

Singapore Has Golden Ambitions

By [CLEMENTINE WALLOP](#)

Singapore has emerged as one of the world's hubs for private banking for the wealthy, and now it is making a play to become the Fort Knox of Asia.

Starting Monday, the Southeast Asian city-state is scrapping a 7% tax on gold and silver in an effort to turn the city into a precious-metals trading hub to rival London and Zurich, where value-added taxes don't apply to the investment-grade gold trade.

Investors have flocked to gold and silver in recent years as the world economy sputtered. The most nervous among them shunned the futures and funds often used to invest in gold and instead bought bars, ingots and coins to stash their wealth.

Singapore, touting its image as a safe, stable and few-questions-asked haven for investors, is hoping to store an increasing amount of that gold and silver.

"There has been a dramatic increase in customers wanting to move out of paper, that is over-the-counter gold, and into physical," said Cedric Chanu, director, Asia precious-metals trading at Deutsche Bank. "We're seeing customers wanting to move their gold from Europe into Singapore."

Following the tax exemption, Singapore is aiming for a 10%-15% share of global gold demand within five to 10 years, up from around 2% now, government agency IE Singapore said at the time the exemption was announced early this year.

Gregor Gregersen, director of Singapore-based physical gold and silver supplier Silver Bullion Pte. Ltd., pointed to Singapore's low crime rate and political stability as key factors in Singapore's transformation into a precious-metal trading hub.

"People feel safe storing their bullion here," he said.



Reuters

The lobby area at Singapore FreePort, a facility for storing valuables like gold.

Gold sales in Singapore are expected to jump after the tax change takes hold Monday, in part because investors have been holding off on purchases awaiting the tax break, according to Singapore's United Overseas Bank. "Due to the pent-up demand in the local market, UOB expects local demand to increase by around 10% in October" compared with September, said David Wong, director for bullion trading at the bank.

Mr. Wong cautioned that the extent of gold's demand recovery in Singapore may depend on gold prices in early October. Gold futures settled at \$1,771.10 an ounce in the U.S. on Friday, up 5.1% since the start of September.

The exemption will come during a broader long-term uptrend in demand for precious metals in Asia. Singapore's position between India and China, the world's two biggest gold buyers, also makes it well-placed to benefit from growing Asian demand.

"Within Asia, investors want to hold their gold in Singapore," Mr. Chanu said. "China is riskier than Singapore, so Singapore should attract more demand."

The actual Fort Knox of Singapore is known as Singapore FreePort Pte. Ltd., a high-security storage facility designed for valuables, including precious metals, art and wine, which is located in its own duty-free zone near the city's airport. Freeport

opened in 2010 and is already doubling in size to 50,000 square meters, including more storage space for precious metals, in part because of that tax change.

Traders of physical gold and silver in Singapore are offering services to investors where they can buy precious metals there and have the bullion stored at Freeport.

Plus one email comment response on the subject of fake gold bars:

Ultrasonic testing (checking the speed of sound through the bar) can be used to differentiate tungsten from gold (as well as lead from silver).

As with Reagan's famous line "Trust but Verify" there will be more Verification going on to avoid problems.

I would expect Singapore to offer the latest tools to verify metals being sold or stored. Build a reputation.