# P.A.G.E. Squashed: And now for something completely different…

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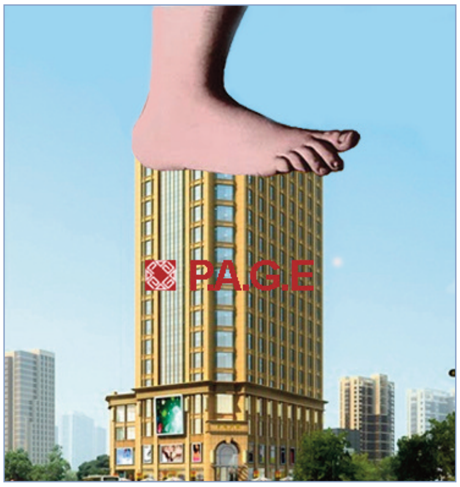



**Last year at the GATA Goldrush 2011 conference I presented about the Pan Asia Gold Exchange (PAGE) and the likelihood of the 'Spot Dog' shaking off its 'futures handlers'. This was to happen thanks to this new game-changing Chinese Exchange driving a return to a more acceptable form of price discovery. Much water has passed under the bridge since the 'soft' opening of PAGE in the early summer of last year, and everyone is well overdue an update. Meanwhile, thanks in no small measure to the debacle at MFGlobal, the spot dog has indeed thrown off its handlers (hence the emergence of backwardation in Silver) – but, as can be inferred from the graphic above, PAGE has also been squashed, Monty-Python-style.**

Fortunately, however, this is far from the full story, as the players behind the 1:1 allocated market concept are determined to make it run come hell and/or high water. The market is begging for this return to real price discovery and inspite of the interference so far, the change IS coming. It is disappointing to have to report that PAGE has not rolled out the way we anticipated, however everything that I presented at the GATA Goldrush conference was accurate at the time. The fact that a major Chinese regional development program was stalled appears, at least in part, to have been due to the publicity generated by Andrew Maguire and I. Too much is very evidently at stake in the world of Ponzi Bullion banking for the status quo not to fight its corner. Soon after the noise was made about PAGE and its forthcoming 1:1 allocated Gold contract, the shenanigans started. Just after the publicised 'soft launch' (with Central government mandarins in attendance) and the noise made on the internet about its implications, the one shareholder in PAGE that had a foreign listing (in the US) suddenly and stealthily increased its shareholding from 10% to 25%, acquiring additional board directors along the way. The rationale for this sudden change in the weighting of shareholders is shrouded in mystery, however what we do know is that this entity then insisted that they be allowed to build the trading platforms for PAGE from the ground up, rather than buying a working platform off the shelf to get PAGE operational in a timely manner.

This blocking tactic at board level effectively stopped the progress of the fully-allocated spot contract in its tracks, and it was immediately clear to the international-facing people that something fundamental had changed internally. Interestingly, the key Independent Director of this small listed entity that blocked the timely roll-out of PAGE is a well-known Western banker within China, whose CV includes work for the Federal Trade Commission, the Sloan Foundation (related to MIT) and his wife is a member of the Council on Foreign Relations. Whether this intervention respect of the platform was nefarious or not, it was understandable that the people behind the international-facing fully-allocated contract decided to step aside from PAGE and set up their own dedicated exchange. More on that in a moment. Following on from this removal of the 1:1 international contract, the domestic and leveraged PAGE Gold contract (via the Agricultural Bank) also subsequently went the way of the dodo, thanks to the well-publicised People's Bank of China (PBoC) announcement about control over domestic Gold trading outside of Shanghai. It appears that the shiny Gold building constructed in Kunming City for PAGE will sadly remain (as elsewhere in China) a 'see-through', at least until the new Communist Party Politburo are voted in and the new political culture is embedded later this year when who knows, the rules on Gold trading again may be relaxed. Ostensibly these new PBoC rules about Gold trading were brought in to 'protect the public', but it is interesting to me that such a U-turn in policy appears to have been driven by pressure exerted somewhere within the People's Bank, rather than it being typically characteristic of the long-term planning of the Chinese.

As disappointing as this all appears, there is a very substantial Silver lining to what has happened, both respect of the international allocated contracts and the indeed the domestic leveraged ones. By freeing themselves of the other shareholders within PAGE, the international-facing contracts are now being developed independently and under a new name. After the shenanigans of last year Andrew and I will not be giving the name of this new exchange until it is properly 'live' in a few months time, as it seems obvious that too much is at stake within the existing Bullion Banking system for this to be allowed to launch without some attempt at interference.

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The aforementioned change in domestic Chinese rules mean that along with every other regional Precious Metals exchange, the new unnamed 1:1 allocated exchange is launching with Silver initially, which of course is the Achilles Heel of the Bullion banking system. This in my opinion is far more bullish and exciting short and medium-term than the Gold contract would have been, as the physical Silver market is so tight. Furthermore, all the regional exchanges mothballed by the PBoC rule change can switch, and are switching to Silver trading which is not covered by the change in rules. The contract itself will be, as before, an international rolling 90 day spot one, denominated in Rmb, and the new entity is supported by the same serious players within the Chinese political and military establishment as before. The physical will be acquired ahead of closing each monthly tranche and will be vaulted entirely outside of the Bullion Banks (ie private vaulting facilities). From there the allocated receipts will be recorded on an electronic register and the issue will be tradeable in the secondary market with the register adjusted real-time. This is extremely good news for holders of real Silver and extremely bad news for holders of fake paper Silver who rely on the 350:1 leverage being maintained as the world's sole price discovery mechanism for large purchases of the white metal. This effectively will be like dealing in an Rmb-denominated and fully allocated version of some of the popular Silver Bullion Trusts, but rather than trading at a premium, the premium will price the issue ahead of purchase, affecting global price discovery, as previously mooted.

The guts of this new exchange that is rising Phoenix-like from the ashes of PAGE, are agreed and under construction. The international conduit for the new exchange has also been established and is ready to receive business once the legal framework (well down the road) is given final sign off by their Chinese legal team. Unlike PAGE, which was primarily established by domestic Chinese interests, the new entity is much more streamlined, better funded and the problems encountered last year by PAGE have helped to clarify the route going forwards. All in all, the squashing of the Pan Asia Gold Exchange has in truth only served to accelerate the move to real price discovery, and the control over domestic Gold trading is in my opinion yet another reason to be bullish about the prospects for the Silver price. Once the new exchange is 'live' in the summer we will be back with the all-important details about where and how to gain access for those interested in buying physical in size rather than paper illusions. Many serious physical Silver buyers, who are desperate to leave the farce of the Loco London system are ready to jump ship once the final sign off takes place.

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