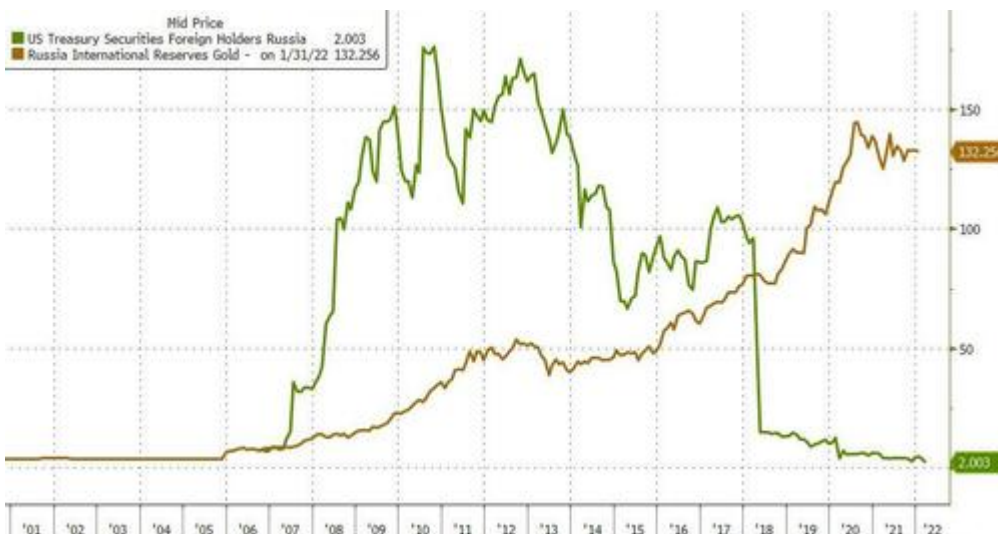




“We’re Closely Monitoring” – Did Yellen Just Signal Gold-Grab Over Russian Sanctions Loophole?

Description

According to The IMF, Russia has around \$132.26 billion of gold in its reserves, having cranked up its holdings dramatically as it de-dollarized from the USD (dumping all but a few of its US Treasury holdings in 2018)...



As with most central bank's reserves, the actual amount and location of those gold reserves is generally unknown or expressly hidden from public purview. As Ronan Many previously noted, Putin's tour of a gold vault in 2011 (11 years ago) and Russian reporters visiting a gold vault in 2018 (4 years ago) are great for optics and marketing – and the Bank of Russia has been very successful in this regard – but without some hard facts about bar numbers and locational details from the Russian government and Bank of Russia, we still don't know the true state, size and location of the Russian Federation's gold reserves.

Which is not surprising, since as Chris Powell of GATA has said in the past and will say again:

*“the amounts, location, and disposition of **government gold reserves** are **secrets more sensitive** than the amounts, location, and disposition of nuclear weapons.*

*Indeed, under nuclear weapons control treaties, governments with nuclear weapons have often shared that sort of information, even with hostile powers. But **gold reserve information is far more tightly held** and most gold information provided officially is actually disinformation.*

*Why is it this way? It's **because gold is an even more powerful weapon than nukes — an alternative currency** that is not necessarily under any government's power; a determinant of the value of other **currencies, interest rates, government bonds, and equities.**“*



Bringing us up to date, [as we detailed previously](#), since the ruble collapsed under the strain of economic sanctions after Russia invaded Ukraine, the Russian people turned to gold to protect their wealth.

Sberbank ranks as Russia's largest financial institution. It reported the demand for gold quadrupled during the first two weeks of March. Demand from the Russian citizenry was so strong, the Central Bank of Russia suspended its gold purchases from local banks so they could leave inventory for their customers.

Demand for silver, platinum and platinum were also strong.

On March 9, President **Putin suspended the 20% VAT tax on precious metals.** The move was designed to encourage people to buy gold instead of foreign currencies as the ruble collapsed.

“Currently, households’ demand for buying physical gold in bars has increased, driven, in particular, by the abolition of value-added tax on these operations,” the Central Bank of Russia said in a statement earlier this month.

According to Russian media, Sberbank Borrow and Save Division Director Sergei Shirokov said the bank’s clients are trying to protect their savings.

“Precious metals are a traditional defensive asset that helps to feel confident in any economic situation.

At the moment, our clients want to receive a physical guarantee of the safety of their savings, and bullion is an excellent tool for this.”

The Russian Ministry of Finance called gold an “ideal alternative” to the US dollar.



The sanctions (threats and actual) from the West have sparked a cottage-industry in creative methods for other nations to circumvent them in order to still receive critical energy and agriculture goods from Russia.

In late March, the chairman of Russia’s Congressional energy committee, Pavel Zavalny, said in a press conference that Russia was open to accepting bitcoin for its natural resources exports.

“When it comes to our ‘friendly’ countries, like China or Turkey, which don’t pressure us, then we have been offering them for a while to switch payments to national currencies, like rubles and yuan,” Zavalny said during the press conference.

“With Turkey, it can be lira and rubles. So there can be a variety of currencies, and that’s a standard practice. If they want bitcoin, we will trade in bitcoin.”

Much attention has been focused on **Putin’s “Rubles-for-Gas” demands** sending the Ruble soaring to multi-year highs relative to its fiat peers.



But in late May, the Interfax news agency quoted a government official saying that Russia is considering allowing cryptocurrency to be used for international payments

“The idea of using digital currencies in transactions for international settlements is being actively discussed,” Ivan Chebeskov, head of the finance ministry’s financial policy department, was quoted as saying.

Allowing crypto as a means of settlement for international trade **would help counter the impact of Western sanctions**, which has seen Russia’s access to traditional cross-border payment mechanisms “limited,” Chebeskov said.

All of which prompted Treasury Secretary Yellen to note in March that:

“I often hear cryptocurrency mentioned and that is a channel to be watched.”

Ms. Yellen added that many participants in cryptocurrency networks are subject to anti-money laundering and sanction rules.

"It's not that that sector is completely one where things can be evaded," she said.

"We will continue to look at how the sanctions work and evaluate whether or not there are leakages, and we have the possibility to address them," Ms. Yellen said at an event at the University of Illinois Chicago.

But now things have escalated from 'monitoring' digital gold transaction to real gold.

As Reuters reports, the US Treasury Department has made clear that gold-related transactions involving Russia may be sanctioned, and is closely monitoring any efforts to circumvent U.S. sanctions through the use of gold, Treasury Secretary Janet Yellen said on Tuesday.

"This is an important matter," Yellen told a Senate Finance Committee hearing on Treasury's budget.

"We're closely monitoring any efforts we can see to circumvent our Russia-related sanctions through the use of gold."

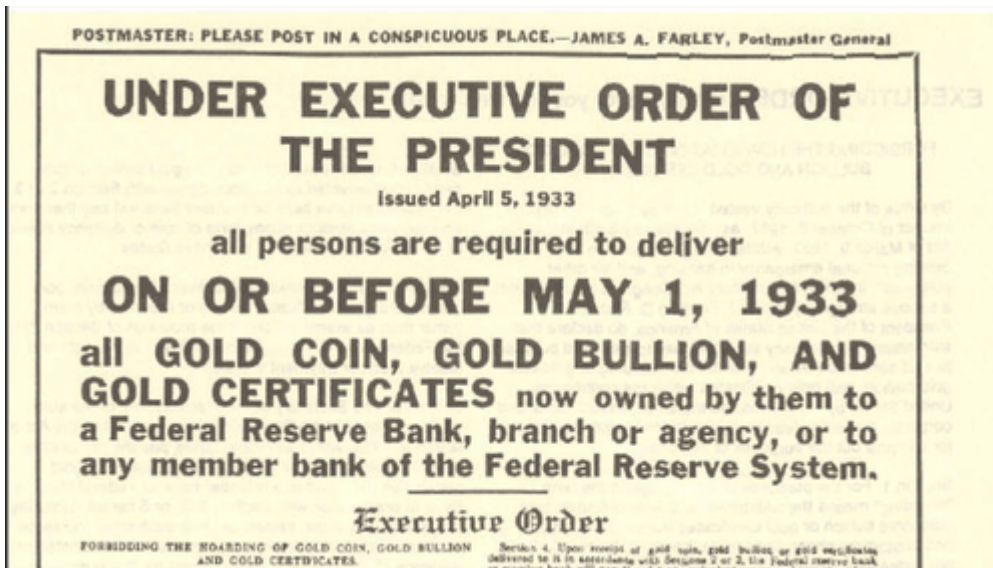
Such transactions may be sanctionable under an executive order issued by President Biden to punish Russia for its invasion of Ukraine.

Notably, **sanctions on gold reserves were proposed in March in an effort block Russia from selling any of its gold on international markets**, in another step to "tightening the financial noose around Russia."

One wonders, given the fungible nature (and relatively anonymous nature of transactions), how exactly Yellen and the US Treasury will contain any "leaks" around the sanctions due to gold (and somewhat similarly crypto – though that is more traceable).

Is Yellen inching closer to the threat of 'confiscation' of gold? They have already hinted at 'freezing' gold holdings.

It happened before...



Can it really happen again?

by Tyler Durden

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