

WILL GOLD SOON BE REGULATED?

written by Egon von Greyerz | February 27, 2013

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Will gold soon be regulated?

You may have read that Via Mat International AG, the Swiss Logistics and precious metals storage company, has decided to close all accounts with US citizens.

They do not explain the cause for this, but mention taxation and tax structures in their letter as one reason.

The decision by Via Mat has no effect on Matterhorn's US clients.

Matterhorn Asset Management / GoldSwitzerland has never accepted undeclared accounts. We go through very stringent compliance procedures to make sure that all accounts are declared in the country where the client is tax resident. Furthermore all clients are annually sent a Compliance Review Form in which they must confirm that all account details are correct including compliance with the fiscal regulations in the country where the beneficial owner of the account is tax resident.

Note: MAM does not report to any authority in any country. However we wish to ensure that our clients comply with the fiscal rules of their tax residency in relation to the funds used to buy the gold.

Precious Metals are not regulated in most countries currently. However, this might change in the next few years in some countries. If gold and silver become regulated, the reporting requirements might become much more stringent. We believe it is important for clients to be prepared for that eventuality both mentally and practically.

As regards in which country gold should be stored, we are constantly reviewing this issue. There are storage companies in many countries. Outside of Switzerland the most popular locations are in Hong Kong and Singapore. We have investigated both these locations in-depth. In our view it is not right to diversify a holding just for the sake of diversification.

As Mark Twain said:

"Put all your eggs in one basket and watch the basket".

Both these jurisdictions have attractions but there are also some drawbacks. Hong Kong is not a democracy and if there was ever a problem between China and the USA, China could easily close off Hong Kong. Singapore has an authoritarian political system, although a benevolent one. There is also a major US influence in Singapore including an US naval base. However, since

some investors have asked us to store their gold/silver in Singapore, we are considering opening a precious metals purchase and storage facility there.

Swiss bank secrecy is virtually dead. Thus Switzerland is not the same as it was before US authorities attacked UBS with their undeclared US accounts. However, undeclared accounts are of course illegal to hold in Switzerland for US citizens so it is not surprising that the US authorities could not accept this. Subsequently many European countries have also reached agreements with Switzerland regarding undeclared accounts in order to exchange information and tax these accounts often with punitive rates. Due to major fiscal deficits in most countries, authorities worldwide will continue to pursue tax evasion with vigour.

So although Switzerland (CH) is no longer a haven for hiding undeclared accounts, it is still one of the oldest and truest democracies in the world. Politics is not personalised in CH and the role of the President rotates every year. Few people care who the President is. Decision making is decentralised into the regions (the cantons). Whenever someone feels strongly about any issue, be it the price of sugar or immigration, it is sufficient to obtain 100,000 signatures on a list in favour of the motion and the particular issue will have a national referendum. Thus CH is one of the last remaining nations with real People Power. Also, the Swiss are great believers in independence and non-involvement by the government in their affairs. Having personally lived in many countries for extended periods, I am of the opinion that Switzerland is probably the only remaining true democracy which also offers a quality of life and non-interference by government that is not found in most other countries.

As regards Gold and Switzerland, there has for very long been a tradition for the Swiss to save part of their wages in gold by every month buying a Vreneli (small gold coin). Also for wedding presents many Swiss receive gold. Currently there are two gold initiatives in Switzerland. One is to introduce gold as a parallel currency (which MAM is backing) The other initiative has reached 90,000 signatures with only 10,000 to go for a referendum.

The referendum would be to decide:

- 1. To keep Swiss gold physically in Switzerland (ie repatriate Switzerland's gold)**
- 2. Preventing/forbidding the SNB (the Swiss National Bank) from selling any more of its gold reserves**
- 3. Requiring the SNB to massively increase their gold holdings to a minimum of 20% of its reserves within 5 years, held within Switzerland.**

The point I am making here is that the Swiss probably feel more strongly about gold than any other Western nation and is therefore unlikely to confiscate gold or tax it punitively. It must also be remembered that Switzerland refines 70% of all gold in the world which makes it an important industry for the country. Switzerland would be foolish and unlikely to kill the goose that lays many golden eggs.

What is absolutely critical for investors is to store their precious metals

in physical form outside the banking system and outside their country of residency. The investor must have personal access to his gold/silver which must be stored in a politically stable and democratic country.

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