

BRITISH HALLMARKING COUNCIL

**Council meeting Thursday 4 April 2019
11.00 am at Goldsmiths' Hall Foster Lane London EC2V 6BN**

MINUTES OF MEETING**1 Welcomes****• Attendance and apologies for absence**

Present:

Noel Hunter, Chair
Carol Brady
Malcolm Craig
Ken Daly
Louise Durose
Helen Forder
Patrick Fuller
Peter Hayes
Andrew Hinds
Harriet Kelsall
Tom Murray
Isobel Pollock-Hulf
David Reddaway
David Sanders
Vanessa Sharp
Matthew Sibley
Gary Wroe

In attendance:

Ashley Carson, Sheffield Assay Office
Doug Henry, Birmingham Assay Office
Robert Organ, London Assay Office
Scott Walter, Edinburgh Assay Office
Marion Wilson, Birmingham Assay Office
Robert Grice, former Council member
Rachel Bealey, BEIS
Richard Sanders, BEIS
Sue Green, Secretary
Jon East, P2P (Item 2)

Apologies for absence:

Neil Carson
John Stirling

The Chair welcomed new Secretary of State-appointed members Ken Daly, Patrick Fuller, Isobel Pollock-Hulf and Vanessa Sharp. He also welcomed Gary Wroe, the new appointee for Birmingham Assay Office. Introductions around the table were made.

2 Industry research, presentation by Jon East of P2P

The report from P2P had been circulated prior to the meeting. Jon East took the meeting through key points from the report.

The UK jewellery industry has a total of 6,709 businesses (retail, manufacture and wholesale) including those registered at Companies House and sole traders. Total employees, including self-employed, stand at 57,062 using HMRC data. Total revenue for the sector stands at £8.54bn.

Since the recession, the value of precious metal jewellery exports has increased at a faster rate than the value of imports, outstripping them in 2018 by 43%. Almost half of respondents sold hallmarked products to customers in at least one country. 38% sold to at least one country in Europe and 36% sold to at least one country outside of Europe. However, for the majority of businesses, the UK accounted for most of their sales. Almost all respondents hallmark their products exclusively in the UK, regardless of where those products are sold.

Most businesses have very high satisfaction levels with the services provided by the Assay Offices, 81% saying that they receive a good or very good service. This was also reflected in the fact that 903 surveys were returned, including a lot of long-term relationships.

In the UK since 2001 there has been an inverse correlation between hallmarking volumes and the price of gold. Overlaying the figures for retail, wholesale and manufacture revenue over the same period, it can be seen that revenues remained fairly constant while the price of gold and numbers of articles hallmarked fluctuated. During that period also, the number of gold articles hallmarked showed a sharp drop, relative to articles made from other precious metals.

Most of the drop in overall hallmarking volume is accounted for by 9 carat gold items. Silver items now make up a much higher proportion. Some business may have moved away from gold to silver, or some may be making fewer sales at a higher price.

Almost half of the respondents to the survey reported that they varied the design of product and/or materials used, to offset increases in the price of gold. Respondents also commented that they had increased their use of silver (with and without gold plating) due to the high price of gold.

Online expenditure in the UK is booming (currently £53.7bn across all sectors), and is forecast to increase even more sharply over the coming years. There are indications of recent strong growth in online sales of precious metal jewellery, although data is scarce. There is a corresponding drop in high street sales. More than 60% of respondents said their business sold precious metal jewellery online.

Many respondents see online marketplaces such as Amazon and eBay as a threat to their business, although marketplaces such as Not on the High Street are seen as more of an opportunity.

Respondents felt strongly that unhallmarked jewellery is being sold online as precious metal, and that the regulations around online selling should be better enforced and strengthened.

There was general concern amongst respondents over the potential impact of Brexit on their businesses. The greatest concern was with increased costs due to a weak pound and other general economic impact such as exchange rate volatility, and weak consumer confidence in the UK. There were also concerns with specifics of any deal including customs duties on imports / exports with EU countries, increased bureaucracy to process imports and exports, and increased border controls leading to delayed shipments.

Most respondents were not aware of the potential loss of mutual recognition, although awareness levels were higher amongst businesses with headquarters outside the UK.

The continued recognition of British hallmarks across Europe is seen as very important. One third would consider hallmarking goods elsewhere if British hallmarks were no longer recognised Europe-wide. Larger businesses were more likely to consider doing so, and 70% of businesses with headquarters outside the UK would consider doing so. The larger businesses are of the greatest concern as they account for the majority of hallmarking volume, and are more likely to hallmark abroad.

Businesses are looking for a range of support from the BHC or UK government, with protection, especially by mutual recognition, and promotion of British hallmarks to consumers being seen as most useful. Also mentioned were a “Made in Britain” campaign to promote British-made jewellery, provision of resources to help businesses plan for life after Brexit, and support to access new export markets.

Conclusions: the UK jewellery industry is important to the UK economy and has enjoyed modest growth since the 2008/9 recession; a key market driver is the price of gold, which has risen sharply and has contributed to a dramatic reduction in hallmarking volumes; threats to industry included online sales, unhallmarked goods being sold online as precious metal, and the potential impact of Brexit. These threats could cause one third of businesses to hallmark their products outside the UK, including some of the largest and highest-volume businesses. A lower demand for UK hallmarking could drive increases in charges and pose a risk to the sustainable provision of assaying services across the UK. The industry is looking to the BHC and/or government for support to mitigate the key threats identified.

Recommendations:

Practical measures:

R1: Work towards maintaining mutual recognition of hallmarks on EU exit

R2: Work towards maintaining the frictionless movement of goods on EU exit, in particular minimising border delays and bureaucracy

R3: Co-ordinate an industry-wide hallmark awareness-raising campaign amongst UK consumers

R4: Work with Amazon and eBay to increase hallmarking information on precious metal jewellery listings, and raise consumer and seller awareness of what this means

R5: Work with stakeholders to develop a robust enforcement strategy to protect consumers and businesses from internet unfair trading practices and make recommendations to update the Hallmarking Act 1973.

Improving visibility around industry data:

R6: Work with government to gain greater transparency over source and destination countries for imports and exports of precious metal jewellery on EU exit

R7: Work with government towards recording online vs physical sales revenue

R8: In future research, capture more precise online revenue and import/export data.

There followed discussion of the research. It was noted that some businesses who don't currently export are considering doing so in future and that this research does not seek to provide a forecast of future activity.

A question was raised about whether it would be possible to arrive at an industry revenue figure just for precious metal jewellery, or at least a figure excluding watches. [P2P confirmed after the meeting that this would be attempted, or if not possible the existing figure would be clarified.]

The effect of fashion on sales of precious metal was also noted: in the last two years people have become more interested in yellow metals again, and potentially the industry could do something to promote "solid gold" jewellery.

The jewellery industry at £8.5bn is on a par with footwear, smaller than clothing, and forms about 1% of the UK economy.

The polarity in the marketplace between eBay and Amazon at one end, and Not on the High Street at the other end, was noted. It was perhaps explained by the fact that Amazon and eBay and similar marketplaces are not curated. [P2P confirmed after the meeting that this comment would be added to the report.]

It was noted that possible additional bureaucracy under Brexit might include the potentially high cost of carnets.

The point made in recommendation 7, recording online vs physical sales revenue, was noted as being an issue for other industries as well as jewellery.

It was agreed that a key outcome of the research is a need to change the regulation of hallmarking to protect consumers who are buying online: there is a mandate here to request changes to the Hallmarking Act.

Richard Sanders of BEIS commented that the government is aware of the issues, especially with platforms such as Amazon and eBay claiming simply to be middlemen, and there is a potential challenge to that assertion. There followed discussion about changes needed to the Hallmarking Act, enforcement in relation to online sales from abroad, fulfilment houses such as eBay who argue that they are not describing or selling in the course of a business and so not in breach of the legislation. It was noted that enforcement in relation to online sales is an issue across other industries as well.

It was noted that the Convention remains in place and is not affected by Brexit, although unfortunately France and Spain are not yet signatories to it.

The Chair summed up. These insights would inform the BHC's dialogue with BEIS regarding industry regulation and enforcement and the future strategy of the BHC. Jon East was thanked for this work.

(Jon East left the meeting)

3 Opening business

- **Minutes of the Council meeting on 4 October 2018**
- **Action points, and matters arising**

The draft minutes of the meeting held on 4 October 2018 had been circulated previously. There were no comments on the accuracy of the minutes and they were approved for signature and filing on gov.uk. The updated action list from the meeting, circulated previously, was discussed.

Action 2.2: Italian hallmarks, application for recognition. Richard Sanders of BEIS had asked Italy to resubmit their application and he will take it forward if an application is received from them.

Action 8.1: noted that the BHC had been too late to apply for funding through the Regulators Pioneer Fund.

Action 14.6: had not been progressed.

Action 15: Richard Sanders of BEIS had alerted the BHC that Holland were intending to change their law on hallmarking, to deregulate the hallmarking of palladium. Other member states could make representations. This was just for information.

4 Declarations of interests

For the benefit of new members, the Chair explained that each year Council members were required to complete Declarations of Interests forms. In addition, at each meeting members were required to declare any interest in any matter on the agenda.

There were no declarations of interests.

5 Chair's report

The Chair introduced his report, which had been circulated previously. The priorities for the BHC from when he took on the role had been governance; operational integrity; enforcement; Brexit; BHC visibility with stakeholders. He had been continuing his visits and discussions around the industry and there were continuing indications that although the industry puts a high value on hallmarking, there was relatively little awareness of the BHC's existence or work. The BHC has responsibilities for operational integrity and enforcement, and so a higher profile is needed for its work. All of these aims are contained in the Business Plan.

Appointments of Council members: the Chair reported that all four for 2019 were in place and an induction session had been held. One person, Gay Penfold, had been appointed for 2020 and is currently undertaking governance training. At the end of 2019 the BHC will lose Andrew Hinds, Helen Forder and David Sanders and accordingly two more appointments would be needed. The process has been started with BEIS and would conclude during 2019.

Operational matters: integrity of hallmarking. The Chair reminded the meeting that at the October meeting new processes for the Applications Committee had been agreed and were annexed to the Applications Committee's Standing Orders. These processes would now be

taken forward, with clear oversight of sub-offices and processes which bear external scrutiny.

Enforcement: the Chair reported that results had not yet been received from the Warwickshire Trading Standards pilot work at airport hubs. A meeting was coming up and results were expected in the next couple of months. Headline results from the internet sweep had been received and circulated, and would be presented to the Education & Enforcement Committee meeting that afternoon. There was significant ongoing work in Scotland with Scottish Trading Standards Departments and Edinburgh Assay Office working together. All of these initiatives, combined with the insights from the P2P research, would provide data and insights to inform the strategy for the BHC going forward. This was the very important next task for the BHC. Once the strategy was formulated the next step would be to consider how to lever resources to deliver the strategy.

Public relations: information was being circulated to raise the profile of the BHC, with two bulletins having been sent out so far, and work started on further releases. The next would be the announcement of the new mark for hallmarks applied outside the UK.

6 New Council members

This item had been dealt with under the Chair's report, item 5 above.

The Chair reported that Isobel Pollock-Hulf and Vanessa Sharp would join David Sanders on the Applications Committee.

Ken Daly would join the Education & Enforcement Committee, with others joining later.

Patrick Fuller would lead a short-life group working on how the BHC can promote hallmarking to consumers. Louise Durose and Andrew Hinds would join this group.

7 Overseas Hallmarking

Doug Henry introduced the new Dealer's Notice which had been circulated previously. The explanatory wording had been changed and a new section added for marks applied outside the UK. The communications plan for the new mark and the new Dealer's Notice had been discussed at the Joint Assay Offices Committee meeting on 27 March and item 2 of the minutes of that meeting set out the planned communications process.

The new Dealer's Notice needed approval from the Council. There was discussion regarding the new Type 2 Convention mark which had now been ratified although not yet implemented, which does not contain fineness figures but allows for the use of chemical symbols eg Au, Ag so that marks can be accepted in countries such as China. The Type 1 mark will continue in existence alongside the Type 2 mark. There was discussion regarding the best way to introduce these updates. It was agreed that, as the new Convention mark had been ratified and was in agreed form, it should also be added immediately so that one update can be published containing both the overseas mark and the new Convention mark.

Actions:

Doug Henry to amend the current draft Dealer's Notice and circulate to the other Assay Masters for final approval.

BHC bulletin to the trade as soon as possible.

8 Brexit

Richard Sanders of BEIS referred to his report, circulated previously.

The UK is still looking towards a deal on Brexit but planning was also going ahead for what happens on exit day if there is no deal. In relation to hallmarking, the SI was laid and signed on 27 March changing the legislation to take effect on exit day in the event of no-deal. The BHC can now link to this. The International Convention on Hallmarking is not affected. There was a short discussion about the implications of this, for example whether if a UK Assay Office applies the international convention mark to an item and then exports it to an EU country which is a member of the Convention, once it is in that country EU mutual recognition then applies. Guidance from gov.uk had been attached to the Chair's report on this.

9 Annual Report and Accounts to 31 December 2018

The Secretary presented the draft Annual Report & Accounts, which had previously been circulated. The document would be signed by Noel Hunter as Chair and Accounting Officer with the accountability documented in Managing Public Money, but it was the duty of the Council to review the document carefully and be satisfied with the detail of the report section and the accounts section. It was noted that the BHC's funds are deemed to be public money once received into the BHC as a public body.

Thanks were due to Lucy Jones at Shakespeare Martineau who had hosted the NAO field visit. The NAO Audit Completion Report had been circulated previously. The meeting was asked to note in particular that there may be further amendments to be made depending on the Brexit process. The agreed date for laying the accounts was 2 May and processes were in hand with the Journal Office and government printers for production of the final document.

The NAO report noted that there had been no significant or unusual transactions, no bias in accounting estimates, and no inappropriate journals. There had been some accruals in 2019 which had been accounted for. The accounting policies comply with the government Financial Reporting Manual. There were no issues of irregularity or impropriety. The NAO found that the wording of the Report section was appropriate and that the BHC has applied the money it received to the purposes intended by Parliament.

The meeting approved the report section and the accounts section and gave authority for the Chair to sign the Annual Report and Accounts and the Letter of Representation.

There was discussion about the NAO's charges and a question whether the amount was disproportionate to the BHC's funds and amount of transactions. It was agreed that this question would be raised with the NAO.

Proposed: Carol Brady; Seconded: Harriet Kelsall; Carried unanimously.

Actions:

Signature and laying of Accounts (Chair and Secretary)

Raise issue of proportionality with NAO (Chair and Secretary)

10 BEIS issues

- **Draft Corporate Statement**

The Chair introduced the draft Corporate Statement. The meeting noted that this was the annual Corporate Statement published on gov.uk setting out how the BHC performed in the previous year and its objectives for the current year as set out in the Business Plan. The Corporate Statement was in a shorter form than last year because some of the items were now set out in the new Framework Document which had been finalised in December 2018. The summary of objectives for the current year had been adapted to set out proposed changes to the current Business Plan, as set out in the Explanatory Note for item 12 circulated previously and discussed under item 12 below.

The meeting agreed the draft Corporate Statement and authorised the Chair Noel Hunter to sign it.

11 Business Impact Target

The Secretary reported that the Business Impact Target is an annual reporting requirement for all regulators. Regulators have to submit returns setting out the estimated impact of directions they have made on the industry they regulate. There is a £5M de minimis threshold. The reporting period for the Business Impact Target ends on 20 June and the publication date is 4 July. Overseas hallmarking could potentially come within the specific measures for this year.

12 Business Plan and Budget 2019

The Business Plan, agreed in draft at the October meeting, had been circulated prior to the meeting with updates on progress and proposed changes to the objectives.

It was noted that two objectives had been removed: proposed amendments to the Hallmarking Act, whilst needed, were unlikely to be considered in the near future; the BEIS Tailored Review was not expected to happen in 2019. Two new objectives had been added after discussion with BEIS: audit of the BHC against the Regulators' Code; diversity of the BHC. It was noted that diversity is a key target for BEIS; the wording suggested by BEIS had initially referred to diversity of the Assay Offices and the Chair made the point that it would be worthwhile for the Assay Offices to review their governance and procedures if this had not been done recently.

Overall good progress had been made against the Business Plan objectives. Activity was ongoing on industry research, the Applications Committee processes for ensuring operational integrity; technical consistency as set out in the JAOC minutes from 27 March previously circulated; overseas hallmarking with the new mark agreed and ready for introduction with the new Dealer's Notice almost finalised; enforcement with a number of initiatives ongoing; governance review completed; new Council members in place and inducted.

The budget for 2019 had been approved at the October meeting, at a lower level than last year, and reflecting the very careful management of the BHC's finances and efforts to keep the costs as low as possible. Budget vs actual figures had been circulated with the meeting papers. Expenditure was as anticipated.

The meeting agreed that the Business Plan was a fair reflection of what the BHC should be doing. It was noted that in item 4 of the Business Plan the case law reference needed to be corrected. Discussion of changes to the objectives prompted a question about changes that were needed to the Hallmarking Act, whether via the Tailored Review or otherwise. One of the key issues was enforcement in relation to online sales and Richard Sanders of BEIS noted that the BEIS Office for Product Safety and Standards was also concerned regarding problems with internet sales so there was synergy with the BHC's concerns here and the BHC could contribute to this.

Actions

Business Plan

- Correct case law reference (Secretary)
- Hallmarking Act changes needed (Technical Committee)

13 Governance

• Council Standing Orders, proposed amendment

The Chair reported that the new draft Standing Orders had been discussed and agreed at the Council meeting on 4 October 2018. Comments from the meeting had been incorporated and the changes were implemented, and the new document published on gov.uk. The Secretary reported on the changes put forward by SAO and EAO, which had been incorporated into the draft as track changes and circulated prior to the meeting. In 9.5 there was additional proposed clarification wording regarding members acting for an improper purpose. The proxy form had had additional clarification wording added. It had also been added as an Appendix to the Standing Orders.

The meeting approved the proposed amendments to the Standing Orders.

• Applications Committee processes

The Chair reported that a significant amount of work had been done during 2018 to review the Applications Committee processes and the oversight of sub-offices. These were now to be introduced. In the meantime work had been done to pull together existing records on sub-office applications, approvals, reporting and monitoring. Monitoring had been a feature in the early years but had not been part of processes in recent years. In the new processes this had been introduced by way of a revalidation process. Isobel Pollock-Hulf reported that she had had a useful briefing and meeting with Mick King as the previous Chair of the Applications Committee, and there was a meeting planned for the following week to review the set of records. The Applications Committee would be setting up a meeting to plan for how to take the work forward.

A question was raised regarding costs of inspections of sub-offices and how they are charged, whether to the relevant Assay Office or the BHC. It was agreed that direct costs of the Applications Committee should be charged back to the relevant Assay Office.

• Governance overview document

The Secretary reported that, following approval at the October Council meeting, this had been finalised and made into a governance manual for the BHC. This had been produced in hard copy for new Council members at their induction, and made available as a shared Dropbox folder for all Council members.

It was agreed to add a list of membership of committees once these had been finalised.

14 Committee Reports

14.1 Applications Committee

David Sanders presented the Applications Committee report, previously circulated.

Since the last meeting, there had been one application, which was a request from LAO to move the sub-office at Graff Diamonds, and a report from the Applications Committee recommending approval of this change had been circulated with the meeting papers. The Applications Committee had visited the sub-office and been impressed with the security of the operation.

The meeting approved the application to move the sub-office.

14.2 Education & Enforcement Committee

E&E Committee report: David Sanders presented the report of the E&E Committee.

Touchstone report: The Chair welcomed Robert Grice, former Council member, to today's meeting and thanked him for his ongoing work to oversee the 2019 Touchstone Award and hand over the process to his successor. It was noted that the Touchstone Award had continued to grow in reputation and to encourage enforcement work by Trading Standards Departments against a background of diminishing resources. Entries for 2019 were due during April. From 2019 onwards, a contribution was being made by the NAJ with the aim of raising the profile of the award, and of hallmarking enforcement. The Chair on behalf of the BHC thanked Robert Grice for his untiring work on the Touchstone Award, and his work as Chair of the E&E Committee.

Enforcement work: in addition to initiatives mentioned under other items at the meeting, a significant amount of work had been done by David Sanders and Marion Wilson to arrange for an external organisation to carry out an internet sweep to gauge levels of sales of unhallmarked goods online. The initial findings had been circulated prior to the meeting and would be presented to the afternoon's E&E Committee meeting. The findings would provide insights which would feed in to the BHC's strategy going forward and complement the industry research.

Website: the Secretary talked the meeting through the mock-up pages of the proposed new BHC website on gov.uk. The constraints of working within the gov.uk platform and requirements were discussed, and various comments on individual pages were noted. The question of whether the website should be hosted elsewhere was discussed but it was noted that hosting it on gov.uk fits with the aim of transparency of public bodies. It was agreed that linking from Assay Office websites, as well as the reverse, would be helpful. The approach presented was approved, noting that the BHC with its small size has difficulty meeting gov.uk requirements eg for numbers of clicks and further discussion might be needed, involving OPSS.

Queries from the public: The Secretary presented the spreadsheet of recent queries. It was noted that a continuing theme, as found on enforcement, is that traders are often very

unhappy that there is no apparent effective enforcement against selling unhallmarked goods online.

14.3 Joint Assay Offices Committee

The draft minutes of the JAOC meeting held on 27 March had been circulated prior to the meeting. The minutes of the meeting were approved and noted.

14.4 Technical Committee

Robert Organ reported that a Technical Committee meeting had been held and minutes were in circulation for finalisation. The issues discussed were mostly picked up in the JAOC minutes. The main issues of concern were mutual recognition of marks, for which the outcome of Brexit was awaited; a standard operating process for XRF testing, which was in progress; database of technical decisions and the Assay Offices' wiki and process for removing those decisions that are no longer relevant following changes in the law (eg mixed metals).

A question was raised whether the Hallmarking Guidance Notes could now be updated, to add in the overseas mark, the new Convention mark, and to correct small errors. It was agreed to discuss this at the next Technical Committee meeting.

Action: Technical Committee item, update Hallmarking Guidance Notes.

15 Assay Office Activity and Enforcement Reports

The Assay Office reports had been circulated prior to the meeting.

There was a short discussion about Assay Offices' work supporting Trading Standards enforcement activities and how they charge. Approaches varied depending on the volume, nature and location of the work.

It was noted that 2018 had seen the lowest total number of items hallmarked for many years and that these are difficult times for the industry.

The enforcement activities involving the Assay Offices were noted: there was comment that active enforcement and publicity about it, as well as seminars such as the Fakes and Forgeries session to launch the book "Antique Silver and the Law" and training such as the event planned for Scottish Trading Standards, can make a big difference.

The upcoming event "The Goldsmiths' Company Jewellery Materials Congress" was mentioned: this will be the largest jewellery technology event in the UK.

16 Documents for information

- **Assay Office sub-office reports**
- **Assay Office viability reports**
- **Royal Mint inspections certificates**
- **Convention / IAAO report**

These reports, previously circulated, were noted.

17 Any other business

David Sanders mentioned that this would be his last Council meeting as he would be unavailable for the October meeting. He thanked everyone he had worked with, particularly the Assay Offices and the Applications Committee and E&E Committee members. The Chair thanked him for his contribution and particularly for his work on the Applications Committee and the E&E Committee.

David Sanders commented that he had not been made aware of some recent adverse comment in the press regarding the standard of assaying in a particular location. The press comment had also included an explanation of what had been done to put the matter right but Council members should have been made aware of the item.

Robert Grice mentioned an issue he is following up with the NAJ, a jeweller apparently making an incorrect statement.

18 Date and venue for next meeting

Thursday 3 October 2019, Royal Mint (venue to be confirmed).

The Chair thanked the Goldsmiths' Company for hosting the meeting.

The meeting closed at 1.00pm.

Actions from the meeting

| Item | Action | Who |
|------|--|------------------------------------|
| 2 | Insights from P2P research, combined with other research and enforcement insights, to be taken forward into BHC strategy document | BHC |
| 7 | Overseas Hallmarking <ul style="list-style-type: none"> • Add new Convention mark to Dealer's Notice • Assay Offices to agree • Bulletin to the trade | Doug Henry Assay Masters BHC |
| 9 | Annual Report & Accounts <ul style="list-style-type: none"> • Signature and process for laying • Communication with NAO regarding proportionality of audit process and fee | Chair and Secretary |
| 10 | Corporate Statement <ul style="list-style-type: none"> • Signature and publication on gov.uk | Chair and Secretary |
| 12 | Business Plan <ul style="list-style-type: none"> • Correct case law reference • Hallmarking Act changes needed | Secretary Technical Committee |
| 13 | Governance <ul style="list-style-type: none"> • Amendments to BHC Standing Orders • Add list of membership of committees to governance manual, once finalised | Secretary Secretary |
| 14 | Update of Hallmarking Guidance Notes | Technical Committee |