

# Digital gold and silver may be up for P2P lending soon

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## Singapore

PEER-TO-PEER (P2P) lending in Singapore could soon be extended to cryptocurrencies, if a unique partnership between vault operator Silver Bullion and a gold-backed digital currency seller is inked.

This brings a new dimension to an emerging form of crowdfunding – as rights to physical assets are used as a means to get loans – which could pique interest among those who fear a collapse in the financial system.

Silver Bullion, a gold and silver vault that offers peer-to-peer lending backed by those commodities, is in talks with Digix Global, a company that sells asset-backed tokens – or cryptocurrency bearing rights to gold – to use these tokens to borrow funds on the loan platform, the vault operator told *The Business Times*.

The discussion comes as Digix Global has moved to store gold bullion that is backing its cryptocurrency with Silver Bullion. They expect to store up to US\$3 million worth of gold in Silver Bullion's vault by the end of

2016. Digix Global will be transferring its gold holdings from Malca-Amit, at Singapore's Le Freeport.

On Digix Global, users can buy Digix tokens, each of which represents one gram of gold.

Users can redeem the Digix tokens for gold, or use the tokens – a form of digital currency – to buy goods and services via a blockchain. A blockchain is a digital ledger that allows users to store – and show – ownership such as, in this case, the right to one gram of gold per token.

Singapore-based Digix Global said the partnership could quicken the release of silver-backed coins on Digix Global's platform later.

"Silver Bullion's foresight in opening new markets to the cryptocurrency world makes it tremendously easy for us to work on for future partnerships," said Digix Global's co-founder and chief commercial officer, Shaun Djie, in a media statement.

Silver Bullion, which houses silver and gold in a 9,500 square foot vault, launched P2P lending in August 2015, and has matched more than S\$10 million in bullion-backed P2P loans.

The potential partnership with

Digix Global works because Silver Bullion has authentication measures in place for gold and silver. This is rare for vault services, noted Silver Bullion's founder, Gregor Gregersen. The vault operator tests all the silver and gold that passes through its vault – using measures of magnetic energy, sound velocity, density and conductivity. The vault also has insurance that covers mysterious disappearance, and is audited by a Big Four auditing company.

This allows the vault operator to provide P2P lending in the first place. Without authentication, lenders cannot be assured that the bullion is real gold or silver, said Mr Gregersen.

Silver Bullion offered the P2P lending service following requests from clients. He quipped he has spent seven years since starting Silver Vault, to allay the fears of paranoid customers who are – like him – deeply worried about a collapse in the financial system. "Many of our customers are worried about a systemic crisis. About one bank going bankrupt; bail-ins and all these things," Mr Gregersen told BT.

"The beauty of being a peer-to-peer lender is that you're lending out-

side of the system. Your bullion is backed. You get a level of collateral, which is probably one of the highest you can get. And it's outside the financial system."

He is, for example, very convinced that the Italian banking system is imploding. Several months ago, there were four banks that went bankrupt while he was in Italy.

"It didn't make international news, but there were thousands of Italian families that were affected. Many of them lost their whole savings. A few of them committed suicide," said Mr Gregersen, who has kept aside a piece of gold and silver for his one-year-old daughter.

"You can see it from the ground, but you cannot see it from the top. People who end up becoming our customers... see something very wrong. And they want to put something in gold and silver in a safe jurisdiction. So in many ways, what I'm doing is I'm selling Singapore as a safe place. Having lived in the US and Europe, I can relate to these people. I'm selling the way we build the system, to be as transparent as possible, because that's how I build trust."

Several borrowers use the loan to

buy more bullion with it, Mr Gregersen said. Lenders, on the other hand, use the interest to pay for storage on their own silver or gold stash.

Such loans are fully backed by physical gold and silver, and lending that stretches beyond six months has a collateral-to-loan value of at least 200 per cent. This means that a loan of S\$100,000 must be backed by a collateral worth at least S\$200,000. The exceptions are loans with a one-month tenure, which have a collateral-to-loan value of 160 per cent.

If the value of the collateral falls to 125 per cent, borrowers receive a margin call. At 110 per cent, borrowers will have their collateral liquidated.

Borrowers can set their interest rate when submitting a borrowing request or can match an existing lending offer if the terms are acceptable to them. Both lenders and borrowers are charged a 0.5 per cent fee on the principal.

Silver Bullion's customers tend to store bullion for the long term. Its sell-backs are less than one per cent, which is much lower than the industry average, said Mr Gregersen. "We don't sell it as an investment. We're selling it as a form of insurance."