



Precious Metals Workgroup

treasurer.utah.gov/gold

Meeting Minutes (Abbreviated)

June 26, 2024 | 3:30 p.m. - 5:00 p.m.

IN-PERSON

Capitol Board Room
350 N. State Street, Second Floor
Salt Lake City, UT 84114

RECORDING

Website: treasurer.utah.gov/gold
Recording: <https://shorturl.at/E8lZY>

Workgroup Members Present:

- State Treasurer Marlo Oaks
- Representative Ken Ivory
- Representative Keven Stratton (Virtual)
- Gary Crittenden (Virtual)
- Sophia DiCaro, Governor's Office of Planning and Budget (Virtual)
- Kevin Freeman (Virtual)
- Hugh Hannesson

1. Welcome and Introductions

Treasurer Oaks called the meeting to order at 3:30 p.m. Workgroup members and guests provided quick introductions. Full biographies are available in the meeting materials.

2. Discuss Minutes of the May 29, 2024 Meeting

Treasurer Oaks highlighted the minutes from the first workgroup meeting. Minutes are available online at treasurer.utah.gov/gold.

3. Understanding the Opportunities and Mitigating the Risks of Holding Physical Precious Metals

a. Presentation by Joshua Husvar, Brink's Global Services

Treasurer Oaks introduced Scott Wood, Richard Watson, and Joshua Husvar from Brink's Global Services.

Mr. Husvar explained that Brink's Global Services, established in 1859, is renowned for cash services, including vaulting, transit, and ATM servicing worldwide. Operating in 52 countries and serving over 100, Brink's provides high-value transportation, logistics, and storage services with a staff of about 4,000. The company caters to industries like precious metals, diamonds, jewelry, and pharmaceuticals, with US facilities in New York, Salt Lake City, Los Angeles, Dallas, and Miami to meet various market needs.

Mr. Watson elaborated on Brink's security infrastructure, which includes trade-secret measures developed over 165 years, a comprehensive security system with monitoring centers, and a security operational center managing all global facilities. Staff are highly trained, facilities have strict access controls and firearm requirements, and liabilities are protected with insurance through Lloyds of London. Brink's manages liability implementation daily, providing end-of-day reports, balancing inventory, conducting regular cycle counts, and performing annual audits. All incoming gold undergoes dual verification, with strict segregation of duties and complete visibility ensured through their inventory management system.

Treasurer Oaks opened the floor to questions. Brian Sommers of the Utah Mining Association asked about Brink's verification processes for precious metals. Mr. Watson explained that Brink's uses a quick test sufficient for their commodities. Mr. Husvar added that extensive testing is often unnecessary as many products come directly from certified refineries or national mints, arriving securely with verified authenticity.

Mr. Hanneson asked about Brink's storage services and its role in liquidating privately stored precious metals. Mr. Watson explained that while Brink's facilitates internal transfers, clients usually work with their own liquidity providers. Representative Ivory raised concerns about inconsistent metal content, and Mr. Watson clarified that Brink's focuses on security and transportation, relying on customer declarations for verification. He also explained Brink's chain of custody process, which uses seal numbers and detailed records to ensure accuracy.

Further questions touched on the handling of precious metals during crises, with Mr. Watson assuring that Brink's has business continuity plans, including on-site generators. Ms. DiCaro asked about the pricing structure for Brink's services. Mr. Husvar explained that charges are based on the liability of stored assets and may include various fees depending on customer type and transaction nature. Joseph Cavatoni from the World Gold Council asked about inspection and verification processes, with Mr. Watson outlining Brink's robust procedures for third-party audits. Ms. DiCaro also inquired about competitors, with Mr. Husvar acknowledging the presence of competitors both nationally and globally, though Brink's holds a significant market share.

Representative Ivory sought clarity on the mechanics of investing rainy day funds in precious metals. Mr. Watson explained Brink's can transport metals from any location and introduce clients to refineries and bullion banks. Further discussion addressed liquidity and inventory management, with Mr. Watson confirming that Brink's can efficiently handle transfers within their network. Mr. Hanneson emphasized that Brink's does not act as a direct liquidity provider.

4. Precious Metals Currency Platforms - Overview, Value Proposition, and State Involvement

a. Presentation by Jason Cozens, Glint Pay

Treasurer Oaks introduced Jason Cozens, representing Glint Pay, who flew in from London to attend the meeting. Mr. Cozens described Glint as a rapidly growing fintech company, operating both in the UK and the US. Backed by prominent investors like Sprott and Sibanye-Stillwater, Glint enables the online buying and selling of gold at efficient prices through its app. Glint is unique in allowing real-time electronic payments in gold anywhere Mastercard is accepted, without requiring pre-sale of the gold. Cozens emphasized that Glint offers flexibility in gold transactions, including funding accounts via ACH transfer, debit or credit card, or wire transfer, and using a multi-currency platform to transact globally.

Mr. Cozens demonstrated the app, highlighting its features such as buying gold in small or large amounts, peer-to-peer gold payments, and the Glint Mastercard, which links to any wallet within the app for spending in various currencies, including gold. The app also supports tax calculations for gold transactions, partnering with KPMG to assist users. Mr. Cozens explained that Glint operates independently of the traditional financial system, integrating with Mastercard and adhering to regulatory frameworks in the UK and USA. Users can choose physical or digital gold ownership, with stored gold insured by Lloyd's of London and options for physical delivery.

Mr. Cozens emphasized the potential benefits of establishing a state-level gold-based financial system in Utah, suggesting localizing support teams, software management, and ledger maintenance. He advocated for building a local gold-based economy and highlighted Glint's scalable platform with low fees for global gold payments. He stressed the importance of state involvement to protect citizens' rights to use gold and silver as money, suggesting that state authorization could eliminate state taxes on gold transactions and encourage federal tax recognition of gold as legal tender.

b. Presentation by Mark Hilton, Alpine Gold Exchange

Mr. Mark Hilton, President of Alpine Gold Exchange, discussed the organization's primary client, the United Precious Metals Association (UPMA), and their shared goals with the committee. He highlighted the alignment between UPMA's bylaws, which promote standards around precious metals and support stakeholders, and the committee's objectives. Hilton emphasized Alpine Gold Exchange's commitment to specie legal tender, in line with the US Constitution's stipulation that only gold and silver can be recognized as legal tender for debt payment. He outlined the practical and legal advantages of using specie legal tender, such as avoiding capital

gains taxes on barter transactions when converting gold to paper currency, and stressed the importance of redeemability and privacy in physical currency.

Mr. Mark Hilton detailed the creation of the Goldback, a form of specie legal tender. The Goldback has seen successful market adoption, with over \$100 million distributed since 2019. Addressing friction points in using gold and silver as money, he mentioned solutions such as the GoldiLockS gold equity line of credit, which allows borrowing against gold value to avoid immediate capital gains taxes. He described their secure vaulting measures, partnerships with Brink's and other providers, and fully insured storage by Lloyd's of London. He also explained their trust-based account types, ensuring confidentiality and compliance with federal statutes, and recommended that Utah focus on specie legal tender and trust structures to maintain financial independence and minimize federal oversight.

c. Q&A with Workgroup Members

Treasurer Oaks invited questions regarding any of the information covered.

Mr. Cavatoni asked Mr. Mark Hilton to clarify his statement that the market price of gold isn't the only way to assess its value, highlighting the lack of a standard gold unit in the industry. He noted that many people rely on gold prices from sources like Bloomberg, which can cause confusion.

Mr. Mark Hilton explained that Alpine Gold Exchange prices their products based on daily London Bullion Market Association (LBMA) rates and wholesale prices from suppliers, who add their own premiums. They set a daily fix for transactions and use a fixed premium for Goldbacks to ensure stable value over time, providing clarity and stability for their products. Mr. Larry Hilton added that the form and location of gold, such as London Good Delivery bars, jewelry, or coins, affect its premiums. He pointed out that the concept of a gold dollar has been part of U.S. history and emphasized the benefits of storing gold locally in Utah, ensuring its availability and value to the state in case of systemic collapse or failure.

Representative Ivory emphasized the study's focus on enhancing the state's economic security and prosperity, particularly in rainy-day scenarios and other contingencies. He acknowledged the importance of each participant's private business case but stressed the need to translate the information shared into a practical use case for the state. He invited Mr. Cozens to start the discussion, highlighting the primary interest in understanding the state's use case.

Mr. Cozens outlined three key points for state involvement. First, he emphasized protecting citizens' rights to use gold and silver, noting historical instances of federal confiscation of gold during financial crises and the state's role in preventing such actions. Second, he discussed the friction caused by capital gains tax on gold when it is not considered specie legal tender and suggested that state authorization could protect citizens from federal taxes. Third, he stressed the need for state-provided confidence and clarity, recommending audits of gold accounts and legislation to accept gold and silver for tax payments. He proposed creating a gold and silver account within the Treasury Department to facilitate payments in precious metals, making transactions as easy as using debit or credit cards.

Mr. Larry Hilton agreed with Mr. Cozens' summary, noting that Utah recognized gold and silver as legal tender in 2011. He suggested that the state could encourage the creation of trust companies to support a complementary currency system alongside federally regulated financial institutions, serving as a model for other states. He proposed that the state treasurer recommend legislation to foster this infrastructure and invest a portion of the rainy day fund into these trust companies to kickstart the gold economy. He also recommended using the qualified business unit (QBU) system for converting gold to paper, simplifying tax calculations and providing clarity for IRS audits.

Ms. DiCaro emphasized the need to differentiate between two objectives in the state's gold investment strategy: incorporating gold into the investment portfolio and using gold for transactions, such as paying taxes. She noted that these goals require different frameworks and highlighted that recent legislation focused more on integrating gold into the investment portfolio. She advocated for developing separate frameworks to address both investment

and transactional uses of gold. Treasurer Oaks agreed with Ms. DiCaro, stating that the legislature had addressed incorporating gold into the state's investment portfolio. He mentioned that his office consulted with providers like Brink's, finding the investment aspect straightforward and in line with central bank practices. He noted facilitating the use of gold in everyday transactions within Utah's economy remains a more challenging task.

Representative Ivory inquired about other precious metals payment systems in the market. Mr. Cozens highlighted that Glint is currently the only platform in the US that allows gold to be used as money in real-time electronic payments. While other systems facilitate buying, selling, and debit cards funded by gold sales, they do not support direct spending of gold. He explained his motivation for establishing Glint, driven by frustrations over currency devaluation and the unfair advantage it gives to those closest to the money supply, like the government and financial elites.

Representative Ivory emphasized the need for contingency planning for the state, particularly using gold as part of the financial strategy. He highlighted the global shift away from the dollar and the necessity of ensuring continuity of government operations, such as paying essential workers, even amid economic changes. He stressed that while investment is important, maintaining operational continuity is the state's primary concern, underscoring the importance of contingency planning, which has been a focus for over a decade.

Mr. Crittenden acknowledged his lack of expertise in gold but emphasized that Utah should consider a variety of investment options to counteract inflation and the potential decline of the dollar, rather than focusing solely on gold. He noted that common equities have historically provided substantial wealth accumulation, suggesting that a neutral perspective on the state's investment strategy might reveal that gold is not necessarily the best or only answer. He supported the idea of bolstering Utah's precious metals industry but emphasized exploring the best alternatives for long-term protection and economic stability.

Treasurer Oaks responded by explaining that while the state has long-term investment portfolios that include equities, the current focus is on short-term portfolios, particularly the rainy day funds. These funds need to be readily accessible during economic downturns, and diversifying them with precious metals like gold is being considered due to their potential stability and liquidity. He offered to provide detailed analysis on why gold is suitable for rainy day funds and emphasized maintaining value amidst currency devaluation.

Mr. Cozens argued that gold should be viewed as money rather than an investment, highlighting its status as a risk-free asset during crises and its ability to generate yield. He criticized the current financial system for eroding the value of hard-earned money, benefiting the government and financial elites disproportionately. Mr. Larry Hilton and Mr. Mark Hilton emphasized the importance of non-depreciating currency like gold, highlighting alternative approaches such as crypto-based Stablecoins and stressing the need for various options to suit different preferences. Mr. Cavatoni and Mr. Freeman supported adding gold to diversified portfolios for its stability and liquidity benefits, distinguishing it from speculative investments like cryptocurrencies.

5. Other Items/Adjournment

Treasurer Oaks concluded the meeting. He expressed appreciation for all the input. The next meeting is in August.