

ETFs physically-backed ETCs

Counterparty Risk Explained

About ETFs physically-backed ETCs

ETFs physically-backed ETCs are designed to offer investors a simple, cost-efficient and secure way to access the precious metals market and provide investors with a return equivalent to movements in the precious metal spot price less fees.

ETFs physically-backed ETCs provide access to the following precious metals:

- Gold
- Silver
- Platinum
- Palladium
- Precious Metals Basket

ETFs physically-backed ETCs are backed by physical allocated metal held by a Custodian. All physical gold held with Custodians conforms to the London Bullion Market Association's (LBMA) rules for Good Delivery.

ETFs physically-backed ETCs are transferable securities that can be created or redeemed on demand (by market-makers). They trade on Exchange just like equities and their pricing and tracking operate similar to an Exchange Traded Fund (ETF).

Who are the Issuer?

ETFs Metal Securities Limited (MSL) and Gold Bullion Securities Limited (GBS) are Issuers of ETFs Physically-backed ETCs. Each Issuer is a special purpose vehicles (SPV) specifically created to issue ETCs. The assets of each class of security are segregated for investor protection from the assets of each other class. Each Issuer itself is ring-fenced from the rest of the ETF Securities group. The Issuers are regulated by the Jersey Financial Services Commission (JFSC)

What happens upon the bankruptcy of a Custodian, the Issuer or ETF Securities?

In the event a Custodian were to go bankrupt, the Issuer (with the consent of the Trustee) would have a right to reclaim the metal from the Custodian's administrator or liquidator.

In the event that the Issuer were to go bankrupt, the independent Trustee would take control of the Issuer's assets on behalf of security holders.

In the event that ETF Securities were to go bankrupt, there should be no impact on the assets of the Issuer as these are ring-fenced from the assets of ETF Securities and are held by the Issuer for the benefit of security holders.

Is there any credit risk?

There is no credit risk; physically-backed ETCs issued by Metal Securities Limited (MSL), and Gold Bullion Securities (GBS) are backed by allocated metal in a vault.

Who holds the metal?

The bullion is held by the Custodian, HSBC (member and chair of the London Bullion Market Association (LBMA)) in its London or Zurich vaults. In the case of ETFs Physical Swiss Gold, the metal is held in custody by JPMorgan Chase Bank, N.A. through UBS AG, Zurich as Zurich Sub-Custodian pursuant to Custodian Agreements between JPMorgan Chase, the Issuer and the Trustee.

The bullion is held in physically segregated (allocated) form, in uniquely identifiable bars (unique identifiers updated regularly on www.etfsecurities.com). Holdings are identified in a weight list of bars showing the unique bar number and the bullion specifications.

- All bullion must conform to LBMA or London Platinum and Palladium Market (LPPM) “Good Delivery” standards
- ETCs cannot be issued until the bullion is delivered to the Custodian’s vault
- Each Custodian’s vault is independently audited twice a year by an external auditor, BSI Inspectorate and randomly by the Custodian’s internal audit

What is the role of the Trustee?

The Trustee is The Law Debenture Trust Corporation p.l.c.

The Trustee acts on behalf of security holders of each Issuer, approves all withdrawals of bullion held by the relevant Custodian and, with respect to each Issuer, holds all rights and entitlement to the metal and all rights of the Issuer under the custodian agreements on trust for the security holders.

Can I take physical possession of the metal?

Both Authorised Participants and Security Holders may physically redeem ETCs issued by GBS. In order to take physical possession of the metal, a Security Holder must have access to an unallocated account with a bullion dealer in London who is a member of the LBMA.

In ordinary circumstances, only Authorised Participants may physically redeem ETCs issued by MSL.

For further details, please refer to the relevant prospectus available at www.etfsecurities.com

How do ETFS physically-backed ETCs compare with metal?

	ETFS physically-backed ETCs	Bullion
Credit risk	No - allocated metal	Yes, unless allocated metal
Listed	Yes	No
Trade at NAV	Yes	No. Discount / Premium
Storage & insurance	Included in the management fee	Storage & Insurance costs are additional
Quality	All bars conforms with LBMA/LPPM standards	Quality of non-LBMA/LPPM bars to be checked
Trade in brokerage account	Yes	No
UCITS eligible	Yes	No
VAT	No	Yes, if buying retail
Simple & cost-efficient	Yes	No
Liquid	Yes, Exchange traded & all bars conforms with LBMA/LPPM standards	May be less liquid than ETCs, as non LBMA/LPPM bars usually less liquid

How do ETFS physically-backed ETCs compare with metal?

Physically-backed ETCs issued by MSL and GBS are listed on 6 exchanges (London, Frankfurt, Amsterdam, Paris, Milan and Tokyo) and available in 4 currencies (USD, EUR, GBP and JPY).

	Base Currency	MER	LSE Ticker	Bloomberg	Reuters
Gold Bullion Securities	USD	0.40%	GBS	GBS LN	GBSx.L
ETFS Physical Gold**	USD	0.39%	PHAU	PHAU LN	PHAU.L
ETFS Physical Swiss Gold**	USD	0.39%	SGBS	SGBS LN	SGBS.L
ETFS Physical Silver**	USD	0.49%	PHAG	PHAG LN	SLVR.L
ETFS Physical Palladium**	USD	0.49%	PHPD	PHPD LN	PHPD.L
ETFS Physical Platinum**	USD	0.49%	PHPT	PHPT LN	PHPT.L
ETFS Physical PM Basket**	USD	0.44%	PHPM	PHPM LN	PHPM.L

* Fee is a weighted average of the four constituent Metal Securities included in the PM Basket, as at May 2015

** ETFS physically backed precious metals platform is Shariah compliant

About ETF Securities

ETF Securities is one of the world's leading innovators of Exchange Traded Products (ETPs) and provides specialist investment solutions across multiple asset classes to investors around the world, enabling them to build and diversify their portfolios intelligently.

We are pioneers, having developed the world's first gold ETP. Today we offer one of the most innovative ranges of ETPs covering commodities, FX, equities and fixed income. Using our pioneering spirit, unrivalled expertise and by working with leading third parties, we seek out the most compelling investment opportunities and make them accessible to investors as the intelligent alternative.

Important Information

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The relevant prospectus for each Issuer may be obtained from www.etfsecurities.com. Please contact ETFS UK at +44 20 7448 4330 or info@etfsecurities.com for more information.

Issuers

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