



*The*  
**GOLDSMITHS'**  
*Company*

ASSAY OFFICE

## **The Case for Hallmarking**

### **1. Hallmarking defined**

- 1.1 It is impossible to tell the precious metal content of a metal by touch, feel or colour. Hallmarking is the application of a series of marks to precious metals to indicate the precious metal content. This visible confirmation of the precious metal content helps guard against under-caratting.
- 1.2 Hallmarking dates back to 1300 and represents the oldest form of consumer protection in the United Kingdom. Today, the Hallmarking Act 1973 (and subsequent amendments) requires that all items sold in the United Kingdom and described as being made from gold, silver, platinum or palladium must have a legally recognised hallmark.
- 1.3 The hallmark is applied by regulated assay offices, which are independent of the trade. This independence ensures that the hallmark acts as a trusted guarantee for both the consumer and the trade. The integrity offered by independent testing is the key reason that hallmarking has endured for over 700 years.

### **2. The need for hallmarking**

- 2.1 The need for hallmarking is as great now as it has ever been:
  - (i) The cost of the metal as a percentage cost of a finished article is invariably higher than for other fabricated products. There is therefore a temptation for unscrupulous dealers to cheat their customers by attempting to pass off base metals or metals with a low precious metal content as precious metals.
  - (ii) The current high prices of precious metals, particularly of gold, reinforce the need for consumer protection.
  - (iii) New precious metals are being adopted for the manufacture of jewellery, e.g. palladium. Hallmarking provides a widely recognised way of protecting the consumer against potentially fraudulent behaviour through the misrepresentation of these new materials.
  - (iv) Imported articles represent an increasing proportion of precious metal articles sold in the UK (now 90%). The hallmark ensures that the precious metal content of such articles complies with the standards for domestically produced articles, ensuring a level playing field for both UK manufacturers and importers alike.

- (v) The practice of hallmarking is being adopted at an increasing rate across the world. A clear example of this is the increasing size of the members of the International Convention on Hallmarks which has expanded from 7 when it began in the 1970s to 19 today – and Italy has just applied to join. The International Association of Assay Offices has also seen a similar expansion. Many of the new members originate from outside of Europe, reflecting the global nature of the jewellery trade. India, the largest democracy in the world, is in the process of introducing a hallmarking regime, as is Pakistan. The United Kingdom would be out of step if it were now to weaken its hallmarking arrangements.
  - (vi) With the rise of online retailing and internet auction sites, the route to market for the retail of jewellery and silverware has been transformed. The routes available to defraud the consumer have also evolved with this increased complexity. However, the presence of the hallmark remains a simple and effective check to ensure that the customer has indeed bought a precious metal article.
- 2.2 Hallmarking legislation has been refined over many centuries and is now so sophisticated that it permits a classification of fake items. The hallmark itself also plays a unique role with scientific testing and connoisseurship in the detection of fakes – such a useful parameter does not exist in other branches of fine arts. The combination of the hallmarking legislation and the hallmark has allowed the detection of fakes, including the prosecution of serial offenders.
- 2.3 The hallmark is a “tardis of information”. It tells “who” submitted the article, “what” the fineness is, “where” it was tested and often “when” it was tested. This information provides huge opportunities for marketing and branding, and the hallmark has thus gone far beyond its original objective as a means to ensure consumer protection. Some specific examples include:
- (i) Hallmarks, termed “display hallmarks” are incorporated into the design of objects for decorative purposes.
  - (ii) The sponsor’s mark has become akin to the signature on paintings. It provides provenance and permits makers to become brands.
  - (iii) The date letter, assay office mark and commemorative marks indicate time, place and occasion.
- 2.4. The UK remains the leading player on the world hallmarking stage. Its assay offices are regarded as centres of expertise and provide training to overseas countries helping them to set up hallmarking facilities.
- 2.5 The requirement for hallmarking has allowed assay offices to obtain a unique position in the supply chain for market, especially for importers. This, coupled with the huge level of trust and expertise that is associated with assay offices, has allowed them to provide a range of other services to the trade such as laboratory assaying services, nickel release testing, valuations, smelting, diamond grading, training for Trading Standards Inspectors, courses for the general public and package testing. The loss of hallmarking would not allow assay offices to provide such a comprehensive range of services, some of which are now vital for consumer safety (nickel testing).

### **3. Evidence of effectiveness**

- 3.1 The combination of hallmarking by the assay offices and of enforcement by Trading Standards Inspectors has created considerable confidence in the jewellery industry within members of the trade and the public. No clearer example was that of the introduction of palladium which needed the guarantee of the hallmark before the public had confidence to purchase palladium products.

The “Platinum 2010” report from Johnson-Matthey which reviews performance of platinum group metals included the comment:

“Demand for palladium from European jewellers increased to 50,000 ounces, encouraged by the introduction of a hallmark for the metal in the UK in July 2009 which affirmed its status as a precious metal.” Demand for palladium for jewellery fell in other regions during the same period.

Alan Dyer, Sales Manager from the respected jewellery manufacturer and bullion dealer Baird & Co quoted:

“Sales of palladium rings are up 75% since the introduction of the hallmark”.

- 3.2 Another example of the important role of the hallmark for consumer protection comes from a statement made this year by Ruth Orchard of the Anti-Counterfeiting Group:

“Following routine inspections carried out at New Covent Garden Sunday Market in February by Wandsworth Trading Standards Officers, £100,000-worth of counterfeit jewellery was seized on the weekend before Valentines Day.

The 4000+ branded items of jewellery seized weighed over 60kg in total and was believed to be part of a distribution network within the market. The Chinese supplier was believed to be selling items of jewellery falsely branded with trademarks, such as Tiffany, Chanel and Links of London for around £25 per item. Genuine items would cost many times this amount.

The jewellery was not sterling silver despite appearances but was actually base metal, vastly inferior to the genuine article. In order to dispose of the counterfeit jewellery Wandsworth Trading Standards requested assistance from the London Assay Office, which is normally responsible for hallmarking precious metals. On this occasion they were able to assist by melting down the jewellery to prevent it from re-entering the supply chain.

Over the past few years, Assay Office London has provided a range of detailed training seminars for Trading Standards Officers covering all aspects of hallmarking law, where to look for hallmarks and detecting fakes and forgeries. It also provides expert analytical services to help with prosecutions.”

- 3.3 Historically, threats to remove hallmarking have been met with considerable concern amongst the retail trade. An example of the impact of the removal of compulsory hallmarking is in Austria; the change from a compulsory to a voluntary system resulted in an increase in low standard articles from less than 1% to 15% of items examined. If this happened in the UK, 2.6 million articles would be found wanting which would have a devastating impact on confidence in the trade.
- 3.4 The adage, “prevention is better than cure”, is particularly pertinent to hallmarking. By making regulation part of the manufacturing operation, it is an upstream process, reducing costly regulation by the Trading Standards Authorities at a later stage when sub-standard articles have entered the market. In this way, it is also compliant with Hampton requirements.
- 3.5 In a Fakes and Forgeries Seminar held at Goldsmiths’ Hall in June 2010, Mr Michel Arnoux, Head of the Swiss Watch Federation Anti-Counterfeiting unit, commented that hallmarking legislation was one of the most effective means of controlling fakes. It permits a clear cut and straightforward method to achieve prosecutions.
- 3.6 The commemorative marks offered by the assay offices were hugely popular, which assisted the trade to market their jewellery. Assay Office London applied nearly 1.03 million Millennium marks, about 1 in 8 of all items hallmarked during this time, and 35,270 Gold Jubilee marks.

#### **4. Conclusions**

- 4.1 Hallmarking is a tried and tested form of consumer protection which, in view of the historically high price of precious metals and the growth of international trade, is arguably more important now than ever before.
- 4.2 Far from being a burden, hallmarking is of considerable benefit to business as it offers a wide range of added value opportunities.
- 4.3 The assay offices employ a considerable number of expert staff and have an unrivalled reputation on the world stage. Their positioning in the supply chain allows additional services to be supplied the trade, some of which are key for health and safety purposes.