# US Customs reclassification snarls bullion flows and widens London‑COMEX price gap



The sudden reclassification by U.S. Customs and Border Protection of one‑kilogram and 100‑troy‑ounce gold bars has injected fresh regulatory risk into an already jittery global bullion market. According to reporting from Reuters, the change — which places those bars under a tariff line that can attract country‑specific duties of about 39% — prompted Swiss refiners and some logistics operators to pause exports to the United States, a move that immediately tightened near‑term physical supply into the US futures delivery system. Market reaction was swift: US COMEX futures jumped to record levels while London spot markets were comparatively muted, widening the transatlantic price gap and exposing seams in the market’s plumbing. (Sources: the original lead report; Reuters; Mining.com.)

The CBP decision has created what market participants describe as a patchwork of customs treatment that risks fragmenting liquidity across venues. Industry commentary and the lead report note that the reclassification under HTSUS code 7108.13.5500 contradicts previous expectations about customs treatment and has sent refiners scrambling to avoid duties that could render exports uneconomic. That fragmentation matters because the smooth functioning of global bullion flows depends on predictable customs classifications and interoperable operational standards. (Sources: the original lead report; Reuters; LBMA guidance.)

At the centre of the dislocation is the Exchange for Physical mechanism, the operational link that allows traders to convert paper positions into actual bars and helps equalise prices between London’s over‑the‑counter market and exchange‑traded futures such as those on COMEX. The London Bullion Market Association’s guidance underscores how EFPs rely on consistent bar sizes, recognised Good Delivery refiners and uninterrupted transport chains; when any of those elements are disrupted by sudden tariff changes, EFP differentials can blow out and cross‑venue price discovery suffers. (Sources: LBMA guidance; the original lead report.)

Those operational constraints have produced clear arbitrage opportunities, but only for operators with the scale and logistics to exploit them. Reporting from Mining.com and market commentary show spreads between US futures and London spot widening to roughly a $100‑per‑ounce level in some near‑term contracts as delivery into US warehouses became harder. Traders have attempted classic conversions — buying cheaper London metal and shorting COMEX futures — yet repackaging bullion into smaller bars, rerouting shipments through third countries, or otherwise circumventing the tariff regime imposes costs and legal complexity that limit the strategy’s scalability. (Sources: Mining.com; the original lead report; Reuters.)

For many investors the fallout has accelerated a shift away from directly settled futures and into custody‑based products. World Gold Council data for the second quarter of 2025 show total gold demand at 1,249 tonnes and, in value terms, a record US$132 billion for the quarter; ETFs accounted for a material share of that flow, with substantial inflows in the first half of the year. Independent ETF analysis likewise documents large net purchases into major physically backed US funds, with investors favouring convenient, custody‑based exposure as a hedge against logistical and regulatory uncertainty. (Sources: World Gold Council; etf.com; the original lead report.)

Equities tied to mining have outperformed the metal itself, amplifying investor rotation within the sector. Research notes — including analysis by Sprott — show the NYSE Arca Gold Miners Index rising well over 50% year‑to‑date by end‑July 2025, versus roughly a mid‑20s percentage gain for bullion over the same span. Analysts attribute that divergence to operating leverage in miners’ cost structures, strong investor flows into gold‑focused equities and the broader reallocation toward instruments that implicitly sidestep bullion transport constraints. (Sources: Sprott; the original lead report.)

Policy developments offer a possible route back to equilibrium, but uncertainty remains. Reuters reports the White House indicated it would issue an executive order to clarify the matter — a signal that helped cool some of gold’s earlier extremes — yet the prospect of a legal challenge from market bodies such as the LBMA has also been mooted. Until regulators either revoke or restate the customs approach, or until courts intervene, the corridor between Swiss refining and US consumption will stay vulnerable to episodic bottlenecks. (Sources: Reuters; the original lead report.)

For investors the practical implication is to balance opportunism with caution. The current environment presents genuine cross‑market arbitrage possibilities for well‑funded, operationally adept traders, but the attendant logistical, legal and policy risks argue for diversified hedging: custody‑based physical ETFs provide direct price exposure without the shipping headaches, while selective exposure to mining equities captures leverage to rising gold prices. Above all, market participants should monitor official clarification from the White House, any LBMA responses, and evolving flows reported by issuers and the World Gold Council, because those developments will determine whether today’s dislocations become a transitory shock or a longer‑running reconfiguration of the physical market. (Sources: the original lead report; LBMA guidance; World Gold Council.)

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## Reference Map:

* Paragraph 1 – [[1]](https://www.ainvest.com/news/geopolitical-risk-gold-market-navigating-customs-policy-shifts-arbitrage-opportunities-2508/), [[2]](https://www.reuters.com/world/us/white-house-clarify-tariffs-gold-bars-industry-stops-flying-bullion-us-2025-08-08/), [[3]](https://www.mining.com/gold-futures-jump-to-record-high-on-us-tariff-surprise/)
* Paragraph 2 – [[1]](https://www.ainvest.com/news/geopolitical-risk-gold-market-navigating-customs-policy-shifts-arbitrage-opportunities-2508/), [[2]](https://www.reuters.com/world/us/white-house-clarify-tariffs-gold-bars-industry-stops-flying-bullion-us-2025-08-08/), [[4]](https://www.lbma.org.uk/publications/the-otc-guide/futures-markets-and-exchange-traded-products)
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* Paragraph 4 – [[3]](https://www.mining.com/gold-futures-jump-to-record-high-on-us-tariff-surprise/), [[1]](https://www.ainvest.com/news/geopolitical-risk-gold-market-navigating-customs-policy-shifts-arbitrage-opportunities-2508/), [[2]](https://www.reuters.com/world/us/white-house-clarify-tariffs-gold-bars-industry-stops-flying-bullion-us-2025-08-08/)
* Paragraph 5 – [[5]](https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q2-2025), [[7]](https://www.etf.com/sections/data-dive/gold-etf-inflows-soar-h1-amid-upheaval-reversing-2024), [[1]](https://www.ainvest.com/news/geopolitical-risk-gold-market-navigating-customs-policy-shifts-arbitrage-opportunities-2508/)
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* Paragraph 8 – [[1]](https://www.ainvest.com/news/geopolitical-risk-gold-market-navigating-customs-policy-shifts-arbitrage-opportunities-2508/), [[4]](https://www.lbma.org.uk/publications/the-otc-guide/futures-markets-and-exchange-traded-products), [[5]](https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q2-2025)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ainvest.com/news/geopolitical-risk-gold-market-navigating-customs-policy-shifts-arbitrage-opportunities-2508/> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/us/white-house-clarify-tariffs-gold-bars-industry-stops-flying-bullion-us-2025-08-08/> - This Reuters report explains the US Customs and Border Protection ruling that reclassified one-kilogram and 100-troy-ounce gold bars under HS code 7108.13.5500, exposing them to country-specific import tariffs of 39%. The article describes how Swiss refiners and some logistics operators paused shipments to the United States in reaction to the ruling and quotes industry sources warning the levy would make exports uneconomic. It notes the White House said it would issue an executive order to clarify the situation, and reports how COMEX futures and inventories reacted, emphasising the potential disruption to the US-Swiss bullion corridor and global market plumbing.
3. <https://www.mining.com/gold-futures-jump-to-record-high-on-us-tariff-surprise/> - This Mining.com piece covers the market reaction to reports of US tariffs on one-kilogram gold bars, documenting a sudden surge in US COMEX futures to record highs while London spot prices remained comparatively muted. The article outlines how the tariff news widened the futures-versus-spot spread — in places cited as exceeding around $100 per troy ounce — and discusses the implications for arbitrage, logistics and settlement. It explains that such a premium can arise when near-term physical supply is constrained and when key refining hubs pause shipments, thereby complicating delivery into US futures-warehouse systems and encouraging trading dislocations.
4. <https://www.lbma.org.uk/publications/the-otc-guide/futures-markets-and-exchange-traded-products> - The London Bullion Market Association’s guidance on futures markets and exchange-traded products explains the Exchange for Physical (EFP) mechanism and its role linking OTC London spot liquidity with exchange-traded futures such as those on COMEX. The LBMA describes how EFPs enable market participants to convert paper positions into physical metal, the factors that determine EFP differentials and the operational requirements for bar sizes, Good Delivery refiners and transport costs. The page highlights the importance of consistent customs classifications and market plumbing to preserve cross-venue liquidity and price discovery, thereby underscoring why tariff-driven fragmentation is a material risk.
5. <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q2-2025> - The World Gold Council’s Gold Demand Trends report for Q2 2025 sets out that total gold demand rose to 1,249 tonnes and, in value terms, reached a record US$132 billion for the quarter. The report details that ETF inflows contributed materially — 170 tonnes in Q2 and 397 tonnes in the first half of 2025 — and records central bank purchases of 166 tonnes in Q2. It examines regional bar and coin demand, technology and supply-side data, and explains how elevated prices and geopolitical uncertainty underpinned investment flows, while noting the continued strategic role of central banks in reserve diversification.
6. <https://sprott.com/insights/gold-miners-shine-in-2025/> - This Sprott insight highlights the pronounced outperformance of gold mining equities in 2025 relative to physical bullion, citing the NYSE Arca Gold Miners Index (GDMNTR) having risen more than 50% year-to-date compared with gold bullion’s roughly 25% gain as of end-July 2025. The piece analyses why miners have leveraged operating leverage to gold prices, why equities have benefited from both rising metal prices and strong investor flows into the sector, and how ETFs and other investment vehicles have altered market dynamics. It provides data tables and performance snapshots that illustrate the divergence between miner share performance and spot gold returns.
7. <https://www.etf.com/sections/data-dive/gold-etf-inflows-soar-h1-amid-upheaval-reversing-2024> - This etf.com data analysis reviews physical gold ETF flows in the first half of 2025, documenting large inflows into major US-listed funds such as SPDR Gold Shares (GLD) and iShares Gold Trust (IAU). The article explains that investor demand for physically backed ETFs surged as trade policy and geopolitical uncertainty encouraged a shift toward convenient, custody-based exposure rather than direct bullion shipping. It cites World Gold Council and issuer filings to show that global physically backed ETF flows reached multi‑year highs in H1 2025, and discusses how this reallocation influenced liquidity, price dynamics and investor hedging behaviour amid supply disruptions.