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The Gold Market: When Will the SEC Prosecute for Market Rigging?

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For thousands of years, gold has been a central monetary component of most civilizations. It is durable and has been able to retain its value even to this day. That, in and of itself, is extremely remarkable considering how many paper currencies that have went the way of the dodo.

Bill Murphy of GATA (Gold Anti-Trust Association) gave his testimony on April 9th before the CFTC (Commodity Futures Trading Commission). It may have been one of the most important testimonies in history for uncovering the massive fraud in today's gold market. There are two central issues in today's gold market: the massive short selling that artificially pushes the price down during certain option expiration periods and the paper Exchange Trading Fund's (ETF) that are running a virtual ponzi scheme in the gold market.

Bill Murphy has been screaming out in the wilderness for years about the gold market suppression scheme that goes on with the large bullion banks in the US and Europe. In April of this year, Bill Murphy was contacted by Andrew Maguire, a trader working for JPMorgan's London gold office. Andrew Maguire did confirm many people's suspicions that there has been a massive amount of naked short selling, and mainly by the large, oversized investment banks such as JPMorgan, Deutsche Bank, etc. He even contacted the SEC two days before the takedown, and literally minutes prior on the day of. This sort of accuracy and precision can only be the result of a massive coordinated effort, something the SEC and CFTC know full well. But this may not even be the most egregious offense taking place in the gold market.

Gold ETFs seem to be a great way to make an investment play on the price of gold. However, because of the recent testimony by Andrew Maguire, it appears that this make be another cruel trick on the American people as well. It is quite simple and really no different than any other sophisticated ponzi scheme. The idea is to get retail investors and everyday folks to buy a paper promise of gold (gold ETF) rather than taking physical delivery of that gold. The scheme can continue until enough people demand their gold in physical form. That is the moment when every gold ETF investor realizes that there may be 100 other people demanding the same gold bars. During the CFTC hearing in April, Adrian Douglass of GATA summed it up best when he testified,

> "I would just like to make a comment. We are talking about the futures market hedging the physical market. But if we look at the physical market, the LBMA, it trades 20 million ozs of gold per day on a net basis which is 22 billion dollars. That's 5.4 Trillion dollars per year. That is half the size of the US economy. If you take the gross amount it is about one and a half times the US economy;

> that is not trading 100% backed metal; it's trading on a fractional reserve basis. And you can tell that from the LBMA's website because they trade in "unallocated" accounts. And if you look at their definition of an "unallocated account" they say that you are an "unsecured creditor". Well, if it's "unallocated" and you buy one hundred tonnes of gold even if you don't have the serial numbers you should still have one hundred tonnes of gold, so how can you be an unsecured creditor? Well, that's because its fractional reserve accounting, and you can't trade that much gold, it doesn't exist in the world. So the people who are hedging these positions on the LBMA, it's essentially paper hedging paper."

The main question we have to ask is why the SEC or CFTC hasn't stepped in to stop this egregious farce and protect the average investor. Are the large gold bullion banks working in collusion with the US Federal Reserve to artificially torpedo the key rival to US dollar hegemony? Considering the extreme sovereign debt problems throughout the developed world, including the US, at what point will the ponzi scheme collapse as they all eventually do? At that point, it certainly would be prudent to have a few gold coins or physical gold to make sure you don't miss out on the inevitable rise in prices.

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