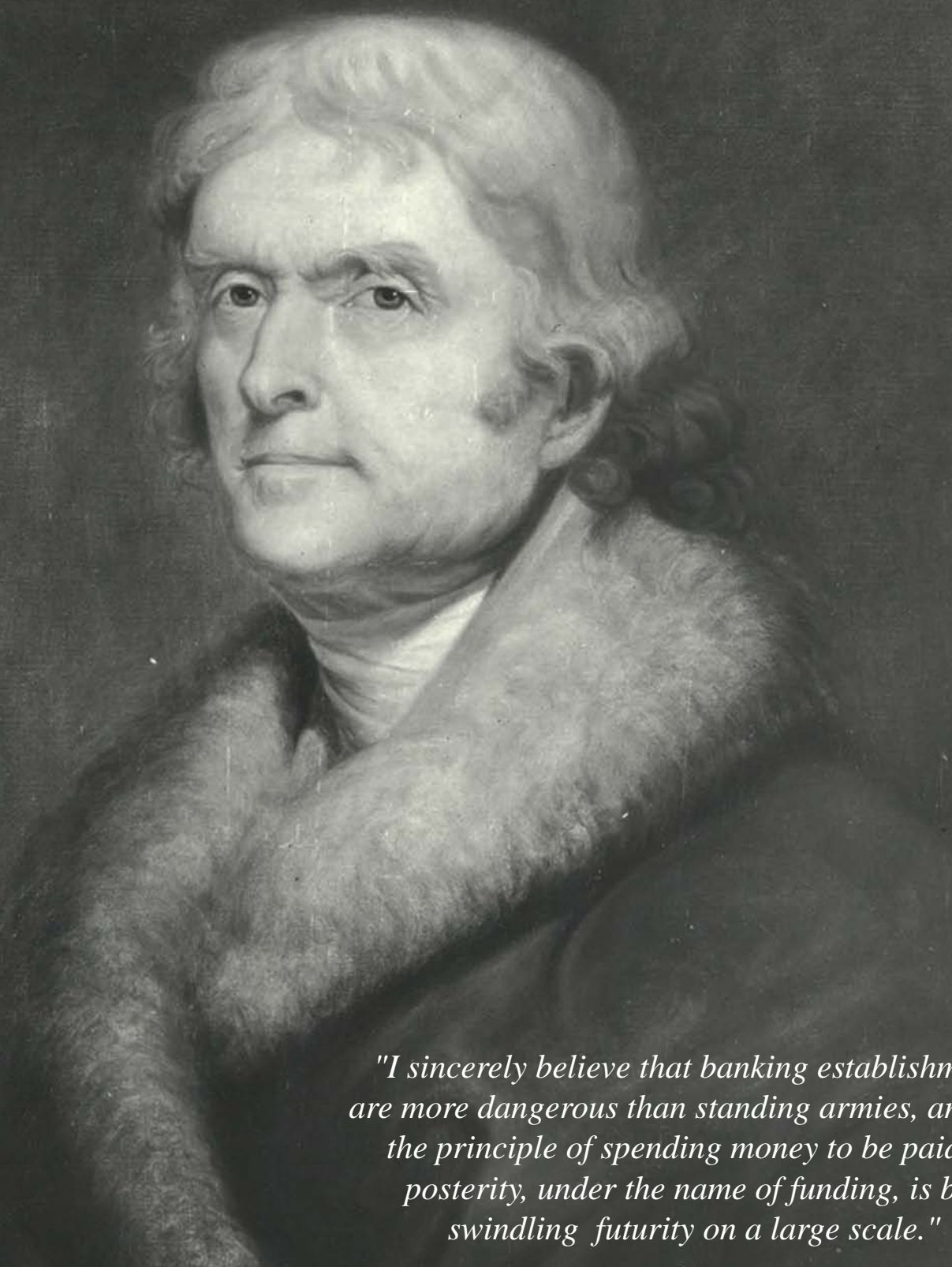


DGC Magazine

"Paper is poverty....it is only the ghost of money, and not money itself." - Thomas Jefferson 1788



"I sincerely believe that banking establishments are more dangerous than standing armies, and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale."

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A close-up photograph of three golden dice with white pips, set against a soft green background. The dice are arranged in a cluster, with one in the foreground and two slightly behind it, creating a sense of depth. The lighting highlights the metallic sheen of the dice.

THE TRUE NATURE OF MONEY

BY DR. ZENO DAHINDEN

THE MAGIC OF FIAT MONEY

Modern money (called FIAT Money) is money made out of nothing and comes into being through the creation of government, business and private debt. This becomes possible through a collusion of interest between governments and privately owned banks (i.e. Central Banks and the Fed). You might rightfully wonder how one can create money from nothing – the same money that we labor and sacrifice for all our lives.

Let me try to explain the magic of FIAT money creation using a simple but technically 100% accurate example recounted by G. Edward Griffin in a talk on the Federal Reserve System recorded in Los Angeles on November 1994.

It all starts with the government side of the equation. The government runs out of money and needs let us say 10 billion USD to pay its running expenses over the next weeks. Congress thus goes to the Treasury and requests the money. Treasury tells Congress that they must be kidding because all tax receipts have long been spent in January and February (most of it by the way to the Fed for servicing the government's debt). But don't worry, they say, and together they go down the road to the Federal Reserve System. The Fed has been waiting for them since this is one of the reasons it has been created.

Once they arrive at the Fed, the Fed official takes out a big check book and write a check over 10 billion USD to the US government. At that point, we have to ask the question where this money came from. The astounding answer is that there is no money, technically speaking there is not even a checking account, there is just a check book. This money came into being in the precise moment the Fed official signs the check. This money

was created out of nothing and is loaned to the government at interest.

The Treasury then deposits this money in a government checking account at the Federal Reserve System Bank (which is properly speaking not even a bank) and the government starts to write checks to pay for its projects. Let us now follow a small part of this money to better understand what happens on the banking side of things.

The postman next door receives a government-issued check over 100 USD and brings it to his commercial bank down the road. The bank official deposits this 100 USD check and goes to the loan window to announce that 100 USD have just been deposited and the bank can now loan money. This makes everybody waiting outside the loan window joyous because this is one of the reasons people go the bank – to loan money. Some people are however a little concerned because it is only 100 USD that were deposited. Do not worry the bank official says, we can loan you up to 900 USD. How is this possible?

Let me explain: the Fed has ruled that a minimum of 10% of all outstanding loans must be kept on deposit (this is called fractional banking). Since 100% of 10% (i.e. 100 USD) is 1000 USD, the bank can thus loan 900 USD based on the 100 USD that were deposited earlier. At this point, we have to ask the same question – where did this new money come from? The amazing answer is the same – this money was created from nothing and comes into existence at the precise moment the loan is signed.

In summary, as a result of the government's need for 10 billion USD, a total of 100 billion USD have been created from nothing – all of it collecting interest for the banking side of the partnership. Interest on nothing!

There is one important difference in the use of the money loaned to the government and the money loaned to us by the commercial banks. While the government uses this money to pay for its projects, the banks do not use it on their own projects, but loan it to us for our projects against interest and secured by our assets. While the large part of our

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profits from this nothing money thus goes back to the banks via interest payments, the banks will take our assets if we fail to pay interest on nothing money.

What then is the conclusion: there is **no business like banking business**. Only the banks are able to create unlimited wealth out of nothing – this is true magic.

LOSS OF PURCHASING POWER

Let us now follow the diffusion of this newly created money into the economy. Since FIAT money is made out of nothing, every time new money is created and injected into the economy, the new money 'borrows' its value from the existing money and thus debases it. We experience this as a loss in purchasing power which is the phenomenon of inflation (i.e. a hidden tax) or, more properly speaking, the appearance of rising prices.

I say appearance of rising prices because in terms of **REAL Money**, prices do not change over long periods of time. Rising prices (i.e. inflation) are the result of 'making money from nothing'. As recounted by G. Edward Griffin, in ancient Rome, a one ounce gold coin (i.e. REAL Money) bought you a fine toga, a handcrafted belt and a pair of sandals. Today, you can walk into any fine men's store and, with a one ounce gold coin, buy a fine suit, a handcrafted belt and a fine pair of shoes. In other words, the real price of these things **has not changed in thousands of years**. Real Money therefore is the best protection of purchasing power, since it is not subject to manipulation (i.e. inflation) and thus ensures long-term price stability - something which our central banks proclaim as their core objective and which none of them have even remotely achieved. Quite on the contrary, our central banks, by creating an unlimited amount of money from nothing, became the primary destructors of purchasing power and enabled the concentration of wealth into the hands of fewer and fewer superrich and exceedingly powerful institutions and individuals.

At this point, we have to ask another question: did anybody get our **lost purchasing power** which

resulted from inflation or did it just evaporate into thin air? The answer is: **for every loser, there is a winner**. Who got our lost purchasing power? It is the people who got the money first before it was injected into the wider economy. Who are these people? Obviously the government who got the first check over 10 billion USD and then the people lining up at the loan window when the new money entered the commercial banking side of things. These people got our lost purchasing power. By the time most of us receive this newly created money, it has already been debased and is worth less and than when it was issued.

Through the phenomenon of inflation or, more properly speaking, loss in purchasing power, all FIAT money is eventually destined for the **'graveyard of FIAT currencies'** (as proposed by James Turk, CEO of GoldMoney). On the other hand, REAL Money (i.e. Gold and Silver) will always maintain its value and prevail in times of crises irrespective of governments, ideologies or place in history. Why is this so? Because FIAT money is subject to government and central bank manipulation whereas real money cannot be influenced by small interest groups and is only subject to supply and demand resulting from millions of people freely interacting with each other. This is why no interest group has ever been able to manipulate the value of REAL Money and why government and central banks thought it necessary to move away from REAL Money towards FIAT Money in order to manipulate the money supply because they needed more and more money than was available. They thus debase the money's purchasing power through inflation and enable the exponential concentration of enormous WEALTH AND POWER into the hands of a very few.

WHAT CAN WE DO ABOUT THIS?

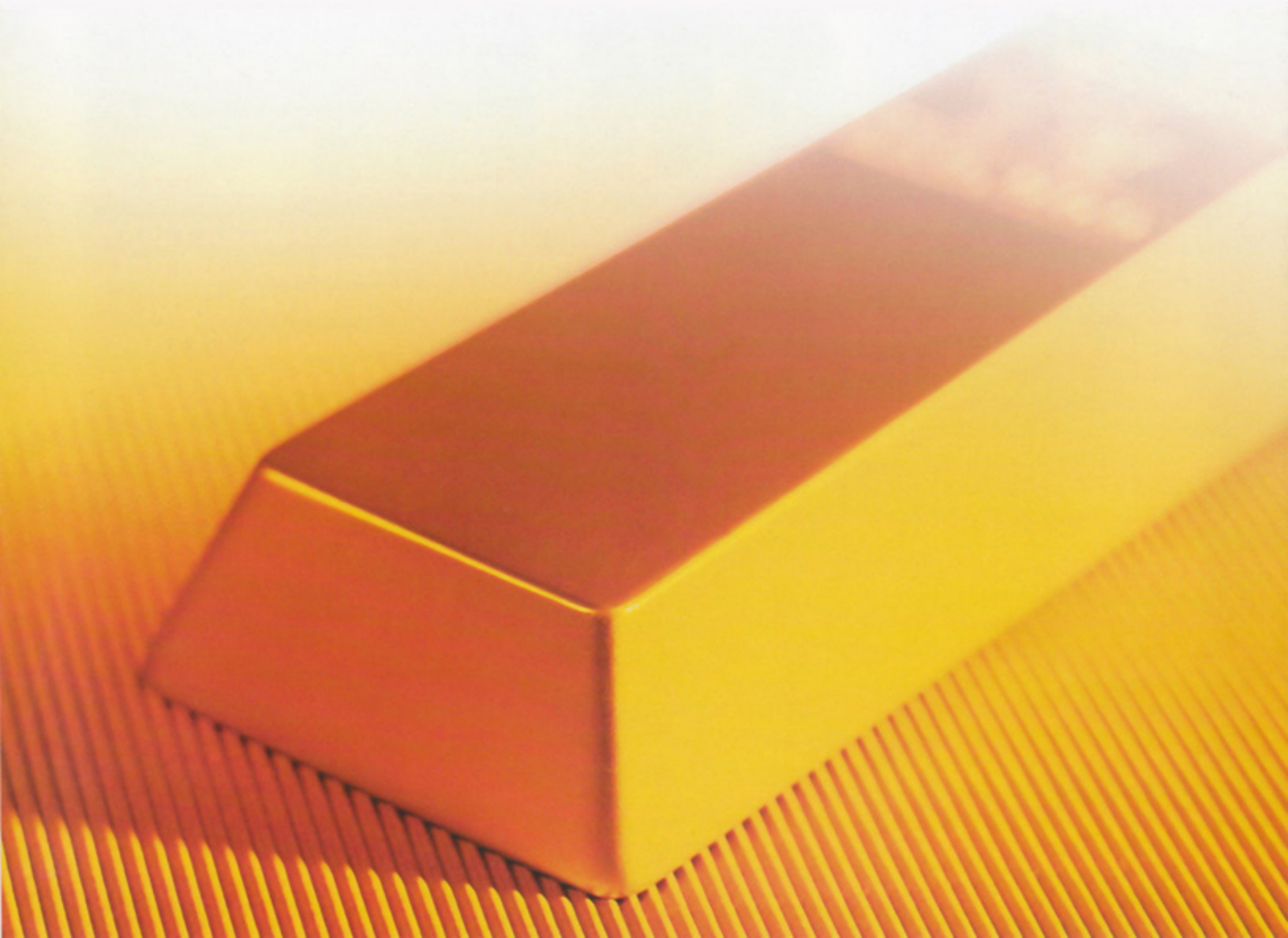
First, we obviously have to move away from **FIAT Money** (i.e. money made out of nothing) towards **REAL Money** (i.e. money with intrinsic value). Why is this so important? Because the core function of money is that of a temporary store of value to preserve purchasing power over extended periods of time, and inflating money is simply a terrible store of value.



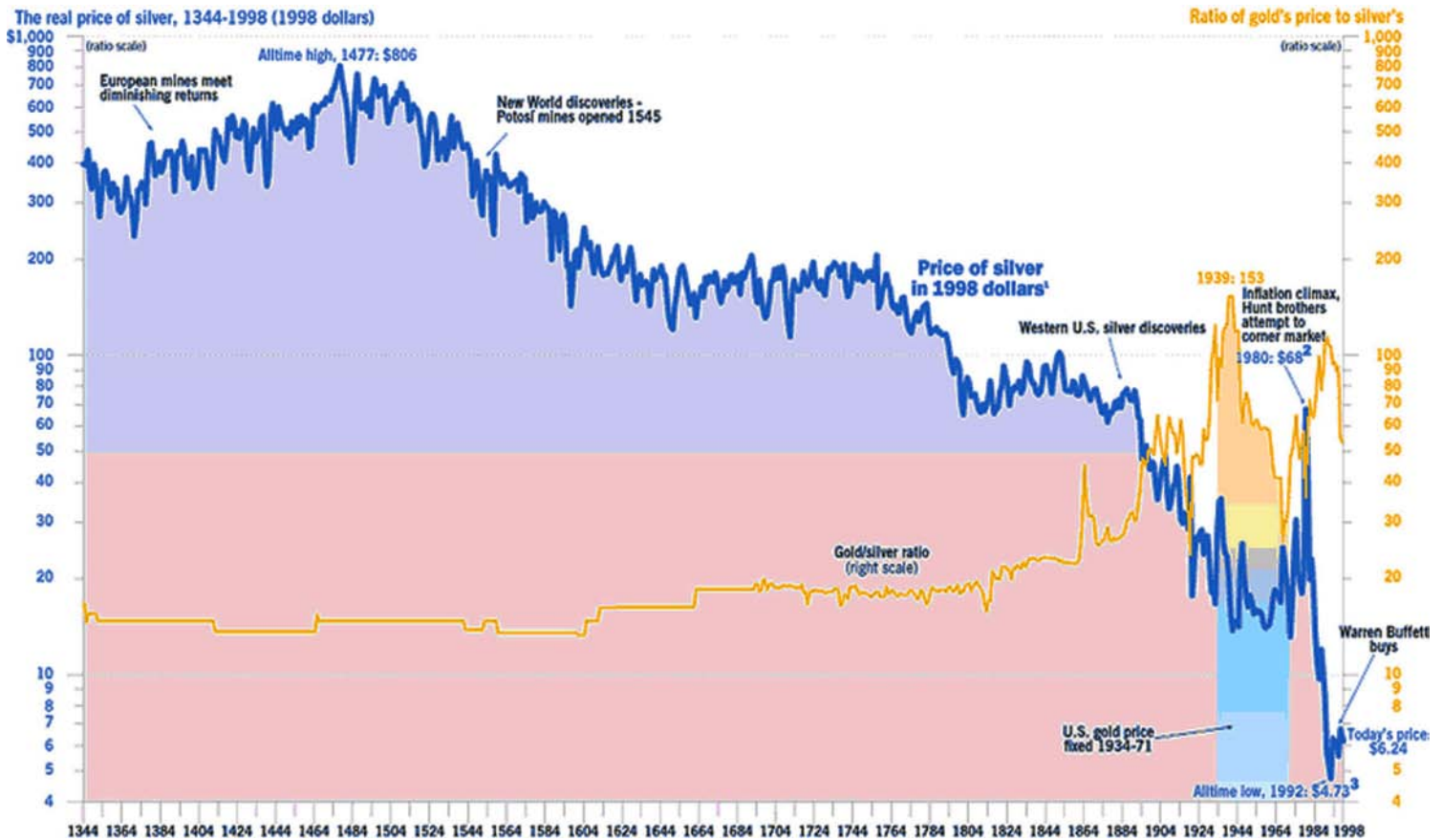
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The True Nature of Money



REAL Money: today, the increasing influence of speculative investors in the bullion market projects a distorted picture of wild swings in the 'price' of bullion (as measured in paper currencies). In the past, when gold and silver were currency, their inflation-adjusted price in terms of today's dollars did not change over long periods of time. The only changes in the 'price' of bullion resulted from changes in supply and demand patterns. This happened for example when Christopher Columbus discovered the Americas, thereby enabling the massive 'repatriation' of gold and silver to Europe and thus increasing the supply side within a stable demand environment. The obvious result was a slow and gradual decline in the inflation-adjusted paper value of bullion over several hundred years.

Only when true FIAT currencies came into being in the 20th century (before that, all FIAT currencies were at least fractionally backed by gold and silver), became the price of bullion exposed to rapidly changing fluctuations. These fluctuations in the paper-value of bullion are the direct result of the diminishing role of gold and silver as currency:

- In **1477** (before the discovery of the Americas), bullion prices were at their highest: **an ounce of silver stood inflation-adjusted at 806 USD** and an ounce of gold at 12'000 USD (historically, the gold/silver ratio varied narrowly between 1/15 and 1/16)
- In **1992**, **an ounce of silver stood at 4.7 USD**, an ounce of gold at 270 USD and the gold/silver ratio was 1/57

I am often asked how gold and silver can be used as investment instruments. This question reveals a basic misconception of the role of bullion and stems from our focus on interest-based and speculative profits where money is used to make money. Gold and silver are stores of value and not investment instruments. It is thus not possible to earn a 'return' on gold and silver. It is however possible to protect one's wealth over extended periods of time without having to fear loss of purchasing power.

WHAT DOES THIS MEAN FOR MODERN BANKING PRACTICES?

First, it implies the use of **REAL** rather than **FIAT**

Money. In the Koranic interpretation, all FIAT money is haram - the only permissible money must have intrinsic value and should be based on gold and silver.

Secondly, we have to move away from commercial banking practices to Sharia-compliant investments. Why? Because first and foremost, Sharia economics **forbids the use of money to make money!** What does this imply?

It means for example that more than **500 trillion USD worth of derivatives**, which represent well over 10 times the monetary value of our yearly global economic output, should be redirected to the productive economy because of their use of money to make money (which is forbidden).

Just imagine for a moment what would happen if only a small part of this money were invested into **production and trade** (at present, only a few trillion USD out of the global money supply of > 600 trillion USD flow into the productive economy). This would mean that ordinary people would finally reap the benefits of their labor and risk-taking and that the flow of global capital would reverse out of the hands of a very few into the hands of many.

Today, **production** has been largely **outsourced** to developing countries to take advantage of cheap labor costs and is widely considered 'dirty' and non-essential for developed economies. Free trade (whatever little of it is left in the face of the globally monopolized and cartelized flows of goods) has been relegated as a form of tourist attraction to developing and third-world economies.

In our modern economies, the vast majority of all profits are either made by using money to make money (i.e. through bets in the form of derivatives) or by collecting interest on 'nothing-money' loaned to governments, businesses and individuals. It is a total reversal of the historic role of money away from the productive economy to a purely financial economy. The economy of modern power centers such as London or New York is mostly reduced to money making money. In these modern power centers, one looks in vain for industrial production or free trade – attributes which used to be the hallmark of past power centers.

We therefore need to turn away from the **financial to the productive economy.**

Second, Sharia economics forbids **any form of loans, be they interest-based or interest-free** (i.e. all loans are considered usurious).

This implies that the **core business of modern banking** (both commercial and Islamic banking), namely the risk-free loaning of 'nothing money' against interest or guaranteed profit, is **doubly haram**: first because the banks use money created from nothing to generate a massive and risk-free inflow of unearned wealth, and secondly, because any risk-free profits, including loans of any kind, have been forbidden since Biblical and Koranic times (please note that most so-called Islamic instruments are as risk-averse as their commercial counterparts).

G. Edward Griffin (Los Angeles, November 1994) illustrates this point vividly. After analyzing the construction of a house where 30 kUSD are used for the purchase of the land and architect fees and 70 kUSD go to the builder, he assumes that the owner would then make a down payment of 20 kUSD and would borrow 80 kUSD on a 30 year mortgage at fixed interest of 10%. After he calculates that the bank will thus earn 172 kUSD in interest payments on money made out of nothing (which represents 2.5 times what the builder gets for all the material and labor) he suggests that this is clearly excessive and proposes that any kind of interest on **any loan of FIAT money is excessive** and should thus be forbidden. This is exactly the point – any form of interest or profit on FIAT money no matter how low, open or hidden, is ethically and morally wrong.

WHAT THEN IS SHARIA COMPLIANT 'BANKING' OR, MORE PROPERLY SPEAKING, INVESTING?

As we have seen before, it must be based on **REAL** rather than **FIAT Money**. Some people argue that any commodity with intrinsic value can

serve as real money. Although this is correct from an academic point of view, most commodities with the exception of bullion and oil do not own one essential attribute of REAL Money: they are not **universal**. Since oil is rather difficult to store for an average person and the only precious metals available in sufficient quantities to serve as money are gold and silver, the choice is self-evident.

Secondly, it implies that all forms of financing must be based on **shared profit/risk** schemes where the lender **participates in the gain or loss of a project** together with the 'borrower' and where the 'borrower's' seed assets are protected against ex-appropriation. All types of modern loans therefore disqualify. In interest-based banking, all collateralized assets go to the lender once interest payments on a loan cannot be maintained (as we all know very well and might have personally experienced), and the borrower loses all assets. In Sharia compliant investments, this could never happen.

Sharia compliant investments therefore must always be based on **shared profit and risk and must extend into the productive** rather than the financial economy. This is the core attribute of Sharia compliant banking, and on that attribute, we need to reconstruct a new understanding of what financial investment really means.

IN ALL OF THIS, WHAT IS THE ROLE OF DIGITAL GOLD CURRENCY (DGC)?

Digital Gold Currency utilizes **modern technology** (i.e. the Internet) to enable central gold and silver reserves to serve as a **universal currency** which can be subdivided into minute quantities of grams and micrograms.

Why is this important given the millions of banks in existence and the easy access to banking services?

First: REAL Money must be based on gold and silver.

Second: unlimited subdivision covers the monetary needs of rich and poor

Third: the universal nature of gold and silver is ideally suited for international trading since it eliminates exchange risks and the need for currency hedging.

In particular the third point, the universal nature of money, is essential since **international trade finance based on gold**, as envisioned by Tun Dr. M. Mahathir in his OIC Bill and James Turk in a recent interview in DGC Magazine, is the most obvious beneficiary from DGC. The biggest impediment in international trade is the relative

fluctuation of FIAT currencies against each other and the subsequent need to hedge trade contracts based on national currencies. The use of gold and silver in international trade will eliminate these risks and will thus reduce the costs of trading and simplify international trade relationships.

Being the visionary he is, Tun Dr. Mahathir transcended the use of gold from passive reserves and coins to international trade finance - well understanding that the

importance of nation states will continue to decline



Gold Dinar and Silver Dirham from e-dinar.com

in the face of globalization. He championed the idea of using gold for the settlement of trade between OIC countries. International trade would thus be accounted for in gold and would be regularly netted against national or corporate gold reserves. As a result of each settlement, gold would move physically between countries and companies. James Turk from GoldMoney shares a similar view when he states that 'digital gold's principal use in the coming years will be in cross-border commerce, and principally by companies rather than individuals'.

This is where Digital Gold Currencies come into play. Only with proven and mature DGC systems will it be possible to keep track of thousands of complex international trade transactions based on bullion, to process them and to net them out either individually or on a consolidated level.

Once we start to base international trade contracts and agreements on gold and silver, we will essentially create a new universal currency parallel to the US dollar.

Thanks to the Bretton-Woods agreement following World War II, the USD became the only universal FIAT currency ever in existence. Bretton-Woods tied all other national currencies to the US dollar which in turn was fractionally tied to gold. In spite of the termination of Bretton-Woods in favor of a free-floating currency mechanism, all commodities including oil are still exclusively priced in USD thus ensuring the continued universal status of the USD as reserve currency of the world.

Through the use of REAL Money in international trade finance, the same objective can be achieved for REAL Money quicker and more enduring than what Bretton-Woods has achieved for the USD.

But one has to start somewhere and not just talk about it. Once started, as everything else which is superior, it will develop its own dynamics and will eventually prevail over the inherently flawed FIAT mechanism.

Dr. Zeno Dahinden
CEO of e-dinar

LOOM UPDATE

2008-08-09: Version 85 is now released, and the updated source code has been published.

Download it here:

<https://loom.cc/view/f8e236764f0f847bbd91a5fe5a00702ee5b1e110cd59ba5b4ded381d0fd9593f/85.tar.gz>

Also the Catalog of some known Loom asset types has been improved, including a more detailed description of the redemption terms for PC GoldGrams. Patrick has been gradually migrating all the code to a more uniform concept of "context-sensitive objects." This is where each object is created from a single other object which serves as its "context" or "environment."

Furthermore, all objects use composition (containment), not inheritance (this has been true of the code for quite some time.)

In version 85 this concept was applied to the top-level server module itself,

[Loom/Sloop/Main.pm](#).

This required small changes to the messaging code in

[Loom/Sloop/HTTP.pm](#)

(the HTTP reader) and in

[Loom/Web/Main.pm](#)

(the main application handler), since these too had to conform to the new concept. This resulted in much simpler messaging code.

How to get an invitation

Entry into this system is by invitation only. Before you can create a folder, you must find a sponsor who is willing to send you an invitation.

Here are a few suggestions:

1. Check with www.Goldnow.st
2. Ask a friend who already uses the system.
3. Search on the term "loom invitation" or "usage tokens" using a prominent search engine.
4. Read blogs, post queries on email lists, etc.

<https://loom.cc>



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IN PATIENCE, YOU POSSESS

by Paul Rosenberg

In your patience possess ye your souls.

-- Luke 21:19

The past two years have been a difficult time for the digital gold currency business. Gold has been stolen, honest businesses attacked, and threats pronounced. Sure, we're still here, new technologies are being developed, and none of us seems to be changing our minds about what we actually believe, but times have not been good.

The point about changing our minds is important: Some of us have thought about changing strategies, but I haven't seen anyone intimidated into renouncing the superiority of digital gold. One thing you can say for sure about people in this business is that they are not weak-minded. But, be that as it may, we don't want to go broke because of our noble minds. We have real problems on our hands.

THE CLIMATE

The political climate has been terrible for us for a long time now. It actually started in the late 1990s and got much worse after 911.

The 1990s issue was simply that ruler-types were surprised by the Internet, and wanted to reign it back in. It scares the hell out of them, as well it should. Decentralization, actually implemented, would end their way of life. Their operative mechanism is centralized control, and they don't want to give it up.

September 11th, 2001 was a disaster for people like us because it drove so many millions into fear. I was overseas when it occurred and was shocked to see so much fear when I returned to the US. It was as if none of them had ever studied history and knew that bad things could happen. (But, given the state of US schools, that may have been the actual case.)

The important thing about 911 was that the populace bought into the idea of a Protector State. (The fact

that the same state had just failed to protect them didn't register. Fear has that effect.) So, being given a "mandate" to be the all-protective state, the Bush minions went about to protect against everything.

FEAR OF THE NEW

How many terrorists use cell phones? Maybe 99%?

How many child pornographers use digital cameras? Maybe another 99%

How many murderers and thieves use cars? How many money-launderers use banks? How many fraudsters use the mail? Maybe all of them?

None of the things above are under threat of attack, simply because people are used to them. It is new things that are attacked.

Let's be honest about this: Most human beings are very easy to frighten. Tell them that something will make life bad for them, or even just force them to make an extra effort, and they freak out. Confusion and cowardice are ugly, and very common.

We're new and most people are wimps. Bummer.

THIS IS A MARATHON

My most recent article for DGC Magazine was called Against Revolution. One of my complaints about the revolution ideal was that it is a dream of getting an easy way out.

Understand: We haven't gotten an easy way out thus far and we can't count on getting one in the future. This is going to be slow, hard work.

I think that most of us have already gone through quite a few struggles. A lot of us are tired. And, I cannot blame anyone for feeling that way. I think we've all felt tired, angry and abused at one time or another. (Maybe a bunch of times.)

History says that people like us are punished for our virtues. Then, a hundred years later, they build monuments to the few names that accidentally

In Patience, You Posses

endure. Another bummer.

I don't expect it to take a hundred years this time around, but it could.

In other words, my friends, this is a long struggle, and we have a long way to go. Our recent troubles are just a step along the way.

Take a breather if you like, then come back to the work. Stay healthy and hang around for the payoff. We have decades to go.

BREAKING GOOD

In the 1830s, William Lloyd Garrison campaigned for the immediate emancipation of American slaves. Garrison was right – slavery is evil. But after beating his head against the proverbial wall for a while, he stopped expecting his goal to be quickly reached. Here's what he said at the time:

Urge immediate abolition as earnestly as we may, it will, alas! be gradual abolition in the end. We have never said that slavery would be overthrown by a single blow; that it ought to be, we shall always contend.

So, Garrison went on doing the good and right thing of opposing slavery. And then – as a surprise to most of the players – slavery was legally abolished in an instant, in 1863.

In fairness, Garrison did go back and forth on the necessity of immediate emancipation, but the point is the same: New things are slow, painful and difficult. (It was not easy to be an abolitionist.) But, they do eventually change, and usually at unexpected moments.

Neither you or I know at which moment things will change. But, things that **should** change, probably will, given enough time.

SO...?

Digital Gold currencies are better money. Heck, they are super-important for peace upon earth! (You simply cannot allow politicians to create money out of thin air and expect it to end without

blood.) At some happy future date, this truth will become clear to a significant number of people.

But, as I say, none of us knows whether honest money will break good this year, next year, or not for another hundred years. Some day it will. Until then, we protect ourselves and we keep working.

And if it does break to the good on our watch, we'll be ready.

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Paul is the author of *A Lodging of Wayfaring Men* and other books. You can find his work at www.veraverba.com

PECUNIX KILLS AUTO EXCHANGE INTERFACE

4 August 2008

NOTICE: With immediate effect, the Pecunix XML Interface (PXI) has been disabled and will no longer be available. The PXI is an automation interface to the Pecunix system. The discontinuation of this service does not affect the normal use of the Pecunix system or the merchant "shopping cart" interface.



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Fannie and Freddie

by Rep. Ron Paul (2003)

Ron Paul in the House Financial Services Committee, September 10, 2003

Mr. Chairman, thank you for holding this hearing on the Treasury Department's views regarding government sponsored enterprises (GSEs). I would also like to thank Secretaries Snow and Martinez for taking time out of their busy schedules to appear before the committee.

I hope this committee spends some time examining the special privileges provided to GSEs by the federal government. According to the Congressional Budget Office, the housing-related GSEs received \$13.6 billion worth of indirect federal subsidies in fiscal year 2000 alone. Today, I will introduce the Free Housing Market Enhancement Act, which removes government subsidies from the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the National Home Loan Bank Board.

One of the major government privileges granted to GSEs is a line of credit with the United States Treasury. According to some estimates, the line of credit may be worth over \$2 billion. This explicit promise by the Treasury to bail out GSEs in times of economic difficulty helps the GSEs attract investors who are willing to settle for lower yields than they would demand in the absence of the subsidy. Thus, the line of credit distorts the allocation of capital. More importantly, the line of credit is a promise on behalf of the government to engage in a huge unconstitutional and immoral income transfer from working Americans to holders of GSE debt.

The Free Housing Market Enhancement Act also repeals the explicit grant of legal authority given to the Federal Reserve to purchase GSE debt. GSEs are the only institutions besides the United States Treasury granted explicit statutory authority to monetize their debt through the Federal Reserve. This provision gives the GSEs a source of liquidity unavailable to their competitors.

The connection between the GSEs and the government helps isolate the GSE management from market discipline. This isolation from market discipline is the root cause of the recent reports of mismanagement occurring at Fannie and Freddie. After all, if Fannie and Freddie were not underwritten by the federal government, investors would demand Fannie and Freddie provide assurance that they follow accepted management and accounting practices.

Ironically, by transferring the risk of a widespread mortgage default, the government increases the likelihood of a **painful crash in the housing market.**

This is because the special privileges granted to Fannie and Freddie have distorted the housing market by allowing them to attract capital they could not attract under pure market conditions. As a result, capital is diverted from its most productive use into housing. This reduces the efficacy of the entire market and thus reduces the standard of living of all Americans.

Despite the long-term damage to the economy inflicted by the government's interference in the housing market, the government's policy of diverting capital to other uses creates a short-term boom in housing. Like all artificially-created bubbles, the boom in housing prices cannot last forever. When housing prices fall, homeowners will experience difficulty as their equity is wiped out. Furthermore, the holders of the mortgage debt will also have a loss. These losses will be greater than they would have otherwise been had government policy not actively encouraged over-investment in housing.

Perhaps the Federal Reserve can stave off the day of reckoning by purchasing GSE debt and pumping liquidity into the housing market, but this cannot hold off the inevitable drop in the housing market forever. In fact, postponing the necessary, but painful market corrections will only deepen the inevitable fall. The more people invested in the market, the greater the effects across the economy when the bubble bursts.

No less an authority than Federal Reserve Chairman Alan Greenspan has expressed concern that government subsidies provided to GSEs make investors underestimate the risk of investing in Fannie Mae and Freddie Mac.

Mr. Chairman, I would like to once again thank the Financial Services Committee for holding this hearing. I would also like to thank Secretaries Snow and Martinez for their presence here today. I hope today's hearing sheds light on how special privileges granted to GSEs distort the housing market and endanger American taxpayers. Congress should act to remove taxpayer support from the housing GSEs before the bubble bursts and taxpayers are once again forced to bail out investors who were misled by foolish government interference in the market. I therefore hope this committee will soon stand up for American taxpayers and investors by acting on my Free Housing Market Enhancement Act.

Dr. Ron Paul is a Republican member of Congress from Texas.

<http://www.lewrockwell.com/paul/paul128.html>

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IS THIS A BOTTOM FOR THE U.S. DOLLAR?

by David Cai
 August 6, 2008, <http://new.goldmau.com/>

Is the recent upward movement in the dollar a signal that it has bottomed out, and will now move back to a higher level? Or is it just a bull

U.S. and the rest of the world.

The falling dollar over the past few years has made American products more competitive and has caused the real value of U.S. exports to rise sharply. Nevertheless, the 2007 trade deficit still remains at \$700 billion or 5% of GDP. The other side of the coin is that foreign investors must have added approximately \$700 billion of U.S. securities to their portfolios. It is



trap for those who are long the dollar? Despite reports of cheaper prices for international travelers to the States due to the depreciated dollar, it would be wrong to safely conclude that U.S. goods are now so cheap at the existing exchange rate that the dollar must appreciate from its current level. Overall the price of American products is still too high to ease the massive trade imbalance between the

their unwillingness to do so in the current U.S. dollar trend that causes the dollar to continue to depreciate relative to other major currencies. It is unthinkable that the global economic system will continue to allow the U.S. to import more goods and services than it exports indefinitely. At some point, the enormous trade deficit will need to be balanced out.

Is This A Bottom For The Dollar?

An important factor in determining the dollar's longer term view will be the future price of oil and the extent of U.S. dependence on oil imports. In each of the past four years, the U.S. imported 3.6 billion barrels of oil. At the current price of more than \$120 a barrel, that implies an import cost of more than \$432 billion. The higher the cost of oil, the lower the dollar has to go to balance the trade deficit. So a rising oil price as measured in euros or yen implies a greater depreciation of the U.S. dollar, and therefore an even higher oil price in dollar terms.

There is one further important consideration for the future trend of U.S. dollar: the relative rates of inflation in the U.S. and abroad. If the U.S. experiences higher inflation than the trading partners, the dollar's nominal value must fall even further just to maintain the same real value.

The inflation differential between the dollar and the euro is now relatively small – only about one

percentage point a year – but is greater relative to the yen and lower relative to the Renminbi and other high-inflation currencies. Over the longer term, however, inflation differentials could be a more significant force in determining the dollar's path. In the meantime, a pull back in oil price from \$140 to \$120 creates a temporary consolidation range for the U.S. dollar.

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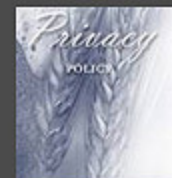
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THE LAST TRUMPET PROJECT

Science Fiction Meets Digital Gold

I'm interviewing the science fiction writer Kevin MacArdry about his new novel *The Last Trumpet Project*. The story incorporates themes like economic freedom and even free market DGC systems of the future.

(Q) It's intriguing to find digital gold currencies discussed in a science fiction novel. What lead you to choose this theme for your story?

KM: It's probably less of a theme than just something which I expect will be a 'fait accompli' by the time in which the book is set, the mid 2040s. Today's DGCs are pretty crude prototypes. They're centralized, account-based, and rely on the same poor identification techniques as online banking, such as weak passwords (easily phished) and government IDs (easily stolen or forged).

The system called Aurumnet which I envision in the novel is completely decentralized, it's cash-like without accounts, and you control access to your digital billfold via strong-encryption challenges. I consider that the development of such a system needs a few prerequisites.

First, there has to be an inherent market for it. I've suggested that the natural market which will grow up alongside it is the

cyberverse itself.

The cyberverse is a multitude of full-immersion virtual realities supported by a geodesic wireless network in which access to bandwidth, compute cycles, storage, and data (including virtual worlds, and the things contained in them) is metered using a micropayment token system settled via Aurumnet.

Secondly, people will need a good reason to abandon the fiat currencies from meatspace in favor of a metals-backed cyber-currency. Unfortunately, that reason is already being manufactured. It's not going to be pretty, but governments around the world are daily greasing the skids for their own currencies, as they all spend far more than they have on both guns and butter.

Thirdly, I think ordinary people will need their intelligence augmented cybernetically so they'll become too smart to be fooled by the fiat money swindle, and can remember long keys and perform encryption operations in their heads without a computer. ;-)

(Q) On that very topic, quite a lot of the book is devoted to exploring what happens when human beings become a lot smarter through cybernetic augmentation. In particular,

you seem to believe that smarter humans of the future will turn away from government and become pacifists. This isn't what we usually see from super intelligence in science fiction.

KM: No it's not, and that's quite intentional. If you think about it, war is the ultimate collectivist activity. And government is the organizing force.

War, like any government program, doesn't work, except maybe for those who indirectly profit by it. But even they are ultimately rendered poorer by the waste of lives and resources. The mere exercise of authority cannot improve the world, and mass violence always results in a net loss, whatever short term goals or gains may be achieved by it. However these truths are unintuitive, much like the concept of the invisible hand of the market, which likewise eludes people of an authoritarian bent.

Throughout history, the really great thinkers, folks like Newton and Einstein, Adam Smith and Jefferson, Von Mises and Hayek, have always recognized and admitted how much they *don't* know. It's the bright but mediocre minds -- folks of the Karl Marx, John Maynard Keynes, Alan Greenspan stripe -- who have the hubris to fall into the trap of thinking that they know enough to dare to dictate outcomes. They're wrong of course, and the consequences of their folly are always disastrous.

So I decided to make the strong AIs in the novel humble beings who are loath to force their



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views on others, being acutely conscious of their own limitations and possessed of a profound respect for the sovereignty of other beings, even when those are plainly much lower than themselves on the intelligence scale. I believe that if you're **truly** brilliant, you'll lean toward anarchy rather than authoritarianism. Which is why this novel depicts the practical demise of government, as that level of intelligence becomes ubiquitous throughout society.

(Q) On the subject of the death of government, you suggest that by the 2040s it will no longer be possible to enforce the collection of taxes. Is this because of Aurumnet?

KM: Partially, in that it's private and anonymous, and controlled by an AI that's programmed to regard taxation as theft. But even more fundamentally, we're moving toward the epoch of molecular manufacturing, where practically anything can be assembled on location given the digital blueprint and base raw materials. Today's 3D printers are only the barest beginning. Once that happens, 99% of the substance of all economic transactions, for both goods and services, will be digital information. Information can be transferred invisibly using encryption or steganography. And payments themselves are ultimately just another species of information.

In addition, I anticipate that the virtual worlds of the cyberspace will themselves function partly as a giant global black market,

which will ultimately become 'the' market, even for meatspace. In that environment, with even the largest businesses having no meatspace footprint whatsoever, taxation regimes will not prosper. And so I picture the vestiges of government in the 2040s forced to survive mostly off of voluntary donations.

(Q) The book has an apocalyptic title, and presents the idea that the dead can be resurrected by means of a particle scanner that operates in four dimensions. Some people might consider that heretical. Moreover there are various Christian fundamentalist characters who aren't portrayed very kindly. What would you say to the charge that this is an anti-Christian, or broadly anti-religious book?

KM: Well, the Cronus Scanner is the one element that I truly consider science fiction. :-) But as for being anti-religious, I would say no. The book is certainly very strongly anti-Luddite, and I do think it's true that it's your more fundamentalist religious types -- Muslim, Christian, Gaia environmentalist, whatever -- who tend to embrace Luddite thinking. Granted, the book depicts a secret society called the Knights of Jesus, who ally with the holdout authoritarians in government to wage holy war against the cyberspace. But if you ignore all the self-labeling and ask yourself who is behaving the way Jesus would probably want them to behave, you get a very different answer.

The book doesn't extol Christian crusaders, but in a way it does embody the triumph of Christian principles. Jesus was a famous pacifist, after all.

(Q) One of the striking things about this novel is its optimism. As an author, are you out of step with the science fiction genre?

KM: I certainly hope so. ;-)
Science fiction used to embody the notion that technology solves problems and makes the world better, net of growing pains of course. By contrast, much contemporary writing and film-making in the genre is now blatantly dystopian. I don't think that the dangers or growing pains of high technology should be ignored or minimized, but I do think the balance is positive and that the future is going to be an increasingly cool place.

(Q) Where can interested readers obtain the book?

KM: It's available in various electronic forms from its website, <http://www.lasttrumpetproject.com>. There are also excerpts, a foreword, author commentary, and discussion forums available there.

If you own a Mobipocket-compatible book screen, you can buy it as an eBook at <http://www.mobipocket.com/en/eBooks/BookDetails.p?BookID=96380&Origine=4368>

It's also available through Amazon.com for the Amazon Kindle. At the present time, it

isn't available as a printed book, and in a way I feel it would be rather ironic if it were. Still, a meatspace edition might be in the cards if there's enough demand to warrant one.

(Q) Thanks for taking the time for this interview. How can readers reach you?

KM: Thanks for the opportunity! There's an Ask the Author forum on the book site, or email is good, to: kjmacardry (AT) lasttrumpetproject (DOT) com.



This is a recent photo of Pamela on the left with her beautiful young daughter Desiree Goudie (18yrs). Desiree is Pamela's daughter from an earlier marriage. Pamela also leaves behind a 9 year old daughter. Photo is from Desiree's MySpace page.

PAMELA FAYED IN MEMORIAM

Monday July 28, 2008 in Century City, California, Pamela Goudie Fayed from Goldfinger Coin and Bullion Sales passed away.

She leaves behind two young daughters. Many industry people knew Pam and she will be missed by all.

These are a few quotes from some DGC people close to the Fayed family or Pam.

"Her friends will miss her honesty and good cheer."

"Pamela was the princess of the gold money community."

"Pamela built the bullion and coin business"

"An honest intelligent person."

"My friend Pam Fayed was a very kind, spirited, and enthusiastic woman who worked hard building her business. She was easy to work with, and very concerned about the people she met and got to know."

"Pam was a jeweler and got into the bullion business from there. She related to me that she saved up her money for a couple of years and got investments from her friends and family and purchased her first 400 oz bar back around the late 1980's. Her plan was to buy a 400 oz bar, and convert it to jewelry - a process where the gold gets marked up 100% or more. To her shock and dismay, it turned out to be a tungsten bar - fake. She learned the hard way on the first time, but she didn't give up. She started over again and built her business."



Paper Money, Debt, Inflation....

Zimbabwe recently produced their first 100 Billion Dollar Bank note. There is no food on store shelves and no cars on the road. Ever seen an expiration date on your currency? Could this happen in this inflation occur in the US and what is inflation?

- Inflation re-distributes wealth from the poor and middle class to the rich and powerful; The “early receivers” of the newly-created money benefit; everyone else loses;
- Inflation destroys savings, making it impossible to retire on a lifetime of simple, prudent saving. In fact, it totally discourages savings, which is why the US now has a zero (or slightly negative) savings rate;
- Inflation encourages excess money to flow to Wall Street speculators, who create bubbles and eventual collapses, which allow them to skim wealth off the hapless public (in fact, bank losses are often covered directly by tax payers);
- Inflation erodes wages, putting everyone at a disadvantage who does not get a raise of at least the rate of inflation. This means most people are doing worse-off most years;
- Inflation empowers labor unions by making workers more dependent on political bargaining. The unions then collude with politicians and Wall Street to rip off workers anyway;
- Inflation distorts the economy, by putting capital in the hands of those who haven’t earned it (“easy money”), who then proceed to waste it (“malinvestment”). Since their projects tend not to be of benefit to the economy (think flipping houses or over-priced defense contracting), they end up destroying wealth for everyone else.

The expert’s say NO.

WILL THE \$1000 DOLLAR BILL BECOME POPULAR IN AMERICA AGAIN?

(not likely)



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HAVE YOU EVER STOOD TO OPPOSE PEOPLE EXPRESSING RACIAL OR RELIGIOUS HATE?

If not, you haven't earned the right to be defended from racial or religious hate.

HAVE YOU EVER DIRECTLY OPPOSED INJUSTICE, RATHER THAN WAITING FOR SOMEONE ELSE TO DO IT?

If not, you haven't earned the right to justice.

HAVE YOU EVER CONFRONTED ENVIOUS PEOPLE WHO CLAIMED A RIGHT TO OTHER MEN'S MONEY?

If not, you haven't earned the right to property.

HAVE YOU EVER STEPPED IN FRONT OF AUTHORITY, TO STOP THEM FROM DOING HARM?

If not, you don't deserve to be protected from authority.

UNTIL YOU'VE DEFENDED THE POWERLESS, STOOD-UP FOR THE OUTCAST, PROTECTED THE STRANGER, STEPPED-IN WHERE YOU DIDN'T HAVE TO...YOU HAVN'T EARNED LIBERTY.

DO SOMETHING TO DESERVE IT!

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100 gm Gold Biscuits Sell Like Hotcakes

by Himansh Dhomse / DNA MONEY
8/13/08 <http://sify.com/>

“The total import of gold in Ahmedabad was around 9 tonnes in July, and when it started falling, the demand increased. In just 12 days of August, gold imports have reached around 13 tonnes,” said director of GSEC Ltd, Samir Mankad. He added that on Monday, gold import was around 4 tonnes.

Bullion markets in Ahmedabad and Mumbai are running out of stock of 100 gm gold bars due to limited supply. With prices falling more than Rs 500 in a single day, traders rushed to banks to buy 100 gm gold bars. Since stock was limited, bookings have started.

“Traders are expecting gold prices to fall further and so bought as many 100 gm gold biscuits as were available. As more gold bars were bought at banks, the denomination vanished as the stock was limited. Traders prefer using 100 gm and 1 kg gold bars for making gold jewellery,” said director

of the World Gold Council, Dharmesh Sodah.

This fall was unexpected, and so, the supply was limited. “In July, gold prices were at an all-time high, and so, production of 100 gm bars in the global market was also less. But, the price has suddenly tumbled in the last few days, leading to a heavy increase in demand from traders. Gold coins of 1 gm, 2 gm or 5 gm are easily available, but for 100 gm gold biscuits or bars, one will have to book them one or two days in advance,” said city-based bullion trader, Girish Chokshi. “Traders are now ready to pay a little more than the market price to buy 100 gm bars of gold on premium,” he added.

Even banks did not expect the short supply. “We have enough stock of 1 gm gold coins. But, in the case of 100 gm biscuits, traders will have to wait for another day. As supply is limited, 100 gm gold biscuits are not available on the spot,” said chief general manager of State Bank of India, HC Pattnaik.

In July, gold prices reached an all-time high of around Rs 13,700 in the domestic market.

TOP ONLINE CASINO INTRODUCES RUSSIAN RUBLE TO THE EASTERN EUROPEAN MARKET



by Yuliana Naydenko
CrazyVegasCasino.com has now added the Ruble to its already extensive casino currency bouquet.

The addition means that players from Russia and other former USSR republics will be able to play the well known online casino in their currency choice.

The prominent online casino introduces the Russian Ruble to the Eastern European Market

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CrazyVegas.com already boasts playable casino software in English, French, German, Russian Chinese, Dutch, Portuguese, Spanish, Italian and Danish thus making it easy for players from all over the world experience the style of the modern online casino.

Author: Yuliana Naydenko

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PAMELA FAYED'S DEATH MARKS THE BEGINNING OF THE END FOR E-BULLION

Is e-bullion Really Finished?

Jean Harlow said, "When you lie down with dogs, you get up with fleas" and e-bullion is a very good example. If you allow ponzi scams to openly operate through your financial business you will inherit some very big problems.

July 28th, 2008 was a Monday night like most other weeknights but as the sun set over the California coastline about 6:35 p.m. e-bullion's Pamela Fayed was being murdered. This was a tragic event, a mother has died and she was someone the DGC industry knew very well. She leaves behind two young daughters.

By sunrise the next morning, all of the local news channels were running the story and a lot of details on the day to day operation of Goldfinger Coin & Bullion Sales were starting to appear on index pages across the Internet.

Most of the California television and newspapers focused on the fact that James Fayed and his estranged wife were going through a messy divorce. The early reports talked about court documents which had shown around \$12 million in assets up for grabs in the divorce.

"The Ventura County residents were fighting over their business assets, including \$12 million in bank accounts and stores of gold and silver, according to court documents." [1]

Late Friday, August 1, just days after losing Pamela, the news broke that James Fayed was in Federal custody. It is important to note the he has not been charged with a crime relating to Pamela's murder. James Fayed as the operator and signatory on GoldFinger/e-bullion bank accounts had been arrested for a violation of 18 U.S.C. § 1960, which is operating an unlicensed money transmitting business.

It appears from the documentation that Fayed's current money transmitting charge stems from e-bullion acting as third party receiver for alleged ponzi funds amounting to something like \$20 million.

"...during a roughly eight-month period in 2005 and 2006, bank accounts in the name of GCB, over which defendant was a signatory (along with his deceased, estranged wife), received and transferred out over \$20,000,000 in proceeds from Ponzi scheme victims. The victims did not intend to use defendant's business to purchase gold or precious metals, as defendant's website represents as the service offered by defendant's company. Neither defendant nor the entities he admittedly controls were licensed to transfer such funds. Accordingly, defendant was charged with operating an unlicensed money transmitting business."
[2]

This charge is identical to the one received by Douglas Jackson of e-gold. (*This is one of the charges he 'plead guilty to' in the recent e-gold plea agreement.*)

A similar New York State Criminal charge was also used to arrest Arthur Budovsky and Vladimir Kats aka 'Ragnar Danneskjold' of GoldAge.net back in July 2006. Article 13-B of the New York banking law states that it is a felony to transfer money without a license. (*charges whether State or Federal are just allegations and all parties are presumed innocent*)

After Jim Fayed's arrest, court documents began to surface on the Net such as restraining orders, bail documents, indictments and more. One web site even uncovered that James had gone bankrupt in 1997 and it seemed that all the dirty laundry was now coming out.

Almost all of this information either 'by the piece'

or looking at the 'big picture', paints a grim picture for the future of e-bullion and Goldfinger Coin & Bullion Sales. The e-bullion web site has been reportedly offline for "maintenance" since August 5th. <http://www.e-bullion.com>

However, the Goldfinger Coin and Bullion web site is still live and operating. <http://www.goldfingercoin.com>

05 August, 2008, 1:00pm PST: The e-Bullion website will be unavailable for a period of approximately four hours while our Tech Dept. performs routine maintenance.

An associated press story tried to make a connection between e-bullion, James Fayed and a federal fraud investigation, but no reliable source could confirm that information.

"The FBI is investigating possible fraud at a gold-trading business co-owned by a woman killed this week in a parking garage, an official with knowledge of the investigation told The Associated Press on Friday. The agency is investigating the activities of Goldfinger Coin & Bullion Sales, said the law enforcement official, who was not authorized to comment publicly because the probe was ongoing."

****By Thomas Watkins Associated Press Writer***

After Jim's arrest, the press had a field day with the information regarding the search of his residence.

"During the search of defendant's residence, officers also found approximately \$60,000 in cash wrapped in plastic material; approximately \$3,000,000 in gold; and approximately 31 firearms, including one with a long-range night vision scope, along with thousands

of rounds of matching ammunition. The cash and gold were seized." [3]

The firearms were legally owned and left at the residence.

James Fayed's bail which was originally set at \$500,000 but he was not released, the government came back and argued further for his detention and today he still sits in a cell. How? The government has presented a reasonable argument to the court that this defendant is a flight risk and a danger.

"...this Court can and should conclude that defendant, at this time, has every reason to flee, and that no condition or combination of conditions can assure his appearance in this case." [4]

Why? Among other reasons, the vehicle used in Pamela's murder was caught on video and the tag traced to an Avis rentals very near to the e-bullion office. The American Express card used to rent the vehicle was not only in the name of James Fayed, but the exact card was found in his wallet during a search of his residence on August 1st.

"Pamela's murderer left the crime scene in a red SUV that was captured on surveillance video, along with its license. The license was traced to Avis car rentals in Camarillo, not far from defendant's business. The vehicle had been rented from Avis on July 3, 2008 using an American Express card issued to defendant and GCB. An American Express credit card with the same account number was found in defendant's wallet during a search of his residence in the days following Pamela's murder." [5]

It's important for readers to note that James

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Fayed has not been charged in connection with his wife's murder and not been convicted of any crime. In America, he remains innocent until proven otherwise. It is also very important to understand the full extent of the government's investigation into Goldfinger/e-bullion. From the court documents we know that the original indictment was returned on February 26, 2008, (6 months ago) under seal, and as of today, the FBI is still investigating Goldfinger Coin & Bullion Sales and e-bullion.

Take a look at the creative way investigators gained access to the financial accounts on the Goldfinger/e-bullion accounts...

We can make a guess and say that around January or February of 2008 there were likely numerous signed complaints relating to lost funds from this large ponzi which was accepting funds through e-bullion. We can also assume since they became the target of the investigation that most of the complaints pointed a finger directly at the Goldfinger (GCB) bank accounts and e-bullion digital gold accounts. How did the government get access and control over these private statements without sending the subpoena right to James Fayed?

In October of 2007, James Fayed filed to divorce his wife Pamela. In April of 2008 a court appointed receiver was instructed to 'examine and secure' the gold holding and other assets under Jim's control at their business location. This was routinely being done for the purpose of the divorce settlement.

"April 2008, defendant provided business records to Pamela's forensic accountants, only after he was ordered to do so after resisting for months, in order to allow the accountants to ascertain the value of the marital estate and to provide information to set spousal support." [6]

Now.... right here...this is where the plot thickens. It seems that while the records were at Pamela's accountants, the government subpoenaed them through the accounting firm gaining access and copies to help build their criminal case against James.

"At that time, the government's investigation into defendant's business affairs remained underway and the government subpoenaed the accountants to produce the records they had obtained from defendant." [7]

From this time in April when the first sealed indictment came back, it is not clear that James Fayed was ever aware of any government investigation right up to the point he was arrested. However, it's clear the the accountants blabbed to Pamela about the subpoenaed records and Pamela, through here attorney, offered her assistance to the government.

"On or about June 24, 2008, Pamela's then defense counsel advised the government that Pamela wanted to cooperate in its investigation." [8]

James is not talking and that's probably the smartest thing he has done yet.

"The government argued and continues to argue that defendant's role as the primary suspect in Pamela's murder makes him a serious risk of flight and a danger to others, whether or not Pamela was murdered in order to obstruct the present case. The facts show that defendant had become desperate. He was likely concerned that Pamela would cooperate and be a witness against him in this case." [9]

As James sits in custody, the police and FBI are now searching for his brother Anthony Fayed and have labeled him a "person of Interest" in Pamela's murder.

Anthony Fayed, is a 53 year old convicted felon, ex-convict and drug abuser. He is now believed to be in possession of a handgun and on the run. One court document and separate article describes Anthony as being proud of his close connection to the violent white supremacist prison gang known as the Aryan Brotherhood (AB) or 'The Brand'. Anthony is also currently being sought for an outstanding warrant on a previous legal matter.



Before her murder, Pamela had petitioned the Ventura County Superior Court in California for a restraining order against Anthony Fayed and was denied because of “insufficient facts.”

There are many other e-bullion problems that have not yet made it to the front page. Victims of yet another ponzi scam using e-bullion digital currency called ‘Invest Manager’, which apparently folded some time ago, are looking for their money back. These victims filed a class action suit against e-bullion believing that the proceeds may still be stored in e-bullion accounts. Lawyers in the suit stated they had some degree of success and cooperation from e-bullion on the location of scam funds.

‘Invest Manager’ was a typical HYIP (High Yield Investment Program) online ponzi scam promising 12 percent return a week. Dozens if not hundreds of these schemes are still in operation today and it is easy to find them. Most people consider them illegal, but digital currency operators love the income generated by the tiny mass payments. To locate some of the most popular scams operating today, Google “HYIP e-bullion” in your browser and have a long look at all the ‘investments’ and

the interesting ways they are marketed to greedy victims. It’s very common to find hundreds of HYIP ‘investment’ ponzi scams at any one time operating across the Internet and accepting digital currency. Most scams now appear to be dropping e-bullion in favor of Liberty Reserve.

Meanwhile, the class-action lawsuit filed in Ventura County, which does not accuse e-bullion of any wrongdoing, is seeking as much as \$5 million dollars. In classic ‘Internet’ fashion, the people behind Invest Manger have not been identified, nor has its headquarters or place of incorporation.

There has been no e-bullion reply to the ‘Invest Manager’ legal complaint, which was filed May 20. After the legal notice of the suit ran for a month, the judge can now determine how much the e-bullion owes and give the legal OK to retrieve the victims funds back from e-bullion (good luck).

Yet, another buried topic is the seizure of e-gold accounts in April of 2007. The massive government action against e-gold at that time included the seizure of 58 e-gold accounts including the popular 1MDC account, several large exchange agents and the account of The Bullion Exchange. <http://www.thebullionexchange.com> The web site still has some text information regarding the ‘money transmitter’ violation and legal action.

“The seizure order, under which the United States Government took control of the contents of The Bullion Exchange’s bank account is the subject of a civil action filed in the United States District Court in Delaware. The funds are being securely held by the judicial system pending a resolution of the civil litigation. The allegations contained in the complaint, contend, inter alia, that The Bullion Exchange failed to register, or secure a license to act as a money transmitter (in violation of 31 C.F.R. Section 103.11(uu)(5) (1)); additionally, the complaint contends that The Bullion Exchange failed to obtain a business license in the State of Delaware, violating 5 Del. Code Section 2303. The Bullion Exchange vehemently denies the allegations and has challenged

all of the accusations contained in the civil complaint.”

Most casual observers are not aware of this but The Bullion Exchange was owned and operated by the Fayed's through Goldfinger. [a “source who was close to the Fayed's” explained this in great detail to me]

“The Bullion Exchange was just a part of Goldfinger. They deliberately used a different address and phone number. The purpose of the bullion exchange was to make it easy for people with money in e-gold to move it to e-Bullion. That's the sole reason the Fayed's set it up. Pam pretty much ran the bullion exchange herself, it was the one little piece of the business Jim let her have control over.”

Here it seems is yet another government action pending against the Goldfinger business.

Is e-bullion done, finished and over? You tell me... James Fayed's arraignment is set for August 18th.

Part Two

New Court Documents Became Available 8.18 This Is A Continuing Story

These new court documents prove that e-bullion had plenty of money and metal on hand and in their accounts. e-bullion was very liquid and the company was NOT insolvent as many in the industry, including those operating the GDCA (former GDCA?) had suggested. \$24 million in liquid financial assets is more than enough to cover the value of all outstanding digital units.

Let's clear up some more false rumors before we get into the court document details.

- 1. Contrary to earlier allegations, Mr. Fayed did not personally rent the vehicle; the vehicle was rented by the business on a month-to-month basis through a corporate credit account.***
- 2. The government also alleged that Mrs. Fayed sought to cooperate with the***

government on or about June 24, 2008. District Court Judge Otis D. Wright II, however, struck that statement from the prosecutor's pleadings as unfounded.

- 3. The government has also referred to over \$20 Million in Ponzi scheme proceeds going through defendant's accounts, however, there is no evidence that Goldfinger or Mr. Fayed were engaged in a so-called Ponzi scheme.***
- 4. The large amount of gold and silver bullion reserves and bank accounts seized by federal law enforcement demonstrates that e-Bullion.com has sufficient reserves to cover its depositors.***

The big question everyone was asking over the past few weeks was....What did the government seize? Now we know.

EVERYTHING THEY COULD FIND for a total of \$24 million.

“The FBI and IRS seized bank accounts, business records, property, and precious metals holdings from Goldfinger's vaults, including gold and silver bullion worth approximately \$24 Million that is held for the benefit of thousands of e-Bullion.com depositors.”

Since e-bullion began the company has had just over 466,000 customer accounts. That is total accounts, funded or not, since day one and you may compare that amount to e-gold's over 5 million accounts, Webmoney with over 5 million, and finally GoldMoney comes in at over 40,000.

At the time of the original indictment in February of 2008, the prosecutor Mark Aveis made a dire prediction in court papers which has come true today. In sworn documents, he predicted what would happen to e-bullion's online business if that sealed indictment ever became public as it just has,



PEACE OF MIND – SECOND TO NOTHING

Cryptohippie, Inc. is pleased to announce that it has acquired both Diclave Networks and MeshMX, the developers and providers of the most advanced VPN and innovative Internet security systems.

While the names Diclave and MeshMX are not well-known, their technologies have been widely used under private-label arrangements. They have long been the premier developers and operators of secure Internet systems. Their client list is very significant (but private).

Cryptohippie, Inc. (under the KRYPTOHIPPIE brand) will continue to provide private-label products, as well as selling to the public directly.

Soon, we will offer the very finest in military-grade VPN services and Location-Agnostic Servers (LAS). Further innovative, new services will follow.

e-mail info@cryptohippie.com

<http://www.cryptohippie.com>

02/08 "Similarly, disclosure of this indictment would most certainly cause disruption, if not a complete shut-down, of the relevant Internet sites and would, accordingly, likely destroy any possibility of a proactive, ongoing investigation of very important targets."

New court documents show his prediction has come to pass,

08/08 "...the FBI and IRS executed search warrants and seizure warrants that caused a complete shut-down of Goldfinger and e-Bullion.com, and all relevant Internet sites."

If you had funds in an e-bullion account, there is NO reason to wait by your mailbox for the check to arrive. That is a long way off. It is likely you will be filing a claim and waiting until after the trial a receiver could be the one sending out checks for pennies on the dollar. Also be prepared to show a 'source of funds' for that money, the government is NOT in the habit of sending the proceeds of crime back to the crooks. That tugging you feel at your pocket...that's the long arm of the law.

The hundreds of HYIP scams now in operation accepting e-bullion, you can just kiss those funds goodbye.

Cheaters justice. I really hate those scams.

Also, I'm now told by some people that the the FBI may even be legally scalping a percentage of the seized assets although I'm not sure exactly how that would work.

What is going on now?

The defense has requested some funds be released from the government seized loot.

"...an order to immediately release \$300,000 in order to preserve exculpatory evidence contained within the Internet servers 2 and

computer network system operated by defendants and the 3 business entity e-Bullion.com ...Approximately \$100,000 per month is needed to pay for server rack space, security software, bandwidth and personnel to maintain defendants' Internet servers and computer network system."

Jim's lawyers are asking for the release of \$300k to cover the continuing operation of the businesses. (to keep the servers alive) They are telling the court that on these servers is evidence which the defense might use to prove Jim's innocence and that information needs to be allowed to survive throughout his trial and persecution....sorry prosecution.

"...evidence is at a risk of loss due to the sudden and unjustified shutdown and seizure of defendants' lawful business. The exculpatory evidence that will be lost when the Internet servers and computer network go down is the evidence needed by the defendants establish their innocence."

Finally, there is the ever present reality that possible charges relating to the murder could be forthcoming from the State or Federal Government.

Is there a bright side of the story or silver lining to any of this?

In fact there could be, Goldfinger and Mr. Fayed may not even have been the actual targets of the longstanding FBI and IRS investigation.

On February 26, 2008, when the original sealed indictment was issued, the prosecutor, Assistant United States Attorney Mark Aveis, told the US District Court magistrate:

"...The indictment represents one of several steps in a long-term investigation by the FBI and IRS regarding fraud, money laundering, and terrorist financing..."

Despite the prosecutor calling e-bullion the

ponzi, there is much evidence to suggest that the larger government case is focused on an old matter now being sorted out in the court. Can e-bullion be labeled a ponzi if it was just the company receiving funds on behalf of an account holder?

I think the ponzi and terror financing case they are all referring to is that of **Abdul Tawala Ibn Ali Alishtari, a/k/a "Michael Mixon and "Flat Electronic Data Interchange" or F.E.D.I.** This appears to have been a ponzi scheme run by "Michael Mixon" and associates in which they used the e-bullion and Goldfinger accounts to receive their scam proceeds. Here is some background on that case, and some documents from the files that show these crooks may have only been using e-bullion to receive their ponzi funds. There is NO evidence yet that e-bullion ever operated a ponzi.

Abdul Tawala Ibn Ali Alishtari, a/k/a "Michael Mixon and FEDI

From approximately 1998 through 2004, Alishtari committed a massive fraud in which he stole millions of dollars from his victims through the operation of a loan investment program he called the "Flat Electronic Data Interchange" ("FEDI"). FEDI was purportedly a high-yield investment scheme, in which Alishtari falsely promised his investors that, in exchange for their investment, they would receive high, guaranteed rates of return, according to the indictment.

NEW YORK—Michael J. Garcia, the U.S. Attorney for the Southern District of New York, Mark J. Mershon, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), and Raymond W. Kelly, the New York City Police Commissioner, announced today the arrest of Abdul Tawala Ibn Ali Alishtari, a/k/a "Michael Mixon," on attempt charges of terrorism financing, material

support of terrorism, and international money laundering, as well as additional charges of conspiracy and wire fraud. According to the five-count Indictment, which was unsealed in Manhattan federal court earlier today. Alishtari, a 53-year-old resident of Ardsley, New York, facilitated the transfer of \$152,000 with the intention that it be used in Afghanistan and Pakistan to help train terrorists. Specifically, in the latter half of 2006, Alishtari accepted payment to discreetly transfer these funds, believing that they were earmarked for Pakistan and Afghanistan. Alishtari believed that the funds were being sent abroad to support a terrorism training camp in Afghanistan by funding the purchase of equipment such as night vision goggles. One of these transfers, which is also the subject of the international money laundering charge in the Indictment, relates to Alishtari's transfer of \$25,000 from a bank account in New York to a bank account in Montreal, Canada, with the intent that the funds be used to provide material support to terrorists.

*<http://newyork.fbi.gov/dojpressrel/pressrel07/terroristfinancing021607.htm>

http://www.osc.gov.on.ca/Enforcement/Proceedings/SOA/soa_20030611_anderson-et-al.pdf [PDF]

If there was ever any question to whether e-bullion had previously cooperated with the authorities on legal subpoena's Mr. Fayed's attorney is desperately trying to dispel that myth. This new court document offers up over two dozen agents of the government that e-bullion worked with providing requested account information.

[1] <http://www.latimes.com/...story>

[2,3,4,5,6,7,8,9]

<http://www.dgcmagazine.com/blog/?p=202>

Article by Mark Herpel



PRIVACY is your RIGHT...
only if you DEFEND IT.

Anonymous Offshore Private Internet Access Since 2002



Engineered for your Privacy. Nextgen anonymous surfing.

Tunneler Gold

Encrypted Proxy Service
SSH + HTTP or Socks
\$49.95/yr

Tunneler Pro

Encrypted Full Network VPN
High Speed Internet Access
\$99.95/yr

Windows - OSX - Linux
Easy Installer
No Logging
Skype Tech Support

<http://www.metropipe.net/>
support@metropipe.net
Skype: MetroPipe

THE SUMMER OF 2006 OFAC IRANIAN SANCTION SCANDEL!

Can you remember what you were doing back in November 2006?

At that time, there was a small uproar across the Net because e-gold Ltd., had closed all Iranian accounts. Many Iranians were very angry, claiming that their accounts and funds had just disappeared. There were a few articles about the event, <http://www.digitalmoneyworld.com/e-gold-closes-all-iranian-accounts/> and quoting from this one, "It would appear, that ANY type of financial connection with Iran via the US at this time is a severe 'no no'."

As it turns out, that was an understatement!

At the time of the account closings, the e-gold service department had sent out this email:

Your account has been frozen in compliance with the laws which govern e-gold, Ltd. and its managers. e-gold, Ltd. has taken this step in strict compliance with the law. No further information is available at this time. When additional information is available it will be provided upon account login. Thank you.

Of course, if you were not living in downtown Tehran, you probably did not give this event much thought.

After November, everyone with a working e-gold account went on about their daily business. Inexchanges and outexchanges were happening

at low rates and it was 'business as usual'. At that time, many e-gold users were working with a very popular exchange agent called Me-gold.com. The company was widely used back then. I have recommended Me-gold and they are still a very good online e-currency business.

However, in those earlier years, users may not have realized that their Me-Gold exchange orders were being transacted through Iran. Me-gold was located in Iran.

At that time Iran was on the sanctioned country list. (still is today) It is against the rules for any US person to do business through a country on this list. If you want to find out more about these regulations, the Treasury Department puts out a sort of "Sanctions for Dummies" .pdf cleverly entitled "**What You Need To Know About U.S. Economic Sanctions**".

From the day that the Me-gold.com web site came online in August 2004 through February 2007 they were located and operated from Iran. The web site provides this information circa August 2004:

- **Business Name: Me-gold Kish Co.**
- **Mr. Soleiman Founder & CEO**
- **Legal status: Private joint-stock co.**
- **Registration no.: 3641**

A Strategic Island Called Kish, The Pearl of the Persian Gulf!

Kish Island, Iran



Sunrise over Kish Island
Photo by Hamed Saber

Kish Island Located on the north east of the Persian Gulf with a minimum distance of 17 km from the southern offshore of the mainland Iran, the Kish island with an area of 90 square kilometres is one of the most marvelous and most beautiful regions of the Persian Gulf and has attracted the attention of many tribes and nations since times immemorial. Oval in shape, the island is 15 km long and 8 km wide. Already a famous island, Kish owes its present flourishing to its status as Iran's first and, for a long time, the only free port, and its sweet water.

ENTITIES – 31 CFR 501.805(d)(1)(i)

One individual has agreed to a settlement totaling \$840 for alleged violation of the prohibitions in the Iranian Transactions Regulations: OFAC alleged that in August 2006, the individual attempted to transfer funds to **Me-Gold Kish, Co. in Iran** in an apparent attempt to purchase electronic gold without an OFAC license. The individual did not voluntarily disclose this matter to OFAC.

One individual has agreed to a settlement totaling \$400 for alleged violation of the prohibitions in the Iranian Transactions Regulations: OFAC alleged that in June 2006, the individual attempted to purchase electronic gold from **Me-Gold Kish Co. in Iran** in apparent violation of §§ 560.201, 560.203 and 560.204 of the Iranian Transactions Regulations. The individual did not voluntarily disclose this matter to OFAC.

The Iranian address was still present on the web site years later in February 2007.

Address:
P.O.Box 1167, Venus Center,
Kish Island, Iran

Are you one of the US persons who was exchanging digital currency with Me-gold during these years?

For more information regarding OFAC regulations, please go to:

<http://www.treas.gov/offices/enforcement/ofac/legal/>

Oh-oh....if you were doing financial business over the Net with Iran that was in direct violation of OFAC regulations!

A decade or two ago, this kind of thing could have never happened. However, today the Internet has made us all close cyber neighbors. We are next door neighbors with Iran.

Don't believe me?

Who knew that International OFAC country sanctions could effect your daily e-currency exchange?

They call it "Trading with the Enemy" !!

Here are two cases reported by the Office of Foreign Assets Control:

NOW - YOU - KNOW.

ENFORCEMENT INFORMATION FOR

July 11, 2008

Me-gold is a fine operation backed by good people no matter what country they are in!

Information concerning the civil penalty process is discussed in OFAC regulations governing the various sanctions programs or, in the case of sanctions regulations issued pursuant to the Trading with the Enemy Act, in 31 CFR part 501. Civil penalty procedures are also discussed in OFAC's proposed Enforcement Guidelines, 68 FR 4422 – 4429 (January 29, 2003).

At this time, to the best of our knowledge, we believe Me-gold.com is operated out of Dubai, UAE. The web site also reflects that information.

Photo Courtesy Flickr, Kish Island, Persian Gulf, Iran

Sunrise over Kish Island, taken by Hamed Saber. For more great shots of Iran, check out Hamed's Photo Stream

<http://www.flickr.com/photos/hamed/>

WEBMONEY & UKASH EXTEND ONLINE CHOICE FOR MILLIONS

Online consumers in Russia and the Ukraine can now get Ukash.

An extension of the successful partnership between Ukash and WebMoney is set to provide consumers in Russia, Ukraine and Eastern Europe with even more choice online.

WebMoney is a highly secure electronic wallet accepted at thousands of web merchants. For some time now consumers have been able to top-up their wallet using Ukash, making online commerce accessible to the millions of people without credit cards or even bank accounts.

Now WebMoney customers in countries such as Russia and the Ukraine, where Ukash is not currently available from retail outlets, can get a Ukash voucher online directly from WebMoney.

As long as the customer has funds in their WebMoney wallet they can go online and order a Ukash voucher in any value from 6EUR to 100EUR. The voucher is delivered electronically and in real-time, meaning the consumer can immediately use their Ukash at any one of the growing number of online stores that accept Ukash.

“WebMoney is already a great way to spend online”, comments Ukash CEO Mark Chirnside, “but this new facility means that WebMoney customers can now use Ukash to shop, pay and play online at even more international web-sites”.

DON'T MISS RON PAUL'S NEXT BIG EVENT

Dear Friend of Liberty,

I am writing you with very exciting news about the upcoming Rally for the Republic in Minneapolis and I wanted you, one of my strongest supporters, to be among the first to know.

First, I want to again thank you for your thoughts

and concern about Carol. I am very happy to say she is doing much better and though I am still very concerned, I am cautiously optimistic of a full recovery.

Now for the news.

I am happy to announce that Country Music Superstar Sara Evans will perform as a special treat for Rally for the Republic attendees. Sara Evans, a multi-platinum recording artist and 2006 Academy of Country Music Female Vocalist of the Year, will bring her remarkable talents to an already stellar cast of performers and speakers for this kick off of my Campaign for Liberty.

Of course, what this means is tickets will be going fast! In fact, I think it will be a complete sell out in a matter of hours after this news hits the press.

So, if you have not purchased your ticket yet, I urge you to do so today.

For all the information you need about the Rally for the Republic please go to <http://www.RallyForTheRepublic.com>.

You can also click to TicketMaster.com from there to ensure a guaranteed seat at what I believe will be one of the most important events for lovers of Liberty ever held.

If you cannot attend, I sincerely hope you will consider a contribution to Campaign for Liberty to help us defray the costs of this event, and help set the foundation for this vital organization. Just click on the Donate button at the <http://www.RallyForTheRepublic.com> main page.

But I hope I will see you there, at the Target Center, September 2, and we can, together with 13,000 of our closest friends, absorb the words of former New Mexico Governor Gary Johnson, Grover Norquist, former Reagan Administration Deputy Attorney General Bruce Fein; enjoy Tucker Carlson's humor, appreciate the talent of Aimee Allen, Rockie Lynne and others, and best of all, join with me in launching the Campaign for Liberty and help show the world that Freedom IS Popular.

In Liberty,
Ron Paul

iPurch® International Voucher Payment System (coming)

iPurch® is, "...technology to open up the doors of e-commerce for hundreds of millions of previously shut out potential customers worldwide".

It is great to see smart entrepreneurs like Mr. Richard Ndlovu hard at work creating his valuable new payment called iPurch. There are potentially millions of new users without credit cards that could benefit from this product. Richard is the Managing Director at NR! Research Labs where they have been busy perfecting a new voucher payment system which will offer some online competition to credit cards. iPurch® International is a home grown payment system that would easily work on a global scale.

This type of convenient cash to digital solution offered by iPurch has been used in other countries with great success. A cash-to-digital solution can dramatically improve e-commerce for previously shut out consumers and the quality of life for many people around the world.

In his emails, Richard repeated the concept of success from a locally created payment solution as opposed to importing a slimmed down or modified version of another system like PayPal. He says, "...it's not necessarily better to take a solution from another social climate and trim it or modify it for a different one - it gets messy in the end!"

The creation of this system from the ground up, is a massive undertaking for any company. iPurch is a new voucher payment product for the masses. The importance of this product stems from the fact that it is accessible for all consumers. This product will work for anyone who requires to send or receive a payment, young, old, local, international and it is especially suited for those who do not have a pocket full of credit cards or access to local banking. This is an inexpensive, convenient and safe method to send and receive payments for South Africa and beyond. The credit card is not always the best choice of payment.

- There is massive fraud and high fees that accompany plastic.
- Cards are not available to most people under 18 years of age.
- Card penetration in many countries can be

significantly low. In Africa, more people have cell phones than credit cards or bank accounts.

- There is extensive personal identification and documentation required to get a bank card.

Cash To Digital Global PIN-based Online Payment System

If you are familiar with Paymer, UKash, cashU or paysafecards then you may already have an understanding of how iPurch will operate.

iPurch is a GPoP and here is how it works:

1. A potential shopper browses a web site and selects merchandise. This shopper has cash in their pocket but no bank account or credit card. After selecting a retail purchase, the shopper writes down the total cost. Here is an idea of what a shopper would do in order to complete that online purchase.
2. The first step is to exchange cash for an iPurch® voucher. A voucher is simply a receipt that contains the iPIN number.
3. The printed voucher can be purchase locally from a participating vendor like a grocery store, shop or garage.
4. An iPIN can also be obtained via SMS on a cell phone after sending a VAS SMS for the amount required to make the online purchase.

Finally, an iPIN voucher may also be obtained from any participating ATM by selecting the 'iPurch voucher option'. After the shopper has received the voucher iPIN number, they complete their order on the retail web site and enter the voucher number.

This payment system is fast, convenient, easy, safe, secure and accessible to everyone. At no time is a bank account or plastic card ever required. All the shopper needs to complete their purchase is the disposable iPurch® iPIN # and everyone is happy!

iPurch is not yet available but coming soon and their team has been working diligently to create a 'bug free' environment before the official launch. I'm told that the product should reach the market by this holiday season.

More information will be available in the coming weeks and months. You can also visit their web site for updates and contact info.

<http://www.ipurch.co.za/index.htm>

THE IMPORTANT DIFFERENCE BETWEEN “ALLOCATED” & “UNALLOCATED” GOLD

The digital gold currency companies understand gold. Companies like GoldMoney, BullionVault, Pecunix, Webmoney and e-gold all preach & practice that when you own gold, it should be the physical bullion in allocated vaulted storage. Don't mess with ETFs, pool accounts or gold stocks..... own only the real thing and here is why.

UNALLOCATED VS. ALLOCATED

These are the two most basic methods of professionally storing gold bullion.

Allocated gold bullion accounts are held by a Custodian or sub custodian. Ownership is proven in the trustee's name. All allocated gold bars held in such accounts are always physically segregated from other bars in the vault.

The actual bullion consists of uniquely identifiable gold bars which are “allocated” to the trustee and beneficially belonging to the investor. Allocated



gold amounts to ownership of the physical gold as a nonfinancial asset. Consequently, offering these type of accounts might even be treated as a nonfinancial activity.

Since the bullion is in allocated storage, DGC accounts of this type constitute “full outright ownership of the metal” and digital gold is 100% backed by this physical gold.

Metal from the allocated account is NOT a part of the Custodian’s assets thus the allocated gold is NEVER lent out, loaned, borrowed against and ownership does not involve any derivatives. This is the big difference in the two forms of ownership and very important to understand. When you buy digital gold like GoldMoney or BullionVault, you own allocated gold bullion. You own the physical gold unencumbered, never loaned out..you own a bar or part of a bar locked away safe from the world and those evil financial derivatives! Allocated gold storage means you own the physical gold. Why is that so important?

Unallocated gold bullion does NOT provide the investor any ownership interest in the actual physical gold. Any claim to unallocated gold only ranks as an unsecured creditor.

Unallocated gold may be lent out to third parties or borrowed against. In the unallocated account a buyer is at risk of the bullion bank’s insolvency. Bullion accounts denominated in unallocated gold are specifically targeted at the professional gold market.

The distinction between allocated and unallocated metal accounts would seem to be a very fundamental one.

ACCOUNTING

There is a general consensus that all unallocated gold accounts should be classified as financial assets/liabilities, while the allocated gold accounts represent ownership of the metal, a nonfinancial asset. As to the classification of allocated metal accounts to a particular instrument category, accountants regard unallocated gold as analogous to foreign currency denominated deposits.

According to the United Nations Statistics Division[1], allocated gold is equivalent to a custody record of title while unallocated gold is an unsecured claim against a third party to deliver a specified quantity of metal of defined purity. For accounting purposes, this ‘boundary between allocated and unallocated gold is very precise and obvious’.

Based on this description, all transactions in unallocated gold credit balances cannot be classified as transactions in gold. Since there is no change in physical title to the gold the unallocated gold credit balances are viewed as equivalent to a foreign currency deposit. The account provider regards credit balances in unallocated gold as a liability to be recorded on its balance sheet.

Allocated gold is viewed quite differently. Physical gold held by the account provider will appear as assets (valuables) on a balance sheet.

Unallocated gold represents the unsecured claim of the account holder to receive from the account provider a stated quantity of gold. However, there is no title to gold.

It is very interesting to note that most of the gold bullion traded on the London market changes hands and settles in unallocated form. In fact over the past year, daily turnover in The London Bullion Market Association (LBMA) allocated gold accounts has only averaged around 3% of the total unallocated gold turnover in London.

[1]Fourth meeting of the Advisory Expert Group on National Accounts, 30 January – 8 February 2006, Frankfurt, SNA/M1.06/30.1

The National Accounts Section of the United Nations Statistics Division - (background) To compile and disseminate global statistical information, develop standards and norms for statistical activities, and support countries’ efforts to strengthen their national statistical systems. Facilitate the coordination of international statistical activities and support the functioning of the UN Statistical Commission as the apex entity of the global statistical system.