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# Gold investors are ousted from Fifth Avenue home

Christine Seib in New York

People who plunged their savings into American Eagle, Maple Leaf and Krugerrand coins must find a new place to stash their cash, after HSBC closed its New York vault to small-time gold investors.

With the world in a gold frenzy, HSBC decided that retail investors taking up valuable space in the vault below the bank's Fifth Avenue headquarters must make way for more lucrative institutional customers.

Gold hit a record high of \$1,173.50 per ounce on Monday as investors looked for a hedge against the dollar, although it slipped back to about \$1,168 yesterday.

The weakness of the dollar in recent months has made bullion cheaper for non-dollar-holders and boosted interest in gold as a hedge for investors.

HSBC has told its customers that they must arrange for their gold to be moved to another depository or see it returned to their doorstep by the bank. The bank declined to comment yesterday.

Jon Potts, managing director of FidelityTrade, the owner of Delaware Depository Service Co, said that his vaults were filling up with what he called "small bar business" turned away by HSBC.

"People have to find a new home for their gold and one of the things that differentiate our facility is that we focus on banks, brokers and dealers that service individual investors," Mr Potts said. "So we're accustomed to shipping and receiving small packages of maybe \$100,000 or \$500,000 each."

Retail customers typically pay 0.5 to 1 per cent of the value of their holdings for storage each year. For depositories, these customers are less cost-efficient because they tend to buy coins and bars of varying sizes that have to be sorted and stored separately.

However, investors such as banks and investment funds buy only "big bars" — 100oz gold bars or 1,000oz ounce silver bars — which come in a standard size that is more easily stored.

Tom Winmill, portfolio manager of Midas Fund, which invests in gold miners and bullion, said that he had not been asked to move the small amount of gold he stores at present with HSBC.

Mr Winmill said that investors had turned to the gold fund over the past year for protection against the prospect of inflation. Midas has returned 91.6 per cent so far this year.

HSBC is the biggest of America's five depositories — a business that it acquired as part of its purchase of Republic Bank in 1999 — with about 4.2 million ounces in storage. The bank's retail clients number in the hundreds and include dealers who store bullion on behalf of individuals.

SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said yesterday that its holdings were 1,121.4 tonnes as of Monday, up 3.9 tonnes from the previous business day and their highest level since June.