



COMMODITIES | JULY 2022

## ENSURING INTEGRITY IN THE GLOBAL GOLD SUPPLY CHAIN

**The London Bullion Market Association (LBMA) and the World Gold Council recently announced their collaboration on the new Gold Bar Integrity (GBI) initiative. The GBI initiative aims to monitor the movement of gold through the global supply chain, including provenance and chain of custody.**

The GBI initiative is currently in its pilot phase but over time, the intention is that it will ensure more sustainable and responsible sourcing throughout the wider international gold market.

### What is the GBI initiative?

As part of its Responsible Sourcing Programme, the LBMA launched the Responsible Gold Guidance in 2012, which initially focused on human rights abuses, contributions to conflict, money laundering and terrorism financing. This expanded in 2018 to include environmental issues.

The purpose of the GBI initiative is twofold: to protect consumers who want to verify the purity, integrity, and source of the gold they purchase or invest in, and to provide regulators with assurances in relation to money laundering, fraud, and illicit trade. It will address risks such as where the gold comes from, who traded it, whether it is real, and whether it has been sourced responsibly.

The approach to achieving this is by digitising the global value chain of gold supplies. The LBMA has involved two distributed ledger companies, aXedras and Peer Ledger, in its pilot phase to "deliver a global ecosystem that will create an immutable record of a gold bar's place of origin and chain of custody" with a "blockchain backed ledger [that] will register and track bars, capturing the provenance and full transaction history".

The LBMA has acknowledged that the GBI initiative is intended to operate alongside existing government systems. The ultimate goal is to develop a self-financing, global system that provides something meaningful to consumers. It will essentially create a digital passport for all gold bars that updates as the product moves from a mine to a refiner and further through the market. The blockchain backed database will be able to track and trace gold bars and traders and provide verification of the digital passports.

The initial pilot phase will focus on kilo gold bars, which the LBMA considers carry the highest risk, before eventually branching into all gold production.

The pilot phase is due to run for around three months, until summer 2022, with more than 30 volunteers from the market. In the long-term, the plan is to involve all major participants in the gold industry in this ecosystem, so that ultimately, all gold bars will be registered and tracked throughout the entire supply chain. The GBI initiative will therefore have a wide-ranging impact at every stage of the global gold supply chain.

### What impact will the GBI initiative have on gold market participants?

Those involved in the gold market, and particularly those with LBMA membership, should be aware of the GBI initiative and its intended wide-reaching effect. Whilst the wider implementation of this initiative will depend on the outcome of the pilot phase, we anticipate that gold market participants at every step of the supply chain will need to familiarise themselves with the new ecosystem and ensure that their record-keeping practices are sufficient for the mandatory data that will be required in relation to gold production.

The GBI initiative is also likely to place a greater burden on gold market participants to establish the provenance and full chain of custody of any gold with which they are associated. This will likely require participants to spend

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<sup>1</sup> [LBMA and WGC launch Gold Bar Integrity Programme | LBMA](#)

additional time and resources, but it should result in greater transparency, giving all participants, whether traders, consumers or investors, greater confidence in the global gold market.

## Future of the global gold market

The GBI initiative looks to be an important resource for the future of the international gold market that will ensure general market sustainability and help those within the gold industry to engage in more sustainable business practices. This is an opportunity for the gold market to establish its relevance in a more sustainable future. It will be interesting to know the outcome of the pilot phase and determine whether the GBI initiative can deliver on the sustainability goals that the LBMA is clearly trying to achieve.

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