

Are Banks Raiding “Allocated” Gold Accounts?

By [Washington's Blog](#)

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Beware: “Allocated” Gold May Not Really Be There

In 2007, Morgan Stanley paid out \$4.4 million to [settle a class-action lawsuit](#) by its clients alleging that Morgan Stanley took money from them for buying precious metals on their behalf, took money from them for “storage” of these precious metals accounts, but only *pretended* to purchase the bullion.

Avery Goodman points out that MS has just launched a similar scam, offering “allocated” metals, but [gaming the definition](#) so that the holdings are not really allocated.

On May 21st, Matterhorn Asset Management’s Egon von Greyerz [alleged](#) that Swiss banks are trading physical gold bullion which is being held in special “allocated” accounts for its customers:

We are stressing to investors to take their gold out of the banking system, not only because there are runs on banks that will continue, but the risk of being in the banking system is major. So you should take the additional step of not just owning physical gold, but also owning it outside of the banking system.

We (just) had an example of a client moving a substantial amount (of gold) from a Swiss bank to our vaults, and we found out the bank didn’t have the gold. This was supposed to be allocated gold, but the bank didn’t have it. We didn’t understand why there was a delay (in our vaults receiving the gold), but eventually we found out why there was a delay (the bank didn’t have the gold). It’s absolutely amazing, but not surprising.

This confirms what I’ve always thought. Not only should you not have gold in banks or even unallocated gold, but even allocated gold. It seems that some banks don’t even possess that. So the risk of having gold in the banking system is major.”

On May 23rd, John Embry – Chief Investment Strategist of Sprott Asset Management, with [\\$10 billion](#) under management – added:

When the customer finally got his gold, it was 2011 minted bars. This made no sense because he had been holding the allocated gold for years. That’s just another example that even the allocated gold in the banking system has probably been loaned out. Many of these customers will wake up one day and realize they entrusted their gold to the wrong people.”

Jim Willie [claims](#) that :

Swiss face hundreds of \$million lawsuits, for refusal to deliver Allocated gold.

Similar reports have [come from Canada](#) and other countries.

Given the numerous reports of supposedly “allocated” gold not being there, it should not be entirely surprising that wealthy investors are taking matters into their own hands ... literally.

Kirby Analytics [notes](#):

We are hearing anecdotal accounts that beneficial owners of “allocated” gold bullion in London and other European centers have showing up at bullion banks and demanding their physical metal be a] viewed and assayed, and then b] withdrawn from the vaults of banks.

And as we [pointed out](#) in 2010:

Omnis’ [Jim Rickards](#), GATA’s [Adrian Douglas](#) and others have demonstrated that the big bullion dealers and ETFs don’t have nearly as much as physical bullion as they claim.

Should a substantial portion of investors in these vehicles demand physical delivery at the same time, it could cause a panic in the gold market which would cause a huge run up in gold prices.

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