any negative changes.

Record keeping

- Maintain records on suppliers, due diligence conducted, and products sourced.

Chain of integrity

- Leverage accepted chains of integrity, where possible, and use their members – refiners, smelters, vaults, security carriers. A widely recognised chain of integrity is provided by the LBMA.[6]

6 London Bullion Market Association.

4.3 Environmental, Social and Governance criteria

Consider the Environmental, Social and Governance (ESG) credentials of products and suppliers according to established ESG standards.

Integrate ESG sustainability criteria in business operations

Company

- Conduct business with respect for the environment, e.g. in terms of prevention of waste or pollution, or energy use.
- With regard to social criteria, treat employees well, and take the interests of other stakeholders such as business partners and the public into account.
- Follow good corporate governance practices, e.g. in terms of organisation, transparency and internal controls.
- Formally adhere to established ESG standards such as those issued by the World Gold Council, the LBMA or the Responsible Jewellery Council, as applicable.

Business partners

- Work with business partners committed to Environmental, Social and Governance criteria or encourage them to meet such criteria in the future in order to establish responsible practices throughout the whole supply chain.

5. Principle – Regulatory compliance

A provider must adhere to all applicable regulations and local laws.

5.1 Know-Your-Customer (KYC) and Anti-Money-Laundering (AML) controls

Adhere to global and local regulations by preventing, detecting or reporting any money laundering activities. Establish robust controls and compliance functions. Collect and keep customer records as and where required.

Prevent, detect and report money laundering activities

Scope

- Product providers should adhere to applicable regulations, such as Anti-Money-Laundering, Know-Your-Customer (KYC), Customer Due Diligence (CDD) and Anti-Terrorist-Financing (ATF).
- Providers also should adhere to applicable local regulations.

Approach

- Establish an AML programme and compliance function.
- Establish and maintain accurate customer names, records and accounts, and appropriate recordkeeping controls.
- Report suspicious activities to the authorities. Prohibited investors must be rejected, and high-risk investors must be subjected to enhanced CDD.[7,8]

Transparency

- Provide transparency on the applied level of CDD.

5.2 Adherence to regulations and local laws

Comply with any additional applicable regulations and laws in all markets served, such as consumer protection, taxation, financial services regulation and document compliance procedures.

Comply with applicable regulations in all markets served

Regulatory scope

- Providers should adhere to all applicable and mandatory laws and regulations, including:
  - Anti-Money-Laundering and similar regulations
  - Financial services regulations, such as money transfer, deposit-taking or investment services, as applicable in relevant jurisdictions
  - Taxation, for example, value-added tax (VAT) or goods and services tax (GST)
  - Privacy regulations
  - Consumer protection laws.

Geographic scope

- Providers should comply with all applicable laws and regulations in the markets in which they operate (including those where customers and potential customers are located).

Documentation

- Document any compliance procedures for internal purposes, as well as for any legitimate requests by external parties such as regulators or business partners, such as banks.

Voluntary standards

- Consider applying voluntary standards, such as the LBMA's Global Precious Metals Code, where applicable.[9]

7 An individual or entity on any relevant list of prohibited persons and entities, such as the List of Specially Designated Nationals and Blocked Persons administered by OFAC (Office of Foreign Assets Control of the US Treasury) in the US.

8 High-risk investors are defined as investors where the product provider has reason to assume an increased probability of money laundering or terrorist financing activities.

9 www.lbma.org.uk/global-precious-metals-code

6. Principle – Commercial prudence

A provider must not take excessive risks and should be prepared for various eventualities, including a company wind-down.

6.1 Adequate financial resources

Monitor and maintain adequate financial resources to meet any liabilities, especially with regard to customers' claims. Resources should include safety buffers for unexpected events.

6.2 Limited risk-taking

Limit risks, such as those which can arise from unhedged gold stock positions or foreign exchange holdings, so that even adverse conditions do not threaten customers' assets and claims or the continuity of the company's operations.

Maintain adequate financial resources

Adequate liquid and capital resources

- Manage the business's liquidity so that all liabilities can be met as they fall due.
- Be prepared to cover financial requirements resulting from the occurrence of risks; such risks could include substantial exchange rate fluctuations or changes in the gold price.

Continuously sufficient resources

- Identify and manage any financial risks through appropriate liquidity and risk management systems and controls.
- Keep adequate financial buffers to cover risks that the business chooses to incur.

Limit risk-taking

Risk tolerance

- Limit direct financial risks for the company that could pose indirect risks for customers, e.g. in the event that the company's operations have to be discontinued.

Measures

- Define internal risk limits with regard to market risks such as trading positions in gold, currencies or derivatives, which could threaten the company's liquidity.
- Implement a risk limit system to ensure compliance with risk limits.

6. Principle – Commercial prudence continued

6.3 Wind-down planning

Be prepared for potential wind-down scenarios, including involuntary market exit or company collapse. The key objective is to avoid or minimise any negative impacts on customers.

Plan for potential wind-down to minimise adverse effects

Types of scenarios to be considered include:

1. Market exit due to a strategic decision (i.e. a voluntary wind-down)
2. Market exit, where the company is no longer viable due to lack of commercial success
3. Market exit, where the company is no longer viable due to fraud, theft or significant operational errors or failures

Key issues to be addressed

- Identify and regularly monitor key metrics (e.g. potential thresholds) and early warning signs to facilitate timely wind-down decisions.
- Where possible, time a desired or required market exit so that there are adequate resources for an orderly wind-down. This typically applies to the first two scenarios above.
- Identify potentially negative impacts of a wind-down and plan mitigatory measures. Special consideration should be given to returning any gold or cash held for customers.

Aspects of planning

- Assign responsibilities around issues such as planning or approval of a wind-down plan.
- In each scenario, define required steps for a wind-down (or recovery where feasible).
- Identify the required resources for any wind-down, including human resources, financial resources, IT systems or outsourced services, retrievable information on customer gold holdings and customer monies.

7. Principle – Operational professionalism

A provider must conduct their business with due skill, care and diligence, and manage key risks.

7.1 Sound risk management

Identify key risks for the company and its customers and manage them on an ongoing basis. Implement adequate measures for risk mitigation.

Identify key risks and establish internal controls for ongoing risk management

Risk identification

- Providers should identify and measure key risks for their businesses and their customers, such as:
  - financial risks (settlement risks, counterparty risks)
  - operational risks (risks arising from errors or fraud)
  - legal and compliance risks.

Risk monitoring

- Providers should monitor and manage key risks on an ongoing basis. This could involve the creation of a risk register, as well as regular risk assessments and/or reviews for compliance with policies.
- Providers should have risk governance structures in place, ensuring, for example, that they discuss key risks at regular intervals in board meetings.

Risk mitigation

- Implement operational risk controls, covering responsibilities, policies, processes and procedures, as well as IT systems.
- Implement the 'separation of duties principles' and 'four eyes principles', where two independent people are required to complete certain activities. These help to prevent or mitigate fraud and significant operational errors.
- Examples of high-risk activities, requiring the 'four eyes principles' and 'separation of duties principles', include money transfers and physical deliveries.

7.2 Physical security

Ensure adequate physical protection of assets. In addition to the safekeeping of valuables, this includes physical protection of IT infrastructure, as well as sensitive information, such as customer data.

Ensure adequate physical security

Issues requiring protection

- Employees of the company.
- Customers visiting a company's office.
- Valuables such as gold or cash held by the company or on behalf of customers.
- Sensitive infrastructure such as IT systems and customer data.

Scenarios in scope

- Robberies of company's offices or deliveries.
- Break-ins into the company's offices or storage facilities.
- Unauthorised access and harm done by employees, e.g. misappropriation of assets or access to customer data.

Measures for protection

- Implement physical burglary or robbery protection, e.g. locks and security doors or windows.
- Install alarm systems.
- Limit access by unauthorised employees by access controls and implement monitoring.

7. Principle – Operational professionalism continued

7.3 Reliable information technology

Invest in adequate information technology systems and processes so that sensitive data is protected. Implement cyber-security best practices and be prepared for IT emergencies, including system failures.

Implement safe and effective IT practices

Data protection and storage

- Protect customer data and adhere to applicable data privacy laws.
- Encrypt all sensitive data.
- Keep records and audit trails of all relevant data and activities.
- Maintain backups.
- Implement business continuity and disaster recovery strategies.

Cyber security

- Require strong authentication techniques to reduce the risk of unauthorised money transfers.
- Implement firewalls, network monitoring, patch maintenance and intrusion detection processes.
- Conduct penetration testing and vulnerability scans.
- Implement personnel access management procedures.

Documentation and contingency management

- Keep IT policies and IT documentation up to date.
- Maintain contingency plans and forensics to retrace issues.

Resources

- Use skilled personnel and provide regular periodic training.
- Work with reliable service providers.

7.4 Diligent outsourcing

Choose third-party service providers and contractual terms carefully and monitor providers closely. Disclose information on key service providers, such as vault operators, to customers if they can significantly affect customer experience or pose material risks.

Minimise outsourcing risks

Selection and contracting

- Conduct due diligence on third-party service providers and select only trustworthy and reliable partners.
- Agree on the quality and quantum of services to be provided and document these in Service Level Agreements (SLAs).
- Minimise and manage risks by focusing on correct procedures in areas such as contractual terms or insurance requirements.

Monitoring

- Regularly review the quality of provided services, as well as the providers themselves.

Disclosure

- As applicable, disclose to customers the names of key service providers, such as vault operators.

Implementation guidance
for specific product types

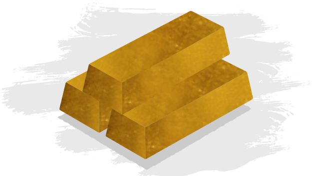
In addition to the general guidance listed above, there is specific guidance for providers of different product types such as investment jewellery or managed gold products. The following section provides an overview of such specific guidance.

Category	Implementation guidance
Gold dealers	**Bullion gold characteristics** **Numismatics characteristics**
Investment jewellery	**Investment jewellery characteristics**
Managed gold products	**Managed gold characteristics** **Adequate managed gold operations** **Tokenised gold characteristics**[10] **Adequate tokenised gold operations**

10 This and the next guidance only apply for tokenised gold products and are supplementary to the guidance provided for managed gold products.

8. Specific guidance for bullion gold and numismatic coins

Gold dealers trading in bars and coins or numismatics account for a large share of retail gold investments. The gold is sold in retail shops or online. In contrast to managed gold products (see below), the purchased gold is directly collected or delivered to the customer.



8.1 Bullion gold characteristics

Bullion gold comes in the form of bullion bars and coins. The fact that the value of bullion gold is determined fully, or for the very most part, by the value of its physical gold content, makes it a good choice for gold investors.

Bullion gold in general

- The value of bullion gold is primarily determined by its gold content and not by other factors such as brand, design or scarcity.
- In some geographies, such as the UK and the EU, specific criteria exist that define which bullion bars or coins qualify as investment gold.[11]
- Providers should fully disclose the weight and fineness of bullion bars and coins to the customer.

Bullion bars

- Gold bars or ingots typically require a purity of 99.5% or higher, such as in the UK and EU, where bullion bars with that purity and weights accepted by the bullion markets are considered investment gold.[12]

Bullion coins

- Gold coins with a high purity, which are primarily valued by their weight and fineness of gold.
- The UK and the EU define investment gold coins as coins with a purity of at least 90%, minted after 1800, which are or have been legal tender in their country of origin and are normally sold at a price not more than 80% above the open market value of the gold content and which are not regarded as being sold for numismatic interest.[13]
- In the US, gold coins require stamping by authority of the government, in order to determine their value, commonly called money,[14] otherwise they must be advertised as rounds.

8.2 Numismatic coins characteristics

Numismatic coins or collector coins are expected to have a value beyond the base value of the contained gold. The additional value is driven by the coin's rarity and demand by customers. The grade of a coin is also a key determinant of its value, since coins with a higher grade are often rarer or in greater demand.

Disclosure

- Disclose information on the type of coin and the place and year the coin was minted, as well as the coin's grade.
- Disclose the coin's weight and fineness, to enable customers to calculate its melt value.
- Disclose information on buy-back options.

Coin grading

- Provide documents on a coin's grade including the name of the company that performed the grading or certification.
- A coin's grade refers to the coin's condition or appearance; its generally determined by criteria such as strike, preservation, lustre, colour and attractiveness.

11 The margin scheme for investment gold for EU VAT purposes can be found under https://ec.europa.eu/taxation_customs/business/vat/eu-vat-rules-topic/special-schemes_en#_Margin_scheme_for_1

12 See https://ec.europa.eu/taxation_customs/business/vat/eu-vat-rules-topic/special-schemes_en#_Margin_scheme_for_1

13 A list of gold coins considered by the EU as investment gold can be found under eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52017XC1111(01)

14 See www.dict.org/bin/Dict?Form=Dict2&Database=bouvier&Query=COIN

9. Specific guidance for gold investment jewellery

Gold investment jewellery refers to gold jewellery whose value is primarily driven by its gold melt value. Gold investment jewellery is characterised by its high purity, which excludes products such as gold-plated jewellery.

9.1 Investment jewellery characteristics

Gold investment jewellery is a popular way to invest in many countries around the world, particularly in the Middle East and South, Southeast and East Asia. Since gold investment jewellery is a means of investing in gold, it is often sold by the gram.

Solid gold

- Gold investment jewellery should be of high purity; depending on the market this could mean at least 21 karat and up to 999.9 gold.

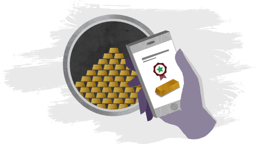
Disclosure

- Gold investment jewellery should include a hallmark as is mandatory or common in the respective market.
- Gold hallmarks typically include the mark of the assaying office that certified the purity, the fineness or caratage of the gold, the date of the hallmarking, and the trademark of the sponsor of the hallmarking.
- Provide information on the weight/mass of the jewellery, so that customers can calculate its melt value.
- Disclose information on buy-back options.

10. Specific guidance for managed gold products

Managed gold products are based on vaulted gold, which is stored in professional vaults on behalf of customers. This caters to investors who want outright ownership of gold and exposure to its price, but do not want to take physical possession of their holdings.

Unallocated gold accounts or other claims against providers do not constitute managed gold products.



10.1 Managed gold product characteristics

Managed gold products come in different forms. They can be separated into lump-sum investments and savings plans, which invest small amounts of money into gold on a regular basis. The latter are called Gold Savings Plans or Gold Accumulation Plans.

Other managed gold products document ownership through gold certificates or on distributed general ledgers such as a blockchain; the latter are called gold tokens.

In some jurisdictions, investors can invest into managed gold products through government-approved pension schemes, which can provide benefits in terms of taxation. Examples are Self-Invested Personal Pension (SIPP) in the UK or Gold Individual Retirement Accounts (IRA) in the US, which hold gold for the benefit of the investor.

Ownership

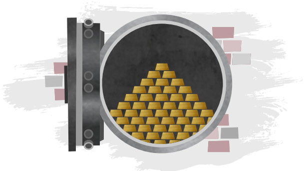
- Confer outright legal ownership of gold, i.e. full title to the investor.
- Clarify the point at which the legal title passes during the transaction process.
- Hold investors' gold in the form of allocated gold.
- Gold should either be allocated to individual investors or pool allocated, where several investors co-own an allocated amount of gold.
- Customers' gold should be clearly identifiable, e.g. through bar numbers or other markers.

No lending

- Do not enter into any lending transactions involving investors' gold holdings, unless such transactions are specifically authorised by the respective investors.
- With investors' specific permission, product providers can offer to switch managed gold products into unallocated gold accounts, following which the gold can be lent out or pledged as collateral. However, the World Gold Council's definition of a managed gold product does not encompass any such lending transactions.

Storage and delivery

- Store gold holdings on behalf of customers in high security vaults.
- Disclose and implement investors' rights with regard to withdrawing or taking delivery of their gold holdings. Provide information on how long deliveries will take.



10.2 Adequate managed gold product operations

Managed gold products that involve storage, for example, pose different risks to customers than other gold investments such as bars or coins, which investors take into direct possession. The implementation guidance below addresses how providers should conduct their operations to mitigate negative risks for customers as well as for themselves..

Professional custody

- Gold should be vaulted by an independent, professional custodian.[15]
- Vaults should meet appropriate security standards and operators should be certified in accordance with local standards, where applicable.

Deliveries

- Conduct any deliveries through professional and certified security carriers.

Segregated customer cash

- Hold customer cash balances on a segregated basis, i.e. in a separate account, and do not co-mingle it with working capital.
- Keep customer cash with reputable and well-capitalised banks.
- If cash has to be held on customers' behalf due to the business model, act legally as trustee with regard to that cash.

Audit and reporting

- Commission regular, independent audits of customers' gold holdings; investors' and providers' gold and cash holdings should be audited at least once a year.
- Audits should include the verification of holdings and reconciliation with investor' and other holdings, according to providers' records and information systems.
- Audits should be conducted by recognised and/or professional independent auditors, such as accounting firms with relevant gold-market experience.
- Audit results should be published or at least made available to investors.
- Consider commissioning physical inspection of holdings or samples, and include weighing, assaying and confirmation of inventory lists. Inspections should be conducted by reputable firms, such as assayers who are members of the LBMA.[16]

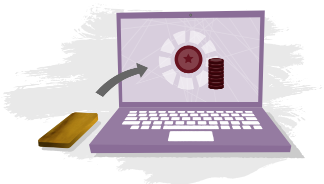
Insurance

- Insure all gold holdings adequately. Insurance should cover loss, damage and theft.
- Insurance should be arranged either by the provider or its custodian/vaulting company.
- Gold in transit to customers should be adequately insured by the provider or logistics company.

15 Trusted custodians could be vault operators, which are members of reputable trade bodies, such as the LBMA in London or the SBMA in Singapore. They could also be a type of custodian that serves in such capacity for exchanges and other regulated infrastructure providers.

16 Assayers with LBMA membership can be found here: www.lbma.org.uk/current-membership

10. Specific guidance for managed gold products continued



10.3 Tokenised gold characteristics[17]

Tokenised gold is a form of a managed gold product where ownership is represented by digital tokens on a distributed ledger such as a blockchain.

As the sector is still nascent, the application of guidance is particularly important. Gold tokens should give investors adequate rights, providers should ensure proper business operations and all stakeholders should comply with applicable laws and regulations. This will help product providers to better protect themselves and their customers. The adoption of implementation guidance should also help the sector to gain a reputation for safety and professionalism.

Implementation guidance for managed gold products

- The preceding implementation guidance (section 10.1) for managed gold products is equally applicable to tokenised gold. Gold holdings should, for example, be adequately stored and insured.
- Furthermore, all relevant information, including specific features, risks and fees should be disclosed.

Token rights

- Gold tokens on a blockchain or digital ledger should represent legal ownership in the tokenised asset, i.e. gold.
- Product providers should clearly disclose details regarding the tokenised gold products they are offering, in particular whether tokens are on a private or permissioned blockchain, or on a public, fully decentralised blockchain. Providers should also explain the respective impact (including the key risks and benefits) to investors.

Tradability

- Tokenised gold should be readily tradable, be it through the provider, the provider's platform or a public exchange. Providers should consider the regulatory implications of offering a secondary market in tokenised gold.

17 This and the next guidance only apply for tokenised gold products and is supplementary to the guidance provided for managed gold products.

10.4 Adequate tokenised gold operations

Proper business operations for tokenised gold should be ensured by adhering to the implementation guidance below.

Implementation guidance for managed gold products

- The preceding implementation guidance for managed gold products (section 10.2) is equally applicable to tokenised gold, including guidance on cash management, storage, selection of service providers, audit and reporting.

Experienced personnel

- Key personnel should have adequate experience related to asset-backed tokens or at least blockchain technology in general, as well as relevant facets of the gold market, such as trading and storage.

- **Financial services and tax regulation**

- Providers must adhere to applicable law and regulations, such as banking/digital custody, brokerage, securities and tax regulations, in their respective markets.
- Providers should implement policies and procedures demonstrating an awareness of global regulations applicable to tokenised gold. They should also monitor changes in the regulatory landscape.

Voluntary industry standards

- Providers should adhere to voluntary best practices or standards on tokens, as applicable.

Cyber security

- Product providers should implement adequate cyber-security controls for token/blockchain operations and supporting infrastructure.
- The safekeeping of private keys – be it for the provider or on behalf of investors – should be a primary concern.

Glossary

Allocated gold

An 'allocated' account is an account with a bullion dealer to which individually identified gold bars or coins owned by the account holders are credited. The gold bars or coins in an allocated account are specific to that account and can be uniquely identified.

Blockchain

A blockchain is a type of decentralised digital ledger, used as an alternative to centralised record-keeping. The ledger may be distributed publicly to anyone, or limited to authorised, 'permissioned' participants. Blockchains are cryptographically secured, ideally resulting in immutable transaction records whose authenticity can be verified by different participants. In the case of tokenised gold, an individual investor's allocated gold holdings are recorded on a blockchain to prove ownership and facilitate transfer of ownership.

Bullion gold

The value of bullion gold is determined by the value of its physical gold content. Bullion gold is often called investment gold. Some countries further define 'investment gold' by its purity and form. Bullion gold can be bullion bars or bullion coins.

In the European Union (EU), investment gold is defined as gold bars with a purity of 99.5% or higher, or gold coins that meet certain requirements. The coins must have a purity of at least 90%; they must have been minted after 1800; they must be or have been legal tender, and they are usually sold at a price that does not exceed the value of the gold contained in the coins by more than 80%. The EU regularly updates a list of coins that are considered investment gold.[18]

In the United States, the term 'bullion' is used for a bulk quantity of a specific precious metal, such as gold, which is cast or minted as bars or coins and whose value is based on the gold content. Rare and collectible coins, whose gold content value constitutes only a limited portion of the overall value of the coin, are not considered bullion.

ESG

The abbreviation ESG stands for Environmental, Social, and Governance.

Environmental, social and governance criteria are important for many consumers. These criteria aim to promote the protection of the environment, fair treatment of employees and other stakeholders and compliance with standards of good corporate governance.

Fineness

The content of pure gold – or fine gold – of a gold bar, coin or other object is called fineness. Gold objects often contain some alloys or impurities. One measure for the fineness of gold is carat. Carats indicate the gold parts per 24. 24 carat gold is almost pure gold (99.5-99.9%).

Gold-backed exchange-traded funds (ETFs)

Gold-backed ETFs and similar products are backed by gold and their prices track the price of gold. Exchange-traded funds are traded on stock exchanges and give investors an exposure to the gold price, while being backed by gold.

Gold hallmarks

Gold hallmarks originated to show the purity of gold in a piece of gold jewellery and include the mark of the assaying office that certifies the purity of the gold. Later, trademarks that showed which goldsmith had manufactured the product were added.

Gold investment jewellry

What counts as gold investment jewellery depends on local market practices. In general, gold investment jewellery should be jewellery pieces with a high gold content, i.e. a high purity. Depending on the market that could mean above 21 carat or up to 999.9. Jewellery that contains only a small percentage of gold, such as gold-plated jewellery, is not considered gold investment jewellery.

Gold investment jewellery is often sold by gram weight due to the fact that the overall value of a piece of jewellery is primarily driven by its gold content.

Managed gold products

The term 'managed gold' refers to products based on vaulted gold. Vaulted gold is allocated or pool allocated gold, which is stored in professional vaults on behalf of a retail customer. Gold savings plans or tokenised gold products are sample variants of managed gold products. Allocated gold accounts by dealers or bullion banks that are members of the London Bullion Market Association, or gold-backed financial securities, such as Exchange Traded Funds, are not considered to fall under our definition of managed gold products.

18 A list of gold coins considered by the EU as investment gold can be found under eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52017XC1111(01)

Melt value

The melt value refers to the value of the gold or other metals of an object such as a bullion bar, a coin or a piece of jewellery.

Numismatic coins/collector coins

Collector coins or numismatic coins do not qualify as bullion coins. They are often expected to have an additional value beyond the value of their precious metals content, based on scarcity or design. Depending on the specific coins, liquidity is typically lower than for bullion coins and premiums are higher (see 'Spot price/premiums' below). Collector coins are similar to investments in art and require additional expertise from investors. Investors in collector coins bear different/additional risks compared to investors in bullion gold.

Pool allocated gold/fractional allocation

Pool allocated gold accounts provide investors with co-ownership in one allocated gold bar or a pool of allocated gold bars. The bars are typically 'large bars', e.g. London Good Delivery 400-ounce bars (approximately 12.4kg), which generally can be purchased at low premiums. Pool allocated gold is fully backed by physical gold. Investors own a fraction of the overall pool of allocated gold but are not allocated individual bars.

Purity

See 'Fineness' above.

Retail investor

A retail investor is a non-professional or individual investor.

Settlement

The settlement date is the date when the ownership of gold changes from seller to buyer. On this date, the buyer has to pay for their purchase and the seller has to deliver the gold to the buyer. The settlement period is generally one or two days. The term 'settlement risk' refers to the risk that the counterparty fails to deliver gold when the investor has already paid for it (or that the investor fails to pay for their gold once it has been delivered).

Spot price/premiums

The 'spot price' of gold typically refers to the price of one troy ounce of gold on global gold markets. Depending on the form or type of gold bullion that investors purchase, there will be additional 'premiums' or 'mark-ups' to be paid. In general, the premium paid on a small bar or coin will be relatively higher than on a large bar.

Tokenised gold

The World Gold Council defines tokenised gold as ownership of physical gold, represented by digital tokens on a blockchain.

Unallocated gold

In an unallocated account, a customer does not own specific bars or coins but has a general entitlement to a set amount of gold. The investor is not the legal owner of any physical gold; instead they are a creditor of the provider.

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