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THE REFINED INVESTOR

FideliTrade Leads in Detection Of Counterfeit Bullion

With the high value of bullion and technical advances by counterfeiters, the prize of duping unsuspecting buyers of precious metals has never been greater.

These advances in counterfeiting techniques have created a headache for the precious metals industry worldwide. Over the past few years, the precious metals industry has experienced an explosion in counterfeit bullion making its way to unsuspecting bullion dealers and investors.

No longer is the focus on larger bullion such as the 100-ounce gold and silver bars. Methods have greatly expanded from just hollowing a large bar and filling it with some cheap base metal. The forger's sophistication has now allowed them to target the more commonly traded small bullion. The most common small bullion types targeted by the counterfeiters are 1, 5, 10 oz. bullion bars, American Eagles and Canadian Maple Leafs. Faced with more sophisticated faux precious metals, the bullion industry has been pushed to create new standards to identify and "weed out" this material.



Common methods for producing faux bullion are diluting precious metals into much lower purity, plating or coating of a cheaper base metal, or the drill and fill method.

Dilution of a precious metals bar or coin is one of the easier methods to identify. The bullion's appearance is often affected. Also, the specific ratio between size relative to weight will not match. For example, a genuine ten-ounce gold bar has a specific size and weight given its purity. Diluted with less dense silver or copper will create a bar that either matches the stated weight but is larger than normal or matches the specific dimensions but is markedly too light. Given this physical dilemma, more sophisticated counterfeiters have moved toward the other methods.

To exploit the small bullion market, the faux producers need to encase a cheap base metal with a thin layer of the real bullion in a way that matches the density of the real thing. It is this breakthrough that has allowed this problem to grow. The most problematic technical advancement in counterfeiting is plating or coating of a cheaper base metal.



Plating

Plating begins by simply taking a cheaper metal with similar density and wrapping it in a thin coating of a precious metal. For gold, the perfect metal would be tungsten. With almost the same density but higher melting point, tungsten plated with a thin coat of gold can produce an almost undetectable match in size, weight and appearance to the real thing.

Bullion coins are now also susceptible to the new plating effort. Here a tungsten slug is coated with a thin layer of gold then pressed in a die for an almost exact duplicate.

Drilling & Filling

An older method but one that is still pronounced today is coring a precious metal bar by removing the high value metal from its interior and replacing it with a low value base metal. The high value core is then most commonly replaced with lead then capped and resurfaced to hide the deception.



Rare coins offer no greater protection



Numismatics or rare coins are also targeted by a sophisticated counterfeit campaign. Here is an example of a remarkably produced counterfeit 1 ounce gold South African Krugerrand coin sealed in fake packaging naming a well know grading service.

Counterfeits are everywhere and there is no one nondestructive test that can offer complete certainty. However, FidelityTrade Incorporated and its subsidiary Delaware Depository anticipated this and are uniquely prepared to confront this problem.

Combating the problem

FidelityTrade Incorporated's mission has always been to maintain the integrity of the bullion in our possession. To do so requires comprehensive procedures built around utilizing multiple tests and technologies. Foreseeing years ago the potential risks that fraudulent bullion poses to our customers, FidelityTrade Incorporated made significant investments towards better authentication and counterfeit detection. We now stand at the forefront of the industry preventing fraudulent material making its way into our holdings and ultimately back out into circulation.

FidelityTrade Incorporated's approach begins with the standard weight, size and appearance verification. Our knowledge and experience on the vast array of bullion products in circulation is our first line of defense. However, our testing does not end there. We also evaluate the physical properties through various tests that analyze the chemical, conductivity, magnetic, and harmonics of

the bullion that comes through our door. Diluted gold will get picked up by analysis of the surface composition. Plated tungsten or steel will give off different conductivity. Drilled and filled bars will fail on ultrasound.



With millions of dollars in precious metals flowing through our depository every day, our screening and detection process helps weed out counterfeit bullion in circulation and safeguard our holdings for our customers. We also continue to evolve by pursuing emerging technologies to make sure we stay ahead of the threat in the future.

It doesn't seem counterfeiters will stop trying but neither will FidelityTrade in our efforts to circumvent the problem. Aside from the large amount of counterfeit detection equipment FidelityTrade has invested in, we're also combating this issue externally. FidelityTrade is working with Precious Metals Association of North America and Industry Council for Tangible Assets on ways to fight precious metals counterfeits. **Call 800-223-1080 to find out more.**

FidelityTrade Incorporated® is a full-service precious metals company specializing in the sales, trading, custody, and delivery of precious metals bullion products for individual, commercial, and institutional clients worldwide.

FidelityTrade Incorporated

3601 N. Market Street
Wilmington, DE 19802

Toll Free: 800-223-1080

Tel: 302-762-6200

Fax: 302-762-7570

www.FidelityTrade.com