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Gold Storage – Fact Checking New Zealand, Australia, and Dubai

“Currencies break, gold does not.”

Jeffrey Snider

Key Takeaways

- Money is de facto a quantitative form of human communication. Over the centuries physical gold has proven itself to be the most trustworthy manifestation of money.
- Despite being currently not accepted as legal tender, gold has never lost its owners' trust as money and continues to provide one the most trustworthy options to preserve wealth.
- How to store physical gold safely is just as important a decision as investing in gold. It is a complex logistical task and requires careful consideration.
- In last year's In Gold We Trust report we covered Liechtenstein, Switzerland, and Singapore.
- Australia, New Zealand, and Dubai have also established for themselves reputations as trustworthy places to securely store physical gold. The choice amongst them depends on personal preferences.

The gold price can go up, it can go down, but gold itself is permanent.

Simon Mikhailovich

If you in fact had no gold, then your situation was hopeless.

Alexander Solzhenitsyn

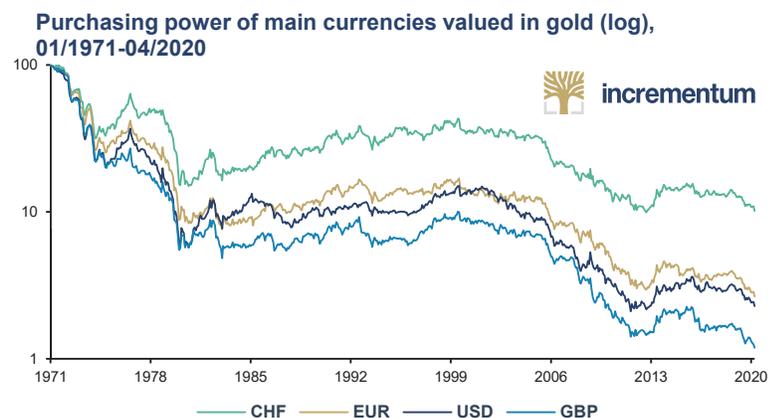
Money has often been made worse by great kings through frequent devaluation.

Juan de Mariana

Money is not a “thing” but an economic concept, an abstract idea facilitating trade and human interaction. The exchange of money between counterparties is generically a quantitative form of human communication. This exchange of value can be in the form of currency (USD, EUR, CHF), or commodity money such as gold and silver, or in the trading of shares or in-kind, or cryptocurrencies. Many different tokens may satisfy the requirements for a particular transaction, and may be advantageous for their features of scarcity, fungibility, portability, legal tender, store of wealth, divisibility, unit of account, convertibility, privacy, acceptability, liquidity, counter-party risk, price risk, independence, etc.²⁷⁷

Gold is a physical manifestation of money and has emerged throughout human history as the most trustworthy one. Silver is a close second place to gold. Although gold is not currently defined as legal tender, its reputation and trustworthiness as money remains unblemished. Legal tender legislation favors fiat currencies over gold in terms of the volume of transactions but does not impair precious metals’ desirability as a reliable store of wealth. **Hence, it should not surprise that the world’s central banks collectively hold 33.919 tonnes or about 17.2% of the world’s gold reserves in their vaults as reserve assets.**²⁷⁸

No fiat currency has survived the test of time. They have all failed to be a reliable store of wealth. The financial crisis of 2020 will challenge the trustworthiness of the current monetary system and the credibility of all fiat currencies. In times of turmoil gold is the ideal manifestation of money and has already proven that it can survive the test of time. **Unlike fiat currencies or other financial assets, physical gold is no one’s liability and is independent of the functioning of financial institutions.**²⁷⁹ Its metric as a store of monetary value is unrivaled.



Precisely because of this notoriety, gold has also attracted an outsized number of creative efforts by thieves and bandits. But gold is not just a victim to the criminal element, it is repeatedly confiscated by governments, frequently lent out by

²⁷⁷ “Why now & Why Gold?”, TBR Bullion Reserve
²⁷⁸ “Above-ground stocks”, Gold Hub, January 30, 2020
²⁷⁹ “Diversification”, TBR Bullion Reserve

The record of fiat currencies through history, 100%, is eventual failure. The record of gold for 5,000 years, 100%, is lack of failure.

Simon Mikhailovich

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

reputable bankers as fractional “unassigned” units, and counterfeited by weight and content by royal intervention. The list of gold debaucheries in history is endless. Even the ivory tower of science has been fascinated by gold, and it is arguable that the whole discipline of chemistry exists because of the irresistible desire of the alchemists: to make gold from lesser elements. Gold has a more storied history of theft and human malfeasance than any other item on earth.

Thus, securing your physical gold is crucial. It is a complex task, and that task is just as important as the decision to invest in gold itself. The logistics around keeping physical gold secure should therefore evolve around considerations of security, trust, risk diversification and hedging against the vulnerabilities and worst-case scenarios of the current monetary and political system. In the current turmoil around Covid-19, normal laws and protections are being suspended. Financial repression and capital controls are only to increase, parallel to the ever-increasing debt issuance by states.

The choice of jurisdiction for high-security bullion storage should thus carefully involve the evaluation of the protection of the individual’s most fundamental rights, personal freedom and private property rights, as well as the jurisdiction’s political and economic stability and historical track record.

No single storage solution or country should be considered perfect. There is no single solution for gold storage vault that works for every investor. Each secure storage solution should be customized to the individual investor. As no storage solution is 100% guaranteed, diversification amongst storage locations should also be taken into consideration. **We are continuously researching for the safest and most secure solution to store gold, and in 2019 we reviewed storage options in Switzerland, Liechtenstein and Singapore.**²⁸⁰

This year we will travel a bit further and evaluate the advantages and disadvantages of three more gold storage locations: New Zealand, Australia and the United Arab Emirates.

New Zealand: Safety at the End of the World

It is no surprise that New Zealand is one of the favorite destinations for those wanting a “safe place” at the end of the world, far away from political and social conflicts. Various billionaires, including Paypal founder Peter Thiel, LinkedIn founder Reid Hoffman, and entrepreneur Kim Dotcom, have made headlines by buying themselves into the New Zealand residency scheme.²⁸¹ But New Zealand is not only one of the world’s favorite exile destinations, it is also an excellent place to safely store your gold and other precious metals.

²⁸⁰ See “Gold Storage: Fact Checking Liechtenstein, Switzerland, and Singapore”, *In Gold We Trust* report 2019

²⁸¹ “The super-rich of Silicon Valley have a doomsday escape plan”, Bloomberg, September 5, 2018; “Why Silicon Valley billionaires are prepping for the apocalypse in New Zealand”, The Guardian, February 15, 2018

New Zealand is not a small country but a large village.

Peter Jackson

Its geographical remoteness stands out at first glance. Located about 2000 km east of Australia across the Tasman sea, the island nation not only has no direct borders with any other country but also the special advantage of the ocean providing a natural barrier to invasion. This mostly precludes New Zealand from the focus of global attention but can also make it more difficult to reach. The relationship with its closest neighbor, Australia, is very amicable, with the latter often jokingly described as “the older sibling”.

This geographical isolation and its strong focus in the agricultural sector perhaps best explain the openness and gentleness of the Kiwi culture. The relatively young nation is known for its “fair play” and embracing the sovereignty of the individual. The fact that in 1893 New Zealand was the first country to grant women the right to vote stands for itself.²⁸² Today, New Zealand repeatedly ranks as number one in the Human Freedom Index.²⁸³ With regards to global prosperity New Zealand not only is ranked amongst the top ten countries worldwide but has also shown a positive upward dynamic in recent years.

We cannot direct the wind. But we can adjust the sails.

Aristotle

New Zealand is widely known for its political stability and has one of the most fiscally conservative governments in the OECD. Its public debt is less than 20% of GDP, demonstrating the fiscal discipline of the political environment. As some Western nations flirt with MMT and fiscal irresponsibility, New Zealand has reported a budget surplus for four years, with a surplus of 1.9% in the fiscal year 2018/2019. This substantial record of fiscal prudence increases the level of confidence that your gold is safe, even if you live 10,000 km away from your physical gold.

Deep roots are not reached by the frost.

J. R. R. Tolkien

As part of the British Commonwealth, New Zealand can look back on a long history of trustworthy institutions and a strong and independent rule of law.²⁸⁴ Consistently, the country is ranked at the top of Transparency International’s Anti-Corruption Index.²⁸⁵ In the past there has never been a government confiscation of gold, and neither is there a law in place laying the grounds for this.

While there is gold mining in New Zealand (10,045 kg in 2018) there is no great tradition of gold ownership amongst Kiwis, with estimates below 1%, as traditionally land has been the preferred store of wealth. This sentiment is also visible at the Royal Bank of New Zealand, which has not held any gold reserves for the last 30 years.²⁸⁶ In other words, there is not that much attention to gold and thus less regulatory rigor with respect to private gold holdings. For example, New Zealand has no disclosure rules for precious metals except for Know Your Customer procedures (KYC). Also, given a purity of 99.5% or above, there is neither an import duty on gold nor does it fall under the VAT regulations.

²⁸² See Wikipedia entry: “[Women’s suffrage in New Zealand](#)”

²⁸³ Vázquez, Ian and Porčnik, Tanja: “[The Human Freedom Index 2019 - A Global Measurement of Personal, Civil and Economic Freedom](#)”, Fraser Institute, 2019

²⁸⁴ See [The World Justice Project \(WJP\) Rule of Law Index® - New Zealand](#)

²⁸⁵ See [Corruption Perceptions Index 2018](#), Transparency International

²⁸⁶ See [New Zealand’s official overseas reserves](#), Reserve Bank of New Zealand, April 7, 2020

From a physical gold investor’s point of view, New Zealand will certainly stand out with its geographical remoteness, the gentle Kiwi culture, the beautiful scenery, and the high reputation of British Common Law. Potential downsides might equally arise from the country’s geographical remoteness and related logistical difficulties to transport the physical gold.

Australia: Storing Your Gold “Down Under”

Don't worry about the world ending today, it's already tomorrow in Australia.

Charles M. Schulz

*Sittin' at home last Sunday
mornin' me mate Boomerrang.
Said he was havin' a few people
around for a barbie, Said he
might Kookaburra or two. I said,
"Sounds great, will Wallaby
there?" He said "Yeah and
Vegemite come too". So I said to
the wife "Do you wanna
Goanna?". She said "I'll go if
Dingos".*

Austen Tayshus

Australia is the world’s second largest gold producer and thus well known amongst gold investors. Surrounded by the Indian and Pacific oceans and with an area of 7.69 million square kilometers, mainland Australia approximately doubles the European Union in size and is often considered to be the world’s largest island. However, the country appears bigger than it is, as most of Australia’s interior, the famous Outback, is desert and largely inhabitable. This explains Australia’s high urbanization rate, with the population core living along the Melbourne-Sydney-Brisbane corridor, while at the same time the country has one of the world’s lowest population densities, with only 3.3 people per square kilometer.²⁸⁷

Geographic isolation within the country and a small population pose one of Australia’s main challenges and are certainly one of the reasons that only in 1901 did the various states form a single, federated country, the Commonwealth of Australia. After World War II, the nation actively encouraged immigration in order to grow its population. Therefore it had to create economic opportunity and prosperity to attract the immigrants and expand its maritime trading activities. This also led to Australia establishing close ties with other maritime powers, first the UK and later the US, for protection of its ocean trade access. Increasingly, Australia must balance that alliance with the US with its growing economic integration with East and Southeast Asia, and in particular with its largest trading partner, China. Today, Australia is the world’s 14th largest economy,²⁸⁸ has the 10th highest GDP per capita at 53,825 USD, and ranks 6th on the United Nations’ Human Development Index.²⁸⁹

One of the key drivers of Australia’s economic growth is the mining sector. Not only does the Outback hold some of the world’s largest iron and coal reserves but also the largest gold reserve, with about 10,070 tonnes or 18% of the world’s total economic demonstrated reserves. **While in the past this lode gave rise to various gold rushes, today Australia is the second largest gold producer after China, mining a record of 325 tonnes in 2019.²⁹⁰ The industry comprises 71 operating gold projects, of which 14 are amongst the world’s largest.^{291,292}**

²⁸⁷ See [Population Clock](#), Australian Bureau of Statistics, September 30, 2019

²⁸⁸ See [International Monetary Fund](#)

²⁸⁹ See [Human Development Reports](#) by the United Nations Development Programme

²⁹⁰ “2019 was a record year for Australian gold production”, Mining Weekly, March 2, 2020

²⁹¹ “Australia is the world’s second largest gold producer, mining More than 326 tonnes of gold in 2019”, Gold Industry Group, 2019

²⁹² SBMA: [The Australian Gold Industry, Trade, And Markets](#).

*Predicting rain does not count.
 Building the ark does.*

Warren Buffett

Australia is not only a major producer of gold but also a key player in the gold refining industry. While most of the gold mined in Australia is also refined there, an additional 112 tonnes of gold are imported for refinery purposes each year.²⁹³ With the majority of gold mines located in Western Australia, over 90% of minting takes place in or near Perth.²⁹⁴ Australia's mints are amongst the world's largest and technologically most advanced. The most renowned are the government-owned Perth Mint and the ABC Refinery in Sydney. Since Australian domestic gold consumption is relatively small, most of the gold is exported worldwide, with demand largely dominated by Hong Kong and China, followed by the United Kingdom, Thailand, Singapore, and India.

God bless America. God save the Queen. God defend New Zealand and thank Christ for Australia.

Russell Crowe

Australia's enormous wealth in the ground and experience in the gold trading business mean that the country down under has an excellent infrastructure to measure, deliver and store gold. This Australian gold infrastructure sets the world's highest standards, simply because of the sheer scale of the business. There exists a competitive marketplace with over 80 gold bullion traders offering facilities to buy, vault and trade physical gold.

Australia's institutions are strong and trustworthy, founded on the traditions of Britain's Common Law. In the World Justice Project's Rule of Law Index, Australia repeatedly scores amongst the top ten percent.²⁹⁵ **Like many other countries, Australia confiscated its citizens' gold holdings in the past. Under the 1959 Banking Act, the Australian government seized its citizens' gold in return for paper money payments.** However, this legislation was subsequently suspended in 1976. Today strict rules about gold segregation in private storage facilities exempt them from the 2017 Bank Bail-in Law, under which the government could in situations of crisis exert significant powers over banks.²⁹⁶

I think the difference between America and Australia is very simple. It's 20 million people versus 350 million.

Jim Jefferies

Australia has managed to escape the two last global recessions, in 2001 and 2008, and even achieved positive economic growth through the Asian crisis in 1997. **The Australian economy is backed by huge wealth in natural resources, strong rule of law, and a highly educated, multicultural population, which have made 27 years of consecutive annual economic growth possible.** While government debt is comparatively low, at 40.70% of GDP, private household debt increased to 119.80% of GDP in 2019.²⁹⁷

Overall, Australia is an excellent place to store physical gold securely. It offers geopolitical stability and private storage facilities that maintain the highest standards.

²⁹³ SBMA: [The Australian Gold Industry, Trade, And Markets](#)

²⁹⁴ SBMA: [The Australian Gold Industry, Trade, And Markets](#)

²⁹⁵ See [The World Justice Project \(WJP\) Rule of Law Index@ - Australia](#)

²⁹⁶ "How a Private Vault Secures Your Assets From the Bank Bail-In Law", Private Vaults Australia

²⁹⁷ See [Australia Households Debt To GDP](#) Trading Economics, 2019

Dubai: The City of Gold

The third candidate we will take a closer look at is the United Arab Emirates (UAE), and in particular the Emirate of Dubai.

Gold is forever. It is beautiful, useful, and never wears out. Small wonder that gold has been prized over all else, in all ages, as a store of value that will survive the travails of life and the ravages of time.

James Blakely

The sovereign constitutional monarchy is located at the southwestern edge of the Arabian Peninsula, bordering Saudi Arabia to the west and Oman to the east. To the north, just a few kilometers across the Persian Gulf, is Iran. As vast parts of the country are dry and arid, agriculture and trade have always been arduous and bounded. This changed significantly with the discovery of oil in 1962. With most of the oil reserves located in Abu Dhabi, the emirate experienced a sudden increase in importance. Following Britain's military departure in 1971, the United Arab Emirates (UAE) formed under Sheikh Zayed bin Sultan Al Nahyan, ruler of Abu Dhabi, which by then had become the most significant and wealthiest of the constituent emirates. To date, the UAE is the only successful federation in the Arab world.

While Sheikh Zayed was aiming for a neutral and low-profile foreign policy, the geopolitical and religious tensions in the Middle East have posed some obstacles to this. Thus, when the current leader, Sheikh Mohammed bin Zayed Al Nahyan took over the reign after his father's death in 2004, he put more emphasis on the country's foreign policy strategy, aiming to free the UAE from Saudi Arabia's domination, modernizing the military forces, and establishing a strategic, mutually beneficial relationship with the US, in order to counter the more powerful regional players, Iran and Saudi Arabia, and secure the maritime routes in the Strait of Hormuz.

The best way to predict the future is to create it.

Peter Drucker

Today the UAE is the second largest economy in the Middle East (USD 732.9bn in 2018). Thanks to its oil riches it has developed into one of the wealthiest countries, often thought of as an oasis of stability and modernity in the Middle East. Therefore, it is hardly surprising that it has one of the world's highest GDPs per capita (USD 70,441), a number that exceeds even Switzerland's.²⁹⁸ The UAE's extraordinary concentration of wealth is greater than that of many tax havens, such as Andorra or the Isle of Man.

Over the last decades, the UAE strongly positioned itself as the financial hub of the Middle East, with modern banking and professional services. **Alongside, Dubai has also developed into an important gold trading center, where about 25%²⁹⁹ of today's global gold trading taking place. Already in the 19th century, most of the gold trade with Iran and India passed through Dubai, and later the now-famous Dubai Gold Souk emerged.** In 2002 the Dubai Multi Commodities Centre (DMCC) was established by the Government of Dubai to strengthen its position as a precious metals trading hub, and it should not surprise that it recently opened the largest non-sovereign vault in the Middle East.³⁰⁰

²⁹⁸ See [International Monetary Fund](#)

²⁹⁹ See [Gold](#), DMCC

³⁰⁰ See [DMCC Vault](#), DMCC

By failing to prepare, you are preparing to fail.

Benjamin Franklin

Storing physical gold at a location near your residence or at least within a reasonable travel distance is of high priority to many investors and provides a measure of safety and security. Trust in financial institutions is important, but so is physical proximity. Many people live and work in the UAE and want to store their gold close by. Physical proximity to their gold may overcome the shorter history of gold vaults in the UAE, which have only emerged since WWII.

The UAE currency, the dirham, is pegged to the US dollar, and the government has massive foreign reserves to deploy in a financial crisis – protecting its peg to the dollar. This USD peg makes the UAE an efficient and transparent marketplace and decreases the risk of local currency fluctuations and the potential for damage caused to the regional economic and political spheres.

From a governmental perspective, Dubai’s pro-gold policies have clearly proven attractive, exempting precious metals investments from taxation and establishing the Dubai Good Delivery (DGD) standard, an accreditation for gold refiners producing one-kilo gold bars for the Dubai Gold and Commodity Exchange.³⁰¹

The UAE is extraordinarily ambitious in all respects and is growing at a breakneck pace. It has the world’s tallest building, largest hotel, largest shopping center, largest metro system, and one of the busiest international airports. By many measures Dubai does even more global business transactions than London, and the city may become the largest gold storage location in the 21st century. Already, Dubai and the UAE are the largest repository of gold in the Middle East.

While Dubai and the UAE cannot look back on a tradition comparable to the British Commonwealth, their dynamic development into the Middle East’s financial hotspot is clearly indicative of their aspirations, as well as their competitiveness in the global gold market.

Conclusion

All in all, identifying the best solution for securely storing long-term investments in physical gold and other precious metals is not only a complex task but also highly dependent on personal preferences. And it is certainly just as important a task as the decision to invest in gold itself. While many people have lost money by not investing in gold, just as many may have lost it by not storing it securely. Thus, developing a prudent strategy for how to secure physical gold is crucial. While geopolitical factors and jurisdictional peculiarities as well as personal circumstances play a key role, in the end this complex task can be reduced to one word: trustworthiness. Who is worth my trust to bear the responsibility of being the custodian of my wealth?

Strategy is something that emerges from reality, while tactics might be chosen.

George Friedman

³⁰¹ See [Dubai Gold Market](#), Bullionstar

Plans are nothing; planning is everything.

Dwight Eisenhower

To succeed, planning alone is insufficient. One must improvise as well.

Isaac Asimov

All three jurisdictions can make a convincing argument for providing excellent gold storage that is private and secure. While New Zealand can uniquely argue in favor of its geographical remoteness, Australia can refer to its long history in the gold industry. Dubai, being the gateway to the Middle East, will certainly only grow in its importance in the international gold market.

We cannot know what the future will bring. Thus, developing a deep understanding of a jurisdiction's history and culture will always provide important insights as to whether it can be a trustworthy choice for safely securing physical gold. Diversification amongst various storage locations should be at least considered. The one perfect solution does not exist, and in every jurisdiction there is some inherent level of risk. In the end, the choice of where to store physical gold requires a customized solution based on trust.