



INTERNATIONAL PRECIOUS METALS LEGISLATION  
ANSWERS TO THE PATRIOT ACT I AND ACT II

## REQUIREMENTS

The procedures listed here are specific as to what was issued by the FED and the World Gold Council, as what are required by law now to be followed on all GLD AU transactions.

The specific guidelines as set forth by these two agencies exactly as required now to do AU transactions and you will probably want to keep a copy of this for your records, as it is the only legal way of doing these transactions now.

At the stage of Bank Officer to Bank Officer it can also be set up as a Table Top Meeting at the bank if the seller and buyer wish, or a ledger to ledger inter-bank contract transaction Bank Officer to Bank Officer.

## NEW FED AND WORLD GOLD COUNCIL INTERNATIONAL PROCEDURE:

1. The Seller or his Mandate issues a full corporate offer. All AU metal offers must show the Seller's coordinates clearly.
2. Only the seller or his legal mandates may issue an AU offer and if it is the mandate issuing it, it must be accompanied by the letter evidencing the receipt of mandate authorization from the seller.
3. All offers received from non-authorized intermediaries will be automatically rejected.
4. The International Precious Metals Legislation does not allow buyers to first send a letter of Purchase Intent (LOI) because it is considered soliciting and is strictly forbidden.
5. Seller or seller's mandate must move first with an offer which should include metal license details and banking.
6. The Buyer/Buyer's Mandate submits a Letter of Intent and/or RWA (Ready, Willing and Able) with full banking coordinates and permission to do a soft probe.
7. The Seller/Seller's Mandate and Buyer/Buyer's Mandate exchange signed and sealed contract with full banking coordinates.
8. Seller/Seller's Mandate extends an invitation for the Buyer's bullion officer to contact the Seller's Bullion officer.
9. The Buyer/Buyer's Mandate accepts the invitation of the Seller's bullion officer.
10. The Buyer's bullion officer initiates the contact with the Seller's bullion officer by KTT.
11. The Seller's bullion officer will be instructed by the Seller to verify the AU metal, the quantity available, and to disclose any/all liens and encumbrances attached to the metal.
12. Upon receipt of the proof of existence of the Au metal and the certificate of authority to sell, the Buyer will instruct his bullion officer to confirm the availability of funds to be used as payment when the gold is delivered.
13. The Buyer and the Seller agree on a window time for exchange. The payment to the Seller will be disbursed within 24 hours against the transfer of ownership of the metal. Commissions will be paid immediately and without delay to each appointed paymaster.
14. The paymaster will likewise pay to the intermediaries their earned commission.

## GOLD / AU TRANSACTION (SINCE 1/08/2006)

Under the new guidelines recently set forth by the Federal Reserve for GLD metal it is required by the bank officers to do standard FED compliance on the metal and the seller / beneficial owners of the metal on a bank to bank basis before any contracts can be signed.

Anything outside of a strict Swiss procedure of POP with Sellers client info sheet and passport is now **ILLEGAL** to even attempt to transact. The seller, if they are legitimate, must be ready willing and able to submit this information directly by SWIFT to the Buyers Bank Officer for standard banking compliance under the new regulations.

Upon completion of this compliance the buyer's bank officer will then respond with POF including the Buyers client info sheet and passport information for the seller's bank officer to do their compliance as well.

### **A. AU TRANSACTION WITH TTM PROCEDURE (ALTERNATIVE 1)**

- 1) Seller issues a Full Corporate Offer<sup>\*)</sup> (FCO) including Full coordinates (registered address, plus office address (if different) plus phone, fax, corporate email), of the Bank's recognized Seller, Company registration number of the Seller entity, Seller Code, Signature and Seal of the Seller matching signature of passport and if possible a copy of the Registration document properly addressed to the Buyer with corresponding Fee Agreement, draft Sales & Purchase Agreement and Seller lawful signatory's full size color passport copy.
- 2) Buyer responds with signed and sealed Letter of Intent (LOI) together with copy of Buyer's Board Resolution / signatory authority and passport together with IMFPA and NCND to include all intermediary and Mandate participants to the said transaction.
- 3) Seller's Bank issues directly to Buyer a Letter of Invitation to attend a TTM at the Bank's premises in relation to the referenced FCO and LOI. Buyer sends written acceptance.
- 4) Seller commences proceedings at TTM within the Bank by handing to Buyer a document from his Bullion Bank, addressed to the Seller, stating the Bank is ready to arrange and transact the contemplated business in the Seller's referenced Full FCO, together with –
- 5) Evidence of legal ownership of the specific Au metal parcel(s) on offer, confirmation of the Seller's Bank-recognized signatory authority to sell, current Assay Report, Safe Keeping Receipt, Bank statement and/or other appropriate documentation to enable the Buyer to qualify the offer to sell the Au metal.
- 6) On successful verification of the documentation in clauses 4) and 5) above, Buyer immediately delivers to Seller's representative at the TTM a document from Buyer's Bullion Bank, addressed to the Buyer, stating the Bank is ready to arrange and transact the contemplated business referred to in this Full Corporate Offer (FCO), or –
- 7) Alternatively, Buyer will immediately arrange for Buyer's Bank to issue to Seller's Bank an acceptable institutional payment guarantee in favor of the Buyer for the full contract or tranche value.
- 8) Seller issues to Buyer four fully completed signed Sale and Purchase Agreements (pre-agreed); Buyer signs and returns two originals to the Seller.
- 9) Buyer and Seller lodge contracts and related documents to their respective Bullion Banks for verification and execution as per Swiss procedures.
- 10) Seller's Bank will SWIFT to Buyer's Bank formally confirming the existence and transferability of merchandise.
- 11) Buyer's Bank will respond by SWIFT formally confirming availability of payment.
- 12) Transaction will be completed on a Bank-to-Bank basis.

## B. AU TRANSACTION WITH BANK TO BANK PROCEDURE (ALTERNATIVE 2)

- 1) Seller issues a Full Corporate Offer<sup>\*)</sup> (FCO) including Full coordinates (registered address, plus office address (if different) plus phone, fax, corporate email), of the Bank's recognized Seller, Company registration number of the Seller entity, Seller Code, Signature and Seal of the Seller matching signature of passport and if possible a copy of the Registration document properly addressed to the Buyer with corresponding Fee Agreement, draft Sales & Purchase Agreement and Seller lawful signatory's full size color passport copy.
- 2) The Buyer responds with a signed and sealed Letter of Intent (LOI), properly addressed to the Seller, with a Buyer's Code indicating procedures for acceptance and a separate IMFPA for Buyer's side intermediaries and Mandates.
- 3) The Seller issues and delivers to Buyer four (4) copies of a signed Purchase and Sale Agreement; the Buyer signs and returns two (2) copies to Seller.
- 4) The Seller supplies directly to Buyer evidence of legal ownership, current Assay Report, current Bank Statement and/or any other documentation that may be required by the Buyer to qualify the Seller's offer.
- 5) The Buyer and Seller lodge contracts with their respective banks.
- 6) On successful verification of the documentation identified in clause (4), the Buyer will arrange an acceptable institutional Payment Guarantee on a Bank to Bank basis for the full value of the first agreed tranche or full contract value (to be agreed).
- 7) Seller's Bank will SWIFT to Buyer's Bank formally confirming the existence and transferability of Merchandise;
- 8) Buyer's Bank will respond with confirmation of payment;
- 9) Transaction will be completed on a Bank to Bank Basis.

<sup>\*)</sup> a Full Corporate Offer (FCO) should include:

**Offer will give the following information:**

1. The quantity of Gold for sale
2. The form: 12.5 Kilo Bars (GLD) 5 years or less
3. Fineness: 999.5% or better
4. Hallmark: Johnson Matthey or some other known names
5. Discount: Usually 6% Gross, 4% Net as a minimum
6. Fees: Divided equally between Seller's and Buyer's Reps

**The availability of the following documents will also be listed in the FCO:**

1. Safe Keeping Receipt
2. Original Certificate of Deposit
3. Certificate of Origin
4. Certificate of Legal Ownership
5. Seller's Certificate stating that the GLD are free and clear of all liens and encumbrances and freely tradable and exportable and of non-criminal origin

**Certified Weight List and Assay describing each Bar as follows:**

1. Serial Number as stamped on each Bar
2. Raw Weight as stamped on each Bar
3. Total weight as stamped on each Bar
4. Receipt of paid custom duties and taxes
5. Export Permit(s)

## TTM LETTER OF INVITATION

On letterhead of custodial / seller bank

Date: 2009/\_\_\_/\_\_\_

Addressed to the Seller:

Dear Mr. (Name of Seller / Owner / Client):

Reference: Account XXXXX

As per your instructions / request to us dated 2009/\_\_\_/\_\_\_, the undersigned hereby confirms that we are ready to transfer the Gold Bullion to GLD specification which we hold for you in the above referenced account, make reference to the offer & SPA dated in 2009/\_\_\_/\_\_\_ with the Transaction Code: \_\_\_\_\_ Sellers Code: \_\_\_\_\_ & Buyers Code: \_\_\_\_\_ for \_\_\_\_\_ MT and issue this Letter of Invitation to: \_\_\_\_\_ (THE BUYER), in order to attend a TTM at Bank's premises address: \_\_\_\_\_ & date: 2009/\_\_\_/\_\_\_ in relation to the referenced Sale & Purchase Agreement.

Bank Officer / Bullion Officer

Witnessed by second Bank Officer / Bullion Officer

Signed and sealed