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# Gold Storage: Fact Checking Austria, the USA, and the Cayman Islands

*“Gold is scarce. It’s independent. It’s not anybody’s obligation. It’s not anybody’s liability. It doesn’t require anybody’s imprimatur to say whether it’s good, bad, or indifferent, or to refuse to pay. It is what it is, and it’s in your hand.”*

Simon Mikhailovich

## Key Takeaways

- The reasoning behind investing in and holding physical gold revolves around the concepts of trust, security, risk diversification, and hedging against the vulnerabilities of the current monetary system.
- The Covid-19 pandemic has once again highlighted those vulnerabilities. With the massive increase in global indebtedness, the question of wealth preservation has received renewed attention.
- Investing in physical gold is only the first decision. Equally important is the decision about its safe storage.
- 2019 we covered Liechtenstein, Switzerland and Singapore, while in last year’s *In Gold We Trust* report we fact-checked New Zealand, Australia and Dubai as storage locations for gold.
- This year we will examine Austria, the USA and the Cayman Islands as jurisdictions for secure gold storage.

## Why the Safe Storage of Precious Metals Is More Important Than Ever

*“If you don’t own any gold, buy some. If you own some, buy more. We are going to places where, no matter how much you have, you’ll wish you had more. Sadly.”*

Grant Williams

**The past year’s events have highlighted once more the importance of wealth preservation.** Given the unprecedented explosion of public debt, further increasing the fragility of the global financial system, gold’s role as a trusted investment outside the monetary system has been reaffirmed. The main objective of an investment in physical gold holdings is to serve as a strategic reserve uncorrelated to financial markets and to provide access to liquidity.

*The desire of gold is not for gold. it is for the means of freedom and benefit.*

**Ralph Waldo Emerson**

Gold is not dependent upon the global financial system and is one of the few financial assets that is not a liability listed in someone else's balance sheet. Gold exists purely on its own and can rest in a vault silently for centuries, without the necessary daily mark-to-market accounting or financial linkages required for all other financial products. Gold does not require a financial intermediary like a banker or trustee.

*Paper money is like dram-drinking, it relieves for a moment by deceitful sensation, but gradually diminishes the natural heat, and leaves the body worse than it found it.*

**Thomas Paine**

**The answer to the question of where to best store bullion should hence revolve around considerations of security, trust, risk diversification, and hedging against the worst-case scenarios of the current monetary and political system.** While there is no one-size-fits-all solution, different jurisdictions can be compared along measures such as economic freedom, rule of law and enforcement of private property rights, political and economic stability, and historical track record of the country.

**This year we will take a closer look at Austria, the USA, and the Cayman Islands as bullion storage solutions.** For a deeper look at Switzerland, Liechtenstein, and Singapore as well as New Zealand, Australia, and Dubai, we refer the reader to the previous two *In Gold We Trust* reports.<sup>279</sup>

## Austria – The Insider Tip in the Heart of Europe

*Let others wage war: thou, happy Austria, marry.*

**Marriage Policy of the House of Habsburg**

**Austria, the landlocked East-Alpine country in Central Europe, often finds itself in the shadow of its more glamorous neighbor Switzerland.** However, amongst gold investors it is considered an insider tip, as it is one of the few countries where bank secrecy and financial discretion hew to the highest standard. At the same time, it does not have the notoriety and poor media relations of many tax havens. Austria is rarely featured in the global news cycle, with the exception of the international success of its skiers and the annual

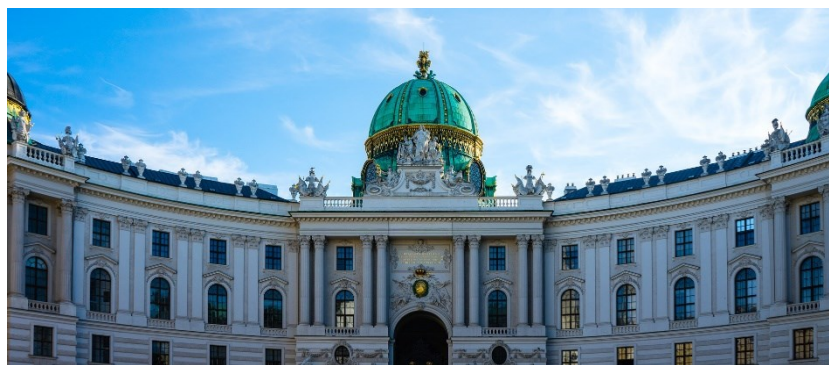
<sup>279</sup> See “Gold Storage – Fact Checking New Zealand, Australia, and Dubai”, *In Gold We Trust* report 2020; “Gold Storage: Fact Checking Liechtenstein, Switzerland, and Singapore”, *In Gold We Trust* report 2019

*Dream on, but don't imagine  
 they'll all come true.  
 When will you realize...Vienna  
 waits for you?*

**Billy Joel**

New Year's concert of the Vienna Philharmonic Orchestra, and yet it is a medium-sized country of almost 9 million people. That discretion, and the high standard of living, make Austria a valuable location to store gold.<sup>280</sup>

**Geographically, Austria is defined by the Alps in the west and the Danube River valley to the east.** Historically, the Danube provided an important avenue for commerce, connecting Austria and in particular its capital, Vienna, with Central and Eastern Europe. From the 13th to the early 20th century Austria was under the reign of the Habsburg monarchy, and Vienna served as the political and cultural center for all Europe. Following WW1 and the dissolution of the monarchy, the First Republic was created. However, in 1938 it was annexed by Hitler, and only after the defeat of Nazi Germany did Austria regain its independence and establish the Second Republic. In 1955 Austria declared its "permanent neutrality".



Hofburg Castle Vienna; Photo credit: Leonard Niederwimmer, Pixabay

*History is constantly teaching,  
 but it does not find many pupils.*

**Austrian proverb**

Today, Vienna remains one of Europe's wealthiest and most culturally sophisticated cities, with almost a quarter of the country's population living there. For the tenth consecutive year, Vienna ranks first globally in quality of urban living according to the Mercer Study, followed by Zurich, Vancouver, and Munich.<sup>281</sup> Oftentimes the Austrian capital serves as the meeting point for world leaders, and many international organizations are headquartered there. Moreover, Vienna serves as one of the four major office sites of the United Nations, hosting, among others, the International Atomic Energy Agency (IAEO) and Unido. It is also the seat of OPEC.

**With an economy worth USD 446 bn and a GDP per capita of approximately USD 50,000, the country consistently ranks amongst the twenty richest countries in the world.**<sup>282</sup> According to the Human Development Index 2020, Austria ranks 18th.<sup>283</sup> In the years before the Covid-19 pandemic the Austrian government had also made a significant effort to reduce public debt. In 2019 Austria recorded government debt equivalent to 70.4% of GDP, affirming its fiscal conservatism and general risk aversity. However, the Corona pandemic significantly increased the national debt to well over 80% of GDP in a very short period of time.<sup>284</sup>

<sup>280</sup> We are grateful to Mrs. Andrea Lang (Austrian Mint) as well as Mr. Christian Brenner (philoro EDELMETALLE) for sharing their insights on gold storage solutions in Austria.

<sup>281</sup> See "Quality of living - Vienna remains the number one", City of Vienna

<sup>282</sup> See IMF: World Economic Outlook Databases

<sup>283</sup> See "The next frontier: Human development and the Anthropocene", Human Development Report 2020, UNDP, 2020

<sup>284</sup> See "Öffentliche Finanzen im 1. Halbjahr 2020: öffentliches Defizit 9,4%, öffentlicher Schuldenstand 82,6% des BIP" ("Public finances in H1 2020: government deficit 9.4%, government debt 82.6% of GDP"), Statistics Austria

*I am not thoughtless but am prepared for anything and as a result can wait patiently for whatever the future holds in store, and I'll be able to endure it.*

**Wolfgang Amadeus Mozart**

**Important for gold investors, beyond Austria's renowned financial discretion is the exemption of gold from the VAT, while silver, platinum, and palladium do fall under this tax.**

In addition, price gains on gold are tax-free for private investors after the speculation period of one year. And Austrians make plenty of use of gold's tax benefit, holding about 486 grams of gold per person on average.<sup>285</sup> In total, about 561 tonnes of gold are privately held in Austria. This is almost double the amount of the gold holdings of the Oesterreichische Nationalbank (OeNB), Austria's central bank, at 280 tonnes.

While there does not exist a local commodity market for gold, Austria is home to one of the oldest and most prestigious mints in Europe, the Austrian Mint (Münze Österreich AG), which can look back on almost 1000 years of history.<sup>286</sup> Today it is a subsidiary of the Austrian Central Bank, minting the beautiful "Philharmonic Coin", which is not only the best-selling gold coin in Europe but also the only one denominated in euros.<sup>287</sup>



Vienna Philharmonic Coin; Photo credit: Jonathan Judmaier, Pixabay

**Thus, not surprisingly, Austria is second to none when it comes to the safe handling and storage of gold.** There are many private gold vaults and anonymous safety deposit box services, only some of which offer their services on the internet. However, since January 1, 2021, anonymous safety deposit boxes fall under national jurisdiction, following the EU's 5<sup>th</sup> Anti-Money Laundering Directive.<sup>288</sup> This 2021 amendment to the Accounts Register and Accounts Inspection Act (KontRegG) added to its registry all safety deposit boxes retroactively from January 1, 2015.<sup>289</sup> However, thanks to Austria's solid and proven legal system, it can be assumed that circumvention of banking secrecy will only occur by judicial decree.

**Overall, Austria has certainly earned its reputation as one the world's best places to store gold.**

<sup>285</sup> See Danzer, Andreas: "Österreicher besitzen privat doppelt so viel Gold wie die Nationalbank" ("Austrians privately own twice as much gold as the National Bank"), *der Standard*, September 29, 2020

<sup>286</sup> See "Austrian Mint", *Münze Österreich*

<sup>287</sup> See "Buying Gold and Silver in Austria", *Bullion Exchanges*

<sup>288</sup> See Schnauder, Andreas: "Schließfach in Bedrängnis: Erst der Diebstahl, dann der Zugriff", ("Locker in distress: First the theft, then the access"), *Der Standard*, December 5, 2020

<sup>289</sup> See "Kontenregister und Konteneinschau", *BMF*

## United States of America – A Superpower Invested in Gold

**Safely enclosed by two oceans and blessed with vast natural resources, the United States is a nation of many superlatives:** It has the world's largest economy; it dominates scientific research; and it is, by far, the world's foremost military power.<sup>290</sup>



Statue of Liberty; Photo credit: ronale, Pixabay

The foundation for the USA's fantastic success dates back to 1787, when its supreme law, the Constitution of the United States, was created. Establishing the legal framework for the constitutional presidential republic, it enshrines individual liberties and limits government powers. Today it is considered to be the oldest written and codified national constitution in force.

*We hold these truths to be self-evident: that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness.*

### **Declaration of Independence**

As a land of opportunity, the US attracted an unprecedented influx of migrants from all around the globe. Already in 1890 the young nation had become the world's most productive economy, overtaking the British Empire.<sup>291</sup> Rapid economic development around the turn of the 20<sup>th</sup> century spurred innovation and productivity. Despite severe economic setbacks such as the Great Depression and involvement in both World Wars, the American economy returned to a golden era of growth, expanding by an average of 3.8% per year from 1946 until 1973.<sup>292</sup> One important factor that is still influential today was the US's leading role in designing the Bretton Woods agreement and establishing the US dollar as the world's reserve currency.<sup>293</sup> **Pivotal for the US's becoming the monetary hegemon was its massive gold holdings, which amounted to 20,000 metric tonnes in 1940, or roughly 60% of the world's monetary gold.**<sup>294</sup>

**The US was as a founding member of some of today's most important institutions, including NATO, the United Nations, the World Bank, the International Monetary Fund, and the Organization of American**

<sup>290</sup> We are grateful to Simon Mikhailovich (The Bullion Reserve) for sharing his knowledge and deep insights on the gold market and bullion storage in the US.

<sup>291</sup> See "The United States Becomes a World Power", Digital History

<sup>292</sup> See "Money Income of Households, Families and Persons in the United States: 1987", Current Population Report, Series P-60, No. 162, U.S. Department of Commerce, February 1989

<sup>293</sup> See chapter "A Brief History of Gold Confiscations" in this *In Gold We Trust* report.

<sup>294</sup> See Bernstein, Peter: *The Power of Gold: History of an Obsession*, 2000; Green, Timothy: "Central Bank Gold Reserves", World Gold Council, Research Study No. 23, November 1999

*What is American strategy first of all? So American strategy is to command the seas, right? The foundation of our power is sea control. Nobody can invade us, but we can invade them.*

**George Friedman**

**States.** At the same time, the US carefully used its wealth and geographic advantages to build up the world's largest navy, to strategically control the major sea lanes around the globe and thus control global trade.<sup>295</sup> With a military budget of USD 738bn, today the US accounts for more than a third of global military spending.<sup>296</sup> In light of its geographical advantages – the United States is an unparalleled geographic fortress – a conventional military invasion appears highly unlikely. A greater risk stems from the possibility of a cyber-attack.

**Overall, the United States is an obvious place to safely store your wealth.** Today, the American economy is worth a staggering USD 21trn, with an estimated GDP per capita of USD 63,000.<sup>297</sup> Not only is the US home to some of the world's largest companies, it also houses the two largest stock exchanges, the New York Stock Exchange and Nasdaq. Naturally, it has one of the most liquid precious metal markets, too. While London still has the largest OTC gold market, the US-based Comex Gold Futures Market (CME group) saw daily trading volumes around 20mn ounces of gold per day in 2020.<sup>298</sup> Easy market access and high liquidity are amongst the most important factors for any gold investor.



New York City Skyline; Photo credit: Leonard Niederwimmer, Pixabay

*Too many of us look upon Americans as dollar chasers. This is a cruel libel, even if it is reiterated thoughtlessly by the Americans themselves.*

**Albert Einstein**

**However, the US is not the largest gold producer. That title goes to China, followed by Russia and Australia.** The US comes fourth, with approximately 200 tonnes of gold mined every year, accounting for about 6.4% of the world's supply.<sup>299</sup> Similarly, private gold ownership is less prevalent amongst Americans than it is, for example, amongst Indians or Swiss. The latter are said to own an average of 598 gram per person, which is more than five times the amount of gold held by the average US citizen.<sup>300</sup> Meanwhile, the US has the largest official gold holdings in the world, amounting to 261.5mn oz. or more than 8,300 tonnes.<sup>301</sup>

<sup>295</sup> See Stratfor Worldwide Profile United States

<sup>296</sup> See "Chapter Two: Comparative defence statistics", *The Military Balance*, Vol. 121, February 24, 2021

<sup>297</sup> See "Report for Selected Countries and Subjects: October 2020", International Monetary Fund, October 2020

<sup>298</sup> See "Gold - Volume", CME Group

<sup>299</sup> See "Top 10 Gold Producing Countries", U.S. Global Investors, September 23, 2020

<sup>300</sup> See Wikipedia Commons: Gold Reserves

<sup>301</sup> See "Status Report of U.S. Government Gold Reserve", Bureau of the Fiscal Service, March 31, 2021

*Who controls the food supply controls the people; who controls the energy can control whole continents; who controls money can control the world.*

**Henry A. Kissinger**

*The confidence of the entire global financial system rests on the U.S. dollar. Confidence in the dollar rests on the solvency of the Fed's balance sheet. And that solvency rests on a thin sliver of ...gold.*

**James Rickards**

**When it comes to storage and safe keeping of gold, the United States is actually a middling nation.** While there are many storage options for coins and bullion, due to the US's sheer size and the resulting competitive marketplace, they primarily serve American citizens, who prefer to store their gold in close proximity to home. In contrast to the practice in many European countries, anonymous gold purchases are very unusual. The US government requires the reporting of cash transactions exceeding USD 10,000 via Form 8300. However, as the use of cash in general is increasingly uncommon and companies are liable for the reporting of any transaction that could be considered "unusual", anonymous gold purchases are rare.<sup>302</sup> Thus, while the US comes with the big advantage of direct access to one of the most liquid markets, amongst non-American citizens it is rarely named as the number one gold storage location. Even other countries, including Germany, that stored their gold in the US in the aftermath of WW2 have largely repatriated their gold.

**Certainly, one point often brought up in the context of secure storage is the USA's well-known and sordid history of gold confiscation in the 1930s.**<sup>303</sup> Clearly, this is a risk to always consider when choosing a bullion storage location, albeit today the risk of physical gold confiscation is low by historical standards, as gold's role within the monetary system has fundamentally changed. Today, gold serves only as a reserve for central banks and has not had any direct significance in the monetary system since the closing of the gold window on August 15, 1971.

**Globally, the US nevertheless ranks amongst the top jurisdictions for physical gold storage. And as of today, it is unparalleled for its liquid, transparent, and deep marketplace for trading bullion.**

## Cayman Islands – Gold Storage on the Sunny Side

*"The Cayman Islands is a sleeping giant of the financial markets."*

Mark Yaxley

**The Cayman Islands are a Caribbean archipelago largely unknown to many people outside the ultra-wealthy.** While the three islands score high with their spectacular beaches and excellent scuba diving, this British Overseas Territory has established itself foremost as a highly ranked financial center of the international business community. Think of the Caymans as a sunny, 21<sup>st</sup>-century version of Jersey or the Isle of Man.<sup>304</sup>

<sup>302</sup> See "Sarbanes-Oxley Act" (2002) and "Dodd-Frank Wall Street Reform and Consumer Protection Act" (2010)

<sup>303</sup> See chapter "A Brief History of Gold Confiscations" in this *In Gold We Trust* report.

<sup>304</sup> We are grateful to Mark Yaxley from Strategic Wealth Preservation for sharing his knowledge on gold storage solutions on the Cayman Islands.





Grand Cayman; Photo credit: drtechfuchs, Pixabay

Located halfway between Cuba and Honduras, the three islands, Grand Cayman, Little Cayman and Cayman Brac, are the peaks of a submarine mountain range named Cayman Ridge, which extends from Belize to Cuba and constitutes the northern margin of the Cayman Trough. The trough is not only the deepest point in the Caribbean Sea but also part of the tectonic boundary between the North American Plate and the Caribbean Plate. **With a total land surface area of 264 km<sup>2</sup>, the islands are only slightly larger than the city of Amsterdam.**



Photo credit: wikimedia

*But in truth, should I meet with gold or spices in great quantity, I shall remain till I collect as much as possible, and for this purpose, I am proceeding solely in quest of them.*

**Christopher Columbus**

Their first sighting dates back to 1503, when Christopher Columbus, on his fourth voyage to the New World, was thrust westward and eventually spotted the smaller two of the three islands. Due to their large tortoise population, they were simply called Las Tortugas, Spanish for *turtles*.<sup>305</sup> Only later was their current name established, derived from the Carib Indian word for marine crocodile, *caymanas*.

Following the Treaty of Madrid in 1670, Jamaica and some Caribbean islands including the Caymans were ceded to Great Britain. In 1863, the islands officially became a dependency of Jamaica before, 100 years later, in 1962 and following Jamaica’s independence from Great Britain, they reverted back to British rule. Today, they are a self-governing British Overseas Territory, with the UK retaining responsibility for military defense and foreign relations. **The head of state is the ruling British monarch, Queen Elizabeth II.**

<sup>305</sup> See “First Sighting of the Cayman Islands”, Cayman Islands Government

**This close link to Great Britain, with the application of British rule of law, is one of the main reasons the Caymans have become a favored offshore domicile amongst banks, hedge funds, and other financial firms.** Moreover, 40 out of the world's 50 largest banks are registered there.<sup>306</sup> This is further testament to the worldwide recognition of the Caymans' financial sector. The 123 banks licensed in Caymans are split into A and B classes, with the former licence permitting banks to carry out local as well as international business. There are currently 9 Class A banks in the Cayman Islands, with six of those offering retail services. The other 114 banks hold Class B licenses and are mostly restricted to offshore transactions with non-residents.<sup>307</sup> In addition to the banks, there are more than 110,000 companies registered in the Caymans today, a number that is almost double the islands' population.<sup>308</sup> In the past year alone, there were 11,000 new company registrations.

*Islands are natural workshops of evolution.*

**Richard Dawkins**

**Along with their proven legal track record, the Caymans are renowned for their favorable tax policies.** Since the 1985 abolition of the annual CI\$10 head tax on all male residents, direct taxation has been totally absent.<sup>309</sup> There is neither an income tax, a company or corporation tax, an inheritance tax, a capital gains tax, or a gift tax.<sup>310</sup> The situation is especially interesting for gold investors, as precious metals are exempt from income or export tax, and no sales or storage tax is levied. Instead, most of the Cayman Islands government's income comes from indirect taxation. Overall, the Cayman Islands government, as well as its population, distinguish themselves with their strong appreciation for the financial services sector, of which they are highly protective, allowing it to thrive.<sup>311</sup>

Today, the financial services sector, together with high-end tourism, constitute the two main pillars of the Cayman economy, estimated to be USD 5.5bn in 2020. Not only does that figure translate to a GDP per capita of over USD 70,000, it also generates an exceptional annual fiscal surplus of more than USD 100mn. In the past the Cayman Islands government has never relied on budget support from the British government. However, because of the disruption in tourism caused by the Covid-19 pandemic, government revenue is expected to slightly decline.<sup>312</sup>

**Of special relevance to precious metals investors from the US in particular is the islands' proximity: a one-hour flight from Miami.**

Furthermore, with English being the official language, there is no language barrier. Already, there is more than USD 700mn worth of bullion stored in private storage facilities.<sup>313</sup> Furthermore, clients can rely on the already existing, sophisticated security infrastructure while market makers inside the vaults provide easy access to the international markets.

Moreover, if one's gold wealth is used as an insurance allocation in combination with a much larger financial portfolio of stocks and bonds, then having the bullion domiciled in the same place as the financial investments can be prudent, as it can

<sup>306</sup> See Ebanks, Elizabeth Pat: "Cayman Islands", Encyclopedia Britannica

<sup>307</sup> For more information see Cayman Islands Monetary Authority: Banking Services Statistics Overview

<sup>308</sup> See "Company Register Statistics", Cayman Islands General Registry

<sup>309</sup> The Cayman Islands Dollar (KYD) has been pegged to the US dollar at 1.2 since 1974

<sup>310</sup> See Cayman Islands Government: "Our Finance & Economy"

<sup>311</sup> See Yaxley, Mark: "Gold and Silver Storage Offshore in the Cayman Islands", YouTube, January 2, 2019

<sup>312</sup> See "The Cayman Islands' Economic Assessment and Stimulus Plan", Economics and Statistics Office, May 2020

<sup>313</sup> See Strategic Wealth Preservation

be used for loans, collateral, or even leverage in those investments. Thus, while the Caymans may not have the same historical track record in gold storage as, for example, Switzerland, they certainly show great potential. In addition, they allow for a great vacation when visiting the vaults. **There is good reason that the Caymans have been added to the list of top bullion storage locations in the world.**

## Conclusion – Choosing the Right Strategy

*“Only physical gold uniquely combines inverse correlation to confidence, complete independence from the financial counterparties, and global liquidity under all market conditions.”*

Simon Mikhailovich

*Diversification is the only free lunch in finance.*

**Harry M. Markowitz**

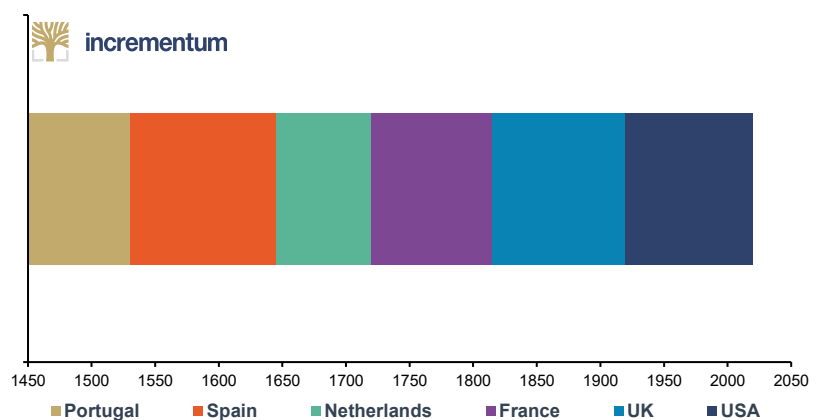
*Capital is agnostic. That is one of the truisms of the system under which we live. All capital cares about are security and getting the best return.*

**Jim Rogers**

In the quest of wealth preservation and protection against systemic risks, physical gold has proven to be an excellent option. Not only does the precious metal combine a unique set of properties, including scarcity, independence from the financial system, high liquidity, and high durability, as well as a high diversification value to other investments, gold holds an unrivaled track record of over 5,000 years.

**By comparison, the lifespan of currencies is rather finite.** Contrary to the prevailing notion that currencies are permanent, they certainly are not. Rarely does one exceed a lifespan of 150 years. On average, they last only 27 years. The median lifetime is even lower, at 15 years.<sup>314</sup> For companies, life expectancy is not much different. Today, the average life of a S&P 500 company is at approximately 20 years.<sup>315</sup> Thus gold continues to be the most ideal asset for wealth preservation and protection. It exists purely on its own, and can rest in a vault silently for centuries without expiration or decay.

Global Reserve Currencies, since 1450



Source: JP Morgan, Hong Kong Monetary Authority, Erste Group Research, Incrementum AG

<sup>314</sup> See Mack, Chris: "Is This Time Different for the Dollar?", Financial Sense

<sup>315</sup> See Hillenbrand, Philipp et. al.: "Traditional company, new businesses: The pairing that can ensure an incumbent's survival", McKinsey & Company, June 2019

*I do not think it is an exaggeration to say that history is largely a history of inflation, usually inflations engineered by governments for the gain of governments.*

**Friedrich A. v. Hayek**

The choice of a secure storage location is therefore of crucial importance. Taking into consideration geopolitical risks and jurisdictional peculiarities, as well as the counterparty's trustworthiness, the final determinant is oftentimes the investor's personal situation as well as location. As was revealed during last year's disruptions caused by the coronavirus outbreak, geographic proximity and direct access to a liquid market can prove highly valuable.

Austria ranks very high with its long track record in gold mintage and bank discretion. The Cayman Islands are a premium jurisdiction outside the US while still within easy travel distance. The USA is a dominant storage location with its size and access to the most liquid and transparent precious metals marketplace.

**While the future will always remain uncertain, developing a deep understanding of a jurisdiction's advantages and disadvantages facilitates strategic decision making regarding safe bullion storage.**