# Systemic crises and how to prepare

*By Gregor Gregersen*
*April 2nd 2020, Singapore*



# It all can go very wrong



# Debt Visualized – 100 Million USD pallets

**100 Million USD Pallet**



# Debt Visualized – Governmental Debts



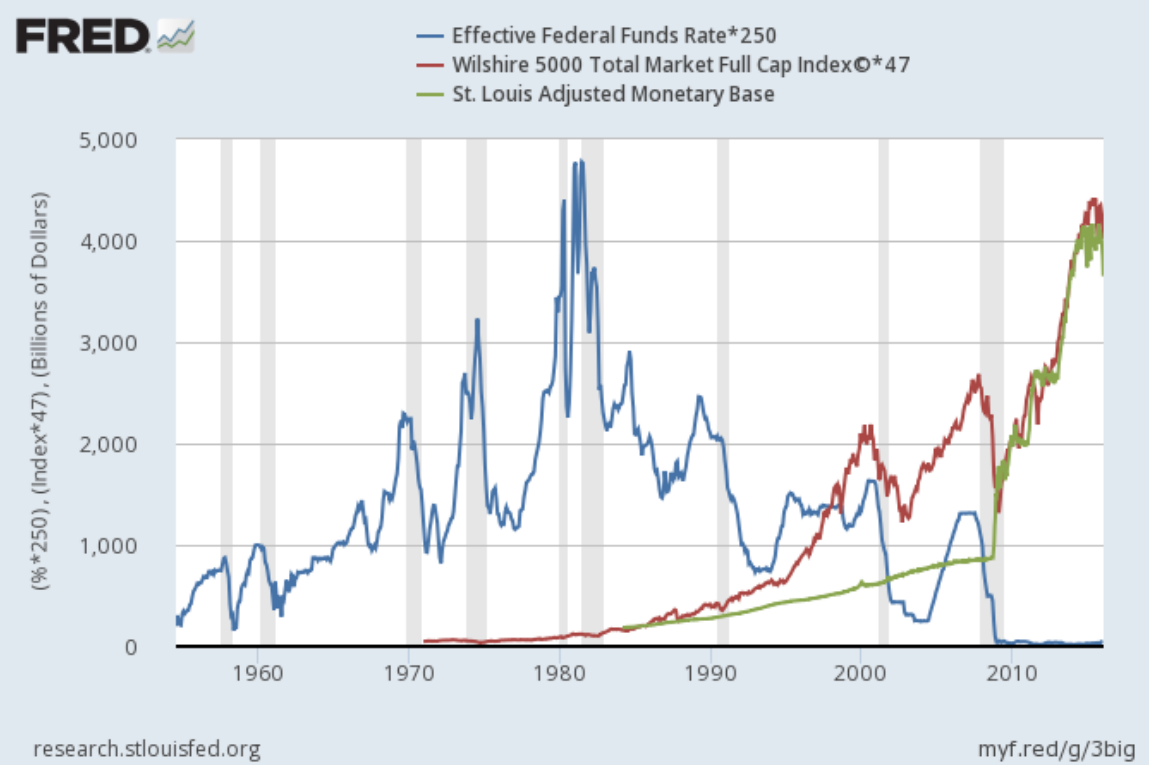

US deficit in 2019 was

~1 Trillion USD

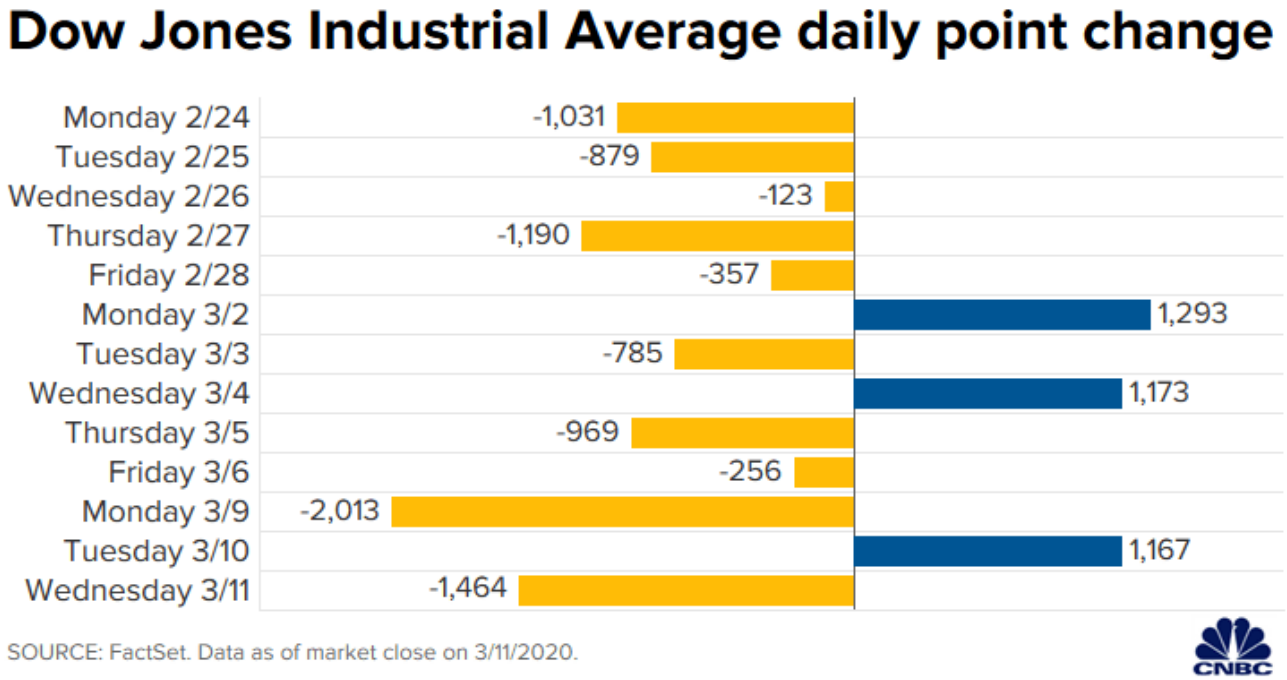
Corona Virus Stimulus

~2 Trillion USD

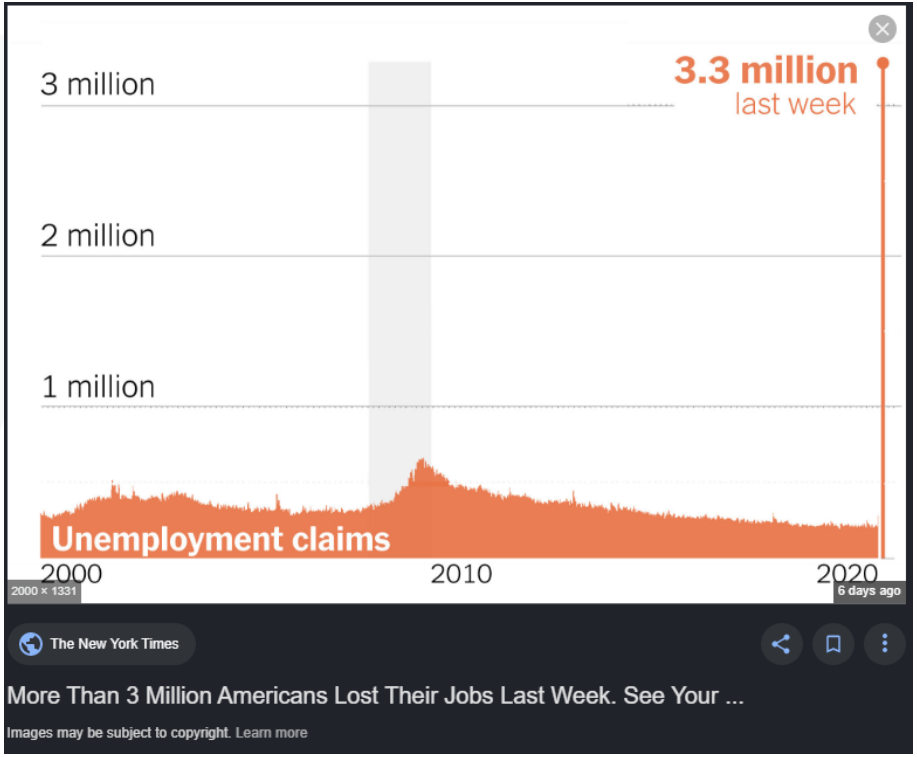
# More debt = more money = higher stocks



# Velocity and margins are falling = volatility

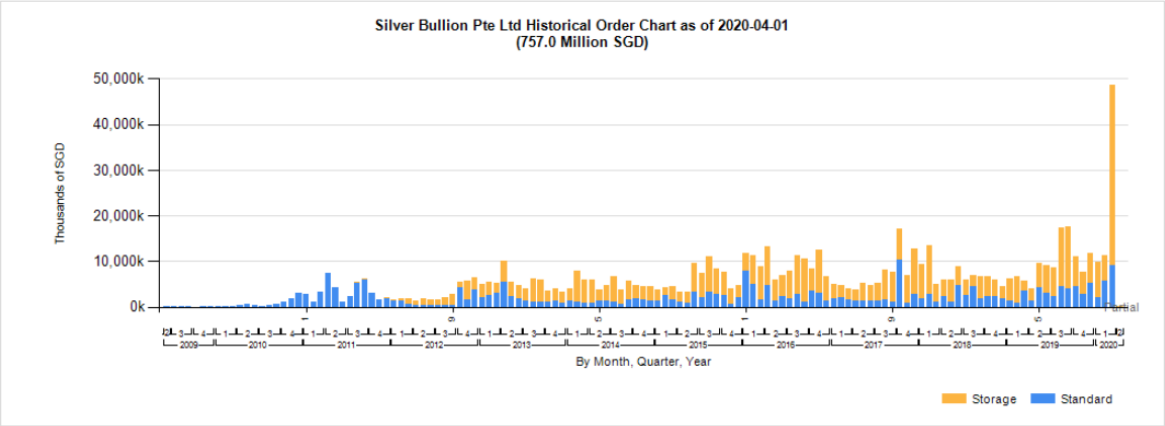


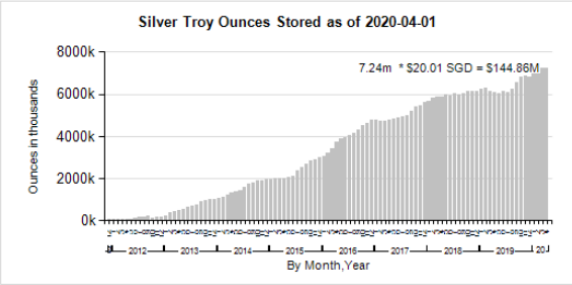
# The real economy is in big trouble

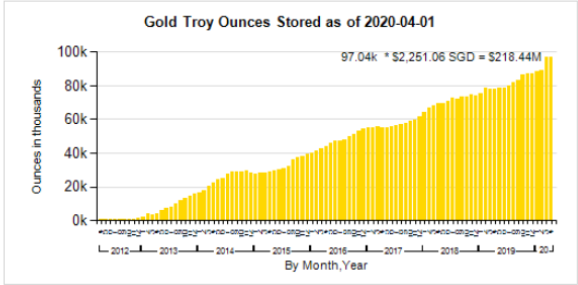


# Physical bullion demand is unprecedented

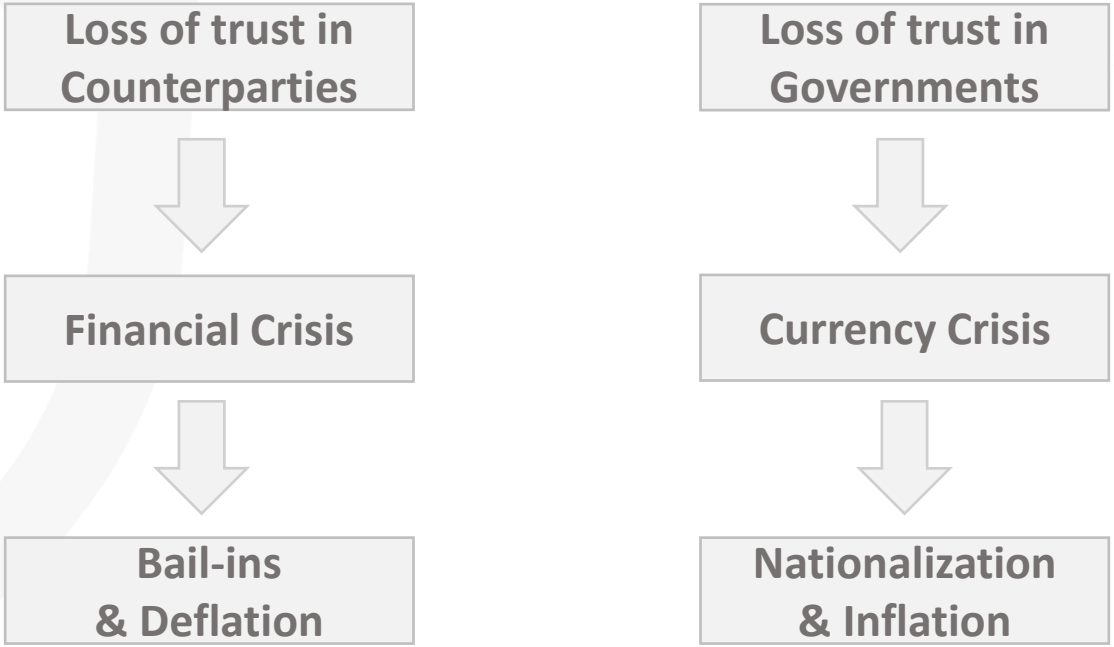
## Sales and Storage over Time

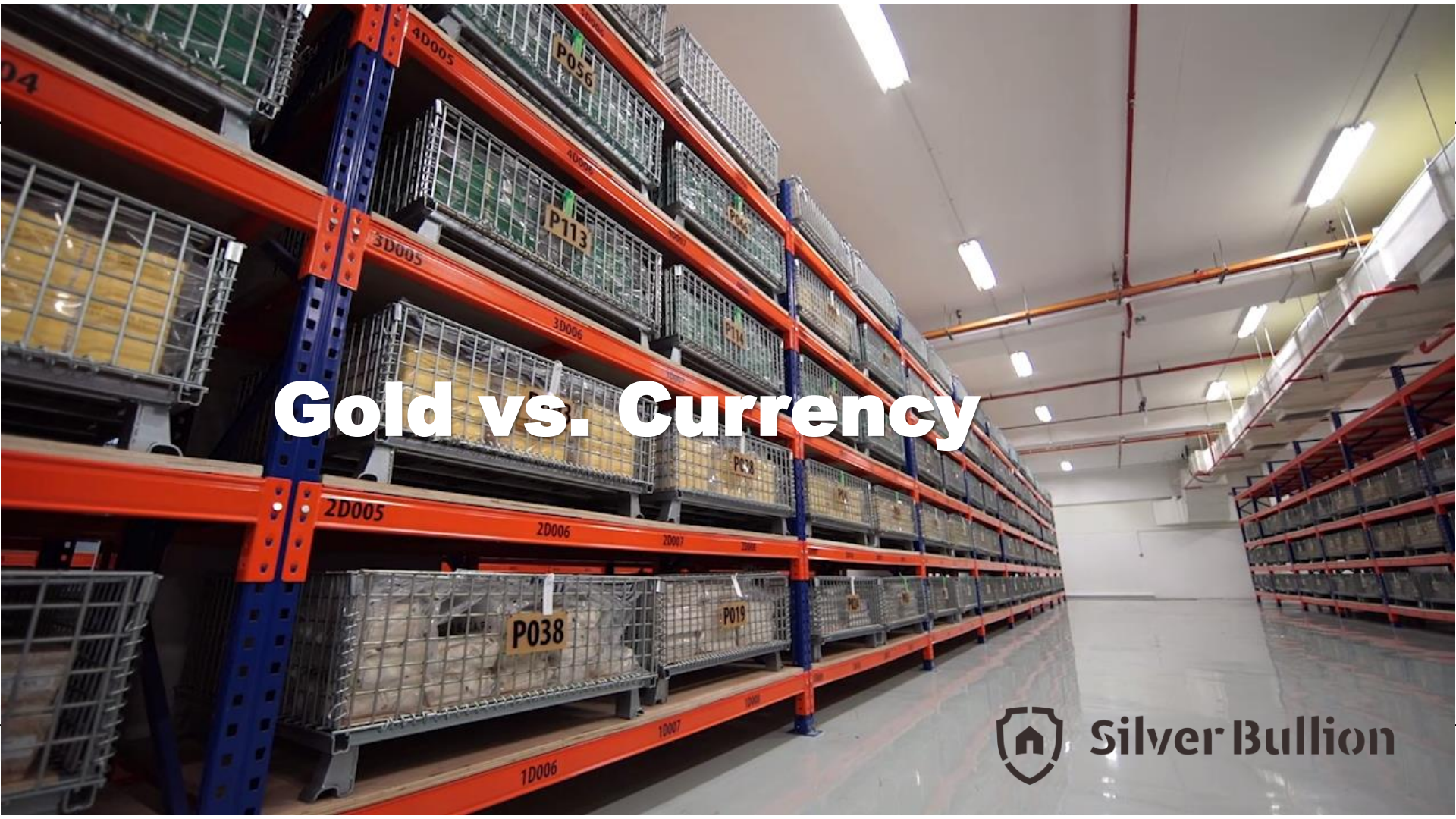


# Where do we go from here ?




Gold vs. Currency
Silver Bullion

# Cash vs. gold – performance since 1913*




**18.92 USD**
in 1913




**1,290 USD**
in 2019

265 %
Real Gain
(inflation adjusted)




**1.00 USD**




**1.00 USD**

-96%
Real Gain
(Inflation)

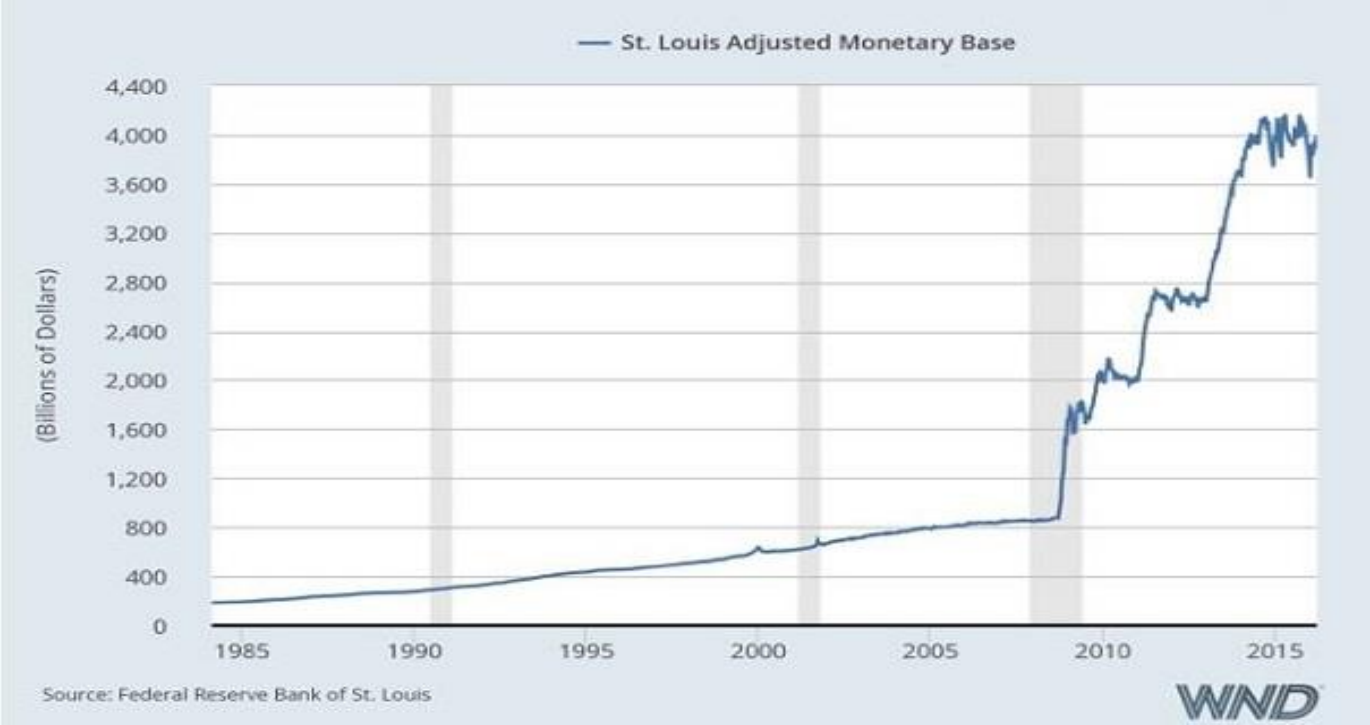
***Gold pays no interest but gained 6600% USD / 265% PP****

- Since 1913 the **USD lost 3.2%*** of it's purchasing power each year.
- Since 1913 **Gold gained 4.2%** in USD terms each year
- Since 1913 **Gold gained 1%** in purchasing power



*1913 is the year the Federal Reserve was created
*Gold in 1913 = **18.92 USD**, 2019 = **1,290 USD**

# Gold is scarce, currency is not

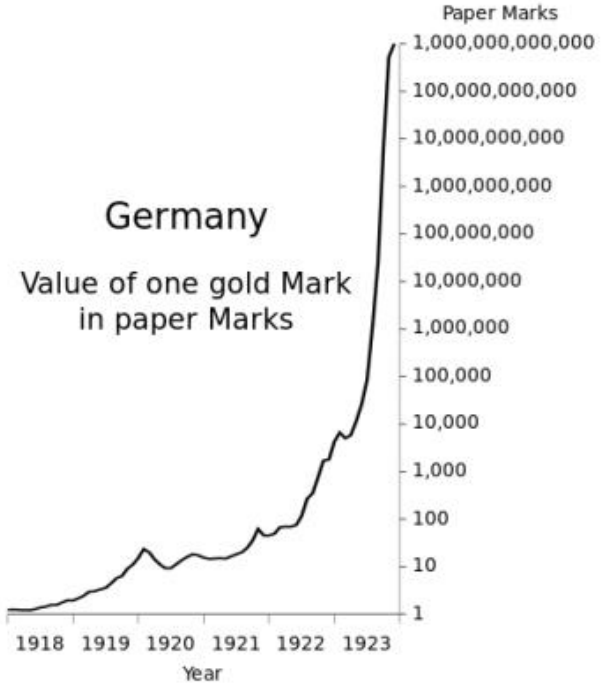


# Physical gold in a currency crisis

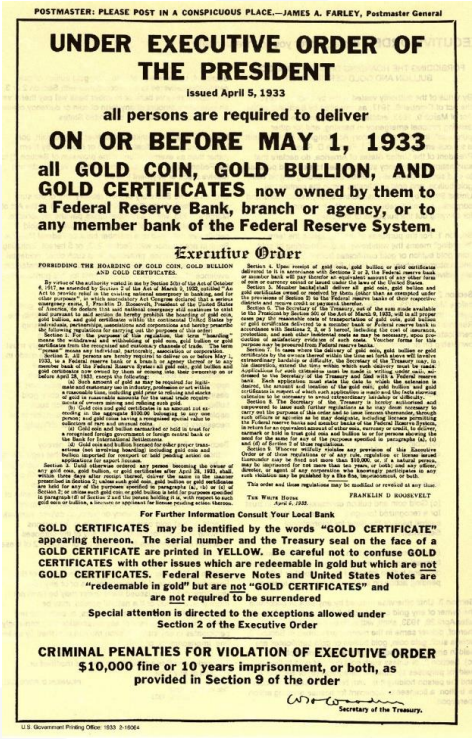
| Date | "Reichs"Mark | "Gold"Mark | 1 "Gold"Mark = "Reichs"Mark |
|---|---|---|---|
| January-June 1918 | 10 | 8,00 | 1,25 |
| December 1918 | 10 | 5,00 | 2,00 |
| June 1919 | 10 | 3,11 | 3,21 |
| December 1919 | 10 | 1,04 | 9,61 |
| March 1920 | 100 | 4,87 | 20,53 |
| December 1920 | 100 | 6,88 | 14,53 |
| August 1921 | 100 | 5,82 | 17,18 |
| December 1921 | 100 | 2,87 | 34,84 |
| July 1922 | 1000 | 9,50 | 105,26 |
| November 1922 | 10000 | 7,80 | 1.282,05 |
| 23. July 1923 | 1 Million | 9,89 | 101.112,23 |
| 17. August 1923 | 10 Million | 9,81 | 1.019.367,99 |
| 7. September 1923 | 100 Million | 7,82 | 12.787.723,78 |
| 3. October 1923 | 1 Milliarde | 9,21 | 108.577.633,00 |
| 16. October 1923 | 10 Milliarde | 8,06 | 1.240.694.789,00 |
| 22. October 1923 | 100 Milliarde | 8,18 | 12.224.938.875,00 |
| 5. November 1923 | 1 Billion | 8,65 | 115.607.000.000,00 |

***Revaluation Act 1925 - Conversion Table***

Note: 1 Milliarde in German Terms (1,000 Million) = 1 Billion in US Terms;
1 Billion in German Terms (1,000,000 Million) = 1 Trillion in US Terms;
1 "Gold"Mark value in grammes of fine gold (1913) = 0.35842g;
"Reichs"Mark = Currency not tied to the goldstandard in 1918 to 1924.



# In currency crises gold can be confiscated



POSTMASTER: PLEASE POST IN A CONSPICUOUS PLACE.—JAMES A. FARLEY, Postmaster General

**UNDER EXECUTIVE ORDER OF THE PRESIDENT**

Issued April 5, 1933

all persons are required to deliver

**ON OR BEFORE MAY 1, 1933**

**all GOLD COIN, GOLD BULLION, AND GOLD CERTIFICATES** now owned by them to a Federal Reserve Bank, branch or agency, or to any member bank of the Federal Reserve System.

Executive Order

FORBIDDING THE HOARDING OF GOLD COIN, GOLD BULLION AND GOLD CERTIFICATES.

By virtue of the authority vested in me by Section 5(b) of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933, entitled "An Act to terminate relief in the existing national emergency in banking, and for other purposes", in which national Act Congress declared that a serious emergency exists, and by virtue of all other authority vested in me as President of the United States, to declare that said national emergency still continues to exist and pursuant to said section do hereby prohibit the hoarding of gold coin, gold bullion and gold certificates within the continental United States by individuals, partnerships, associations and corporations and hereby prescribe the following regulations for carrying out the purposes of this order:

Section 1. For the purposes of this regulation, the term "hoarding" means the withdrawal and withholding of gold coin, gold bullion or gold certificates from the recognized channels of trade. The term "person" means any individual, partnership, association or corporation.

Section 2. All persons are hereby required to deliver on or before May 1, 1933, to a Federal Reserve Bank or branch or agency thereof or to any member bank of the Federal Reserve System all gold coin, gold bullion and gold certificates now owned by them or coming into their ownership on or before April 28, 1933, except the following:

(a) Such amounts of gold coin as may be required for legitimate and customary uses; provided, however, that no person may acquire a cumulative total of gold coin or gold bullion in excess of 10 ounces of gold in reasonable amounts for the usual trade requirements of his business or profession, except that

(b) Gold coin and gold certificates to an additional aggregate amount not exceeding $100.00 belonging to any one person may be retained for the purpose of providing special value to collectors of rare and unusual coins; and

(c) Gold coin and bullion earmarked or held in trust for a recognized foreign government or foreign central bank or the Bank for International Settlements.

Gold coin, gold bullion and gold certificates under proper transactions involving bona fide transfers of foreign owned gold coin and bullion imported for transport or sold pending action on applications for export licenses.

Section 3. Until further notice (a) no person shall export any gold coin, gold bullion, or gold certificates after April 28, 1933, and which form have either been changed to a form which differs from the one in the manner prescribed in Section 2; unless such gold coin, gold bullion or gold certificates are to be delivered to the Treasurer of the United States; and (b) no gold coin or gold bullion shall be melted or otherwise treated, for purposes specified in paragraph (b) of Section 2 and the person holding it is, with respect to such gold coin or bullion, a licensee or applicant for license pursuant to this section thereon.

Section 4. Upon receipt of gold coin, gold bullion or gold certificates delivered to it in accordance with Sections 2 or 3, the Federal reserve bank or member bank will pay therefor the equivalent thereof in any form of coin or currency coined or issued under the laws of the United States.

Section 5. Member banks shall deliver all gold coin, gold bullion and gold certificates owned or received by them (other than as exempted under this order) to the Federal reserve banks of their respective districts.

Section 6. The Secretary of the Treasury, out of the sum made available to the Treasurer by Section 501 of the Act of March 9, 1933, will in all proper cases pay or cause to be paid the cost of transportation of gold coin, gold bullion or gold certificates delivered to a member bank or Federal reserve bank in accordance with Sections 2, 4, or 5 hereof, including the cost of insurance, originating at the point of delivery and ending at the point to which shipment is made. Provided, however, that no charge for transportation or insurance will be paid on shipments originating at the mints of the United States or at the Federal reserve banks.

Section 7. In cases where the delivery of gold coin, gold bullion or gold certificates by the owners thereof within the time set forth above will involve undue hardship, or where, in the opinion of the Secretary of the Treasury, the interests of the public will be served thereby, special licenses may be issued. Applications for such licenses must be made in writing under oath, and must state fully the reasons why such licenses should be granted. Each application must state the date on which the transaction is desired, the amount and location of the gold coin, gold bullion and gold certificates in respect of which such application is made and the facts deemed necessary in order to avoid extraordinary hardship or difficulty.

Section 8. Any Federal reserve bank, when specifically authorized and empowered to issue such further regulations as may be deemed necessary to carry out the purposes of this order and to issue licenses thereunder, through any of its officers, may, in its discretion, exercise any of the powers vested in the Federal reserve banks and member banks of the Federal Reserve System, in return for an equivalent amount of other coin, currency or credit, to deliver, transfer or hold in trust gold coin and bullion to or for persons showing the need for the same for any of the purposes specified in paragraphs (a), (c) and (d) of Section 2 of this order.

Section 9. Whoever wilfully violates any provision of this Executive Order or of those regulations or of any rule, regulation or license issued pursuant thereto, may, upon conviction, be fined not more than $10,000, or imprisoned for not more than 10 years, or both; and any officer, director, or agent of any corporation who knowingly participates in any such violation may be punished by a like fine, imprisonment, or both.

This order and these regulations may be modified or revoked at any time.

THE WHITE HOUSE, April 5, 1933.

FRANKLIN D ROOSEVELT

For Further Information Consult Your Local Bank

**GOLD CERTIFICATES may be identified by the words "GOLD CERTIFICATE" appearing thereon. The serial number and the Treasury seal on the face of a GOLD CERTIFICATE are printed in YELLOW. Be careful not to confuse GOLD CERTIFICATES with other issues which are redeemable in gold but which are not GOLD CERTIFICATES. Federal Reserve Notes and United States Notes are "redeemable in gold" but are not "GOLD CERTIFICATES" and are not required to be surrendered**

**Special attention is directed to the exceptions allowed under Section 2 of the Executive Order**

**CRIMINAL PENALTIES FOR VIOLATION OF EXECUTIVE ORDER $10,000 fine or 10 years imprisonment, or both, as provided in Section 9 of the order**

Secretary of the Treasury.

U.S. Government Printing Office: 1933 3-10064

## *Sample Gold Nationalizations*

### US Executive Order 6102 (1933 to 1975)

forbidding the hoarding of gold within the continental United States.
Nationalized at 20.67 USD per t oz then revalued to 35 USD




### US Executive Order 6814 (1934 to 1968)

Seizure of all silver situated in the continental United States




### Australia Gold Confiscation (1959 – 1976)

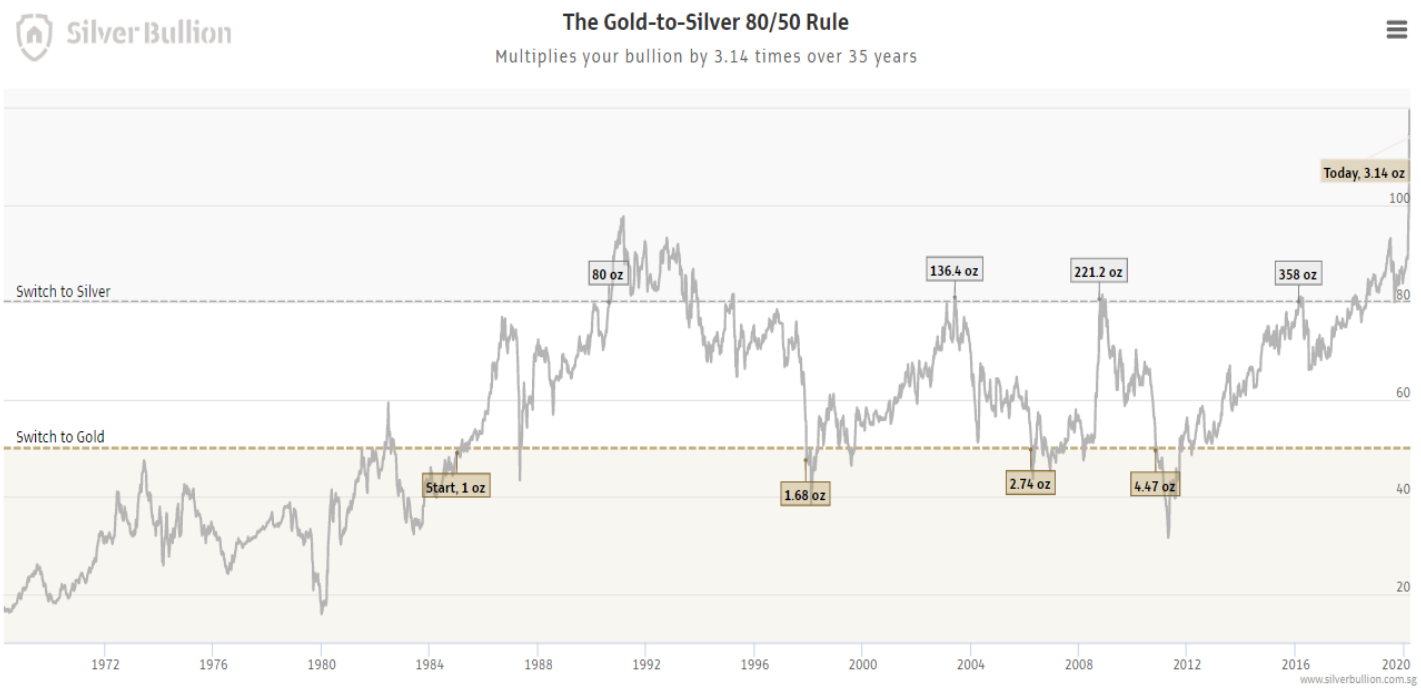
Banking Act of 1959 "Seizure of gold if expedient so to do, for the protection of the currency or of the public credit of the Commonwealth"

### Great Britain's Gold Ban (1966 to 1979)

To stem the decline in the Pound Sterling.


Gold vs. Silver
Silver Bullion

# The Gold to Silver Ratio




115 x


Secure Storage
P056
P113
P038
P019
4D005
3D005
3D006
2D005
2D006
1D006
Silver Bullion

# How do you know your bullion exists ?

## Silberblatt vs. Morgan Stanley Class Action Lawsuit (2007)

- Morgan Stanley told clients it was selling them precious metals that they would own in full and that the company would store. But Morgan Stanley did not acquire nor store any bullion for those clients
- Internally the bank viewed price exposure as being equivalent to holding bullion
- On trial the bank defence was that this was “industry practice” and “no violation of law”
- 4.4 USD million settlement was reached, without the bank acknowledging it did anything wrong

**Customers thought they were bullion owners,**

**but they were just unsecured bank creditors**

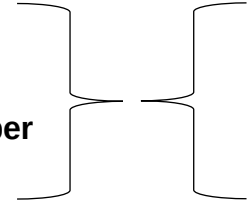


# The 5 kinds of bullion storage

## Ownership:

**Bullion is customer's private property**

- DIY Home / Safe Deposit - Sole Access by Owner
- Segregated Ownership - Invoice with Serial Number

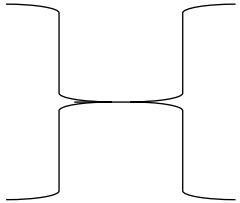


**High transparency (bars/coins)**
**Nearly no counterparty risk**
**Invoices prove ownership**
**Encumbrance is illegal**
**Laborious to implement**

## Unsecured Creditor:

**IOU to the customer, possibly backed by bullion**

- Allocated (Fully) - On Dealer Balance Sheet
- Unallocated - On Dealer Balance Sheet
- Price Exposure - No Physical Backing



**Low transparency (balance)**
**High counterparty risk**
**Generic IOU statement**
**Encumbrance is legal**
**Easy and cheap to implement**

Read more www.silverbullion.com.sg/Storage/Be-An-Asset-Owner

# How do you know your bullion is not encumbered ?

## Accounts where bullion can be bought fractionally are IOUs

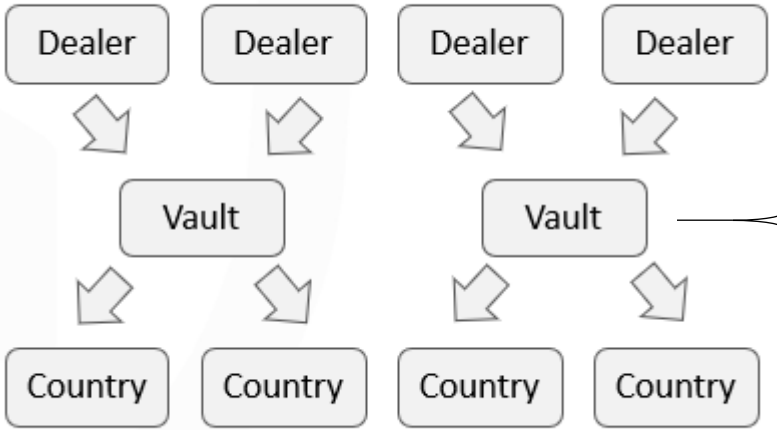
- Ownership is with the dealer who can make use of the assets as they see fit
- As in Morgan Stanley's example, often customers are wrongly led to believe they "own" bullion when they do not

## Common encumbrance of assets:

- Business inventory (e.g. using savings account to finance inventory)
- Lease to third parties (e.g. German gold at the US Fed in New York)

# How do you know your Jurisdictional exposure?

## Vaults relationship details are often hidden




Be aware of:

- "**Wrong Ownership**" claims
- "**All Risk Insurance**" claims
- "**Wrong Jurisdiction**" claims
- "**Security**" used as an excuse

- Visits & Audits: **Vault Specific**
- Insurance Coverage: **Vault Specific**
- Jurisdiction Exposure: **Vault Specific**
- Genuinity: **Said to Contain**

# Storage contracts clauses to watch out for

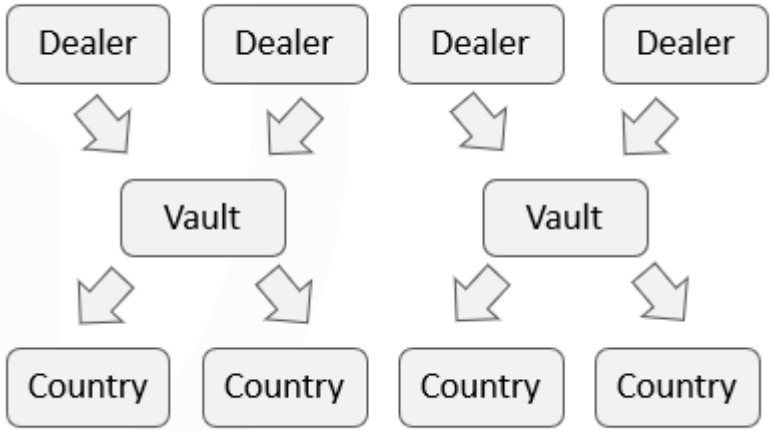
***[Vault] SHALL NOT BE LIABLE** under any circumstances whatsoever for**:***

***"Shortage or mysterious disappearance or unexplained loss** from or damage to the Goods said to be contained in a Parcel(s)"*

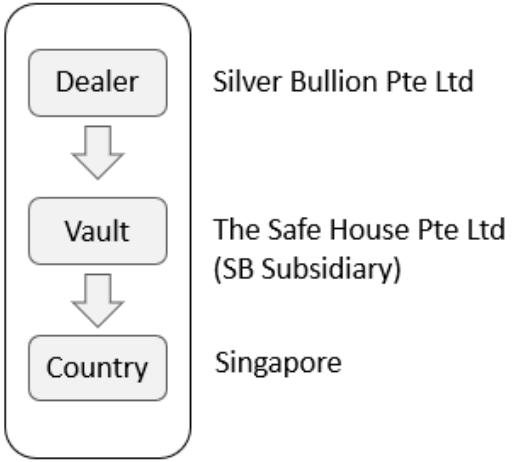
"***Confiscation, seizure, appropriation, expropriation**, requisition for title of use or wilful destruction of the Goods, or portion thereof, by/or under the order of **any Government** (whether civil, military or de facto) and/or public authority*"

# Outsourcing complicates jurisdictional exposure

## The industry outsources




## We integrate in-house

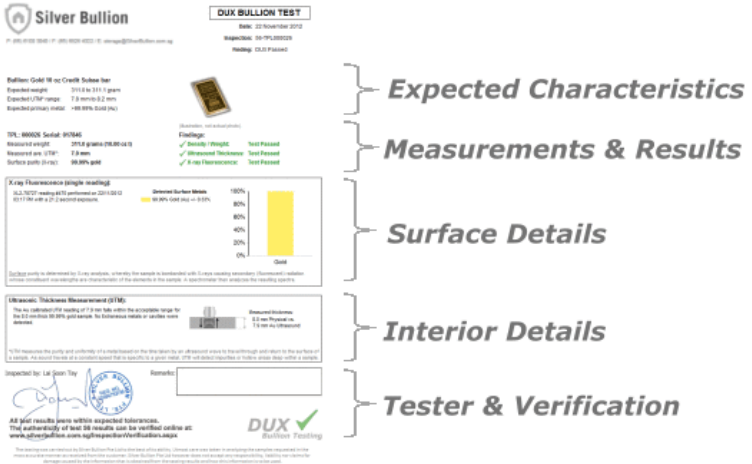


# How do you know your bullion is genuine ?



Testing Methodologies:

- X-Ray Spectrography
- Ultrasound
- Electrical Conductivity
- Density
- Magnetism



# Videos below provide more specifics

1 


Gregor Gregersen - Offshore Gold Storage: Are You An Owner Or A Creditor? (Part 1 of 4)

Silver Bullion TV

2 


Gregor Gregersen - Offshore Gold Storage: Assessing Vault Insurance & Transparency (Part 2 of 4)

Silver Bullion TV

3 


Gregor Gregersen - Offshore Gold Storage: Best Jurisdictions to Store Gold (Part 3 of 4)

Silver Bullion TV

4 


Gregor Gregersen - Offshore Gold Storage: Is Your Stored Gold & Silver Bullion Real? (Part 4 of 4)

Silver Bullion TV

See https://www.youtube.com/playlist?list=PL_X0S2zz9J0Xe4d5Du_jUpNZwbV2qs8iG


About Singapore
Silver Bullion

# Wealthy

## *The Singapore Government:*

- Budget surplus 23 out of 25 last years, despite low taxes
- Minimal unfunded liabilities, self funding retirement & medical system (CPF)
- Only Asian country with "AAA" credit rating by all major rating agencies.

## *Diversified Economy, including:*

- 3rd largest financial centre (and 3rd largest casino gambling market)
- 3rd largest petroleum refiner and busiest logistic hub
- Semiconductors (10% of worldwide wafer production)
- 15 Million tourists per year (>3 per resident)

## *Government Assets:*

- Highest reserves per capita in the world (11th in absolute terms)
- 152,935 USD per capita (USA is – 22,577 USD)

# Strong Rule of Law

## *No natural resources to fall back on:*

- Small, 719 $km^2$, 820 $km^2$ by 2030 (via land reclamation).
- No natural resources
- >10,000 multinational corporations based in Singapore

## *Singapore wealth is based on confidence*

- Betraying trust is economic suicide
- Zero tolerance on Corruption
- Strong rule of law (Michael P. Fay example)



# Strong Defense & Neutral Politics

## *Sizable Military:*

- 2 year draft & reservist training until age 40
- Can muster up to 950,000 troops (400,000 within a few days)
- Military budget more than twice that of Malaysia (large neighbour)
- Bases in a dozen countries, including Australia, New Zealand, India, Taiwan, USA

## *Swiss like "Always Neutral" political stance:*

- Singapore does not take sides
- Promotes security and regional stability



SAF Infantry



SAF Missile Frigate, Submarines




SAF F16 (~ 130 F15& F16 fighters )

# THANK YOU.

**For more information, please visit [www.silverbullion.com.sg](http://www.silverbullion.com.sg)**