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Gold seeks role as currency of e-commerce

By Steve Hays, [Reuters](#)

July 10, 2001

LONDON (Reuters) -- World markets need a digital currency that is independent of national economies, and gold is already showing it fits that bill, a dot.com firm based on the Caribbean island of Nevis says.

"In the past there wasn't enough gold to finance wars, but there's more than enough around now to finance commercial transactions," Douglas Jackson, president and chief executive of e-gold Ltd, told Reuters on Tuesday.

Jackson said the firm turned gold into an online currency and started up its [e-gold system](#) in November 1996, since when 3.2 million transactions had been conducted via the network.

Jackson said each unit of e-gold as a digital currency was backed by an equivalent weight in gold metal held in secure third-party vaults. That meant there was no credit risk or contingent liability in using e-gold for any transactions.

A Canadian, for example, can pay a German the correct weight of gold for goods or services as easily as if the price had been quoted in a national currency.

Internet penetration

Most deals had been done by small businesses in the United States, Canada, the UK and Australia that could not afford to wait weeks to receive funds from credit card transactions or were not in the credit card system.

"We've also seen interest from areas where there are weak currencies and good internet penetration, particularly Malaysia and New Zealand," he added.

Banks could mobilise reserves

Jackson is in London to discuss using e-gold for bullion banks to settle business among themselves.

He said a digital currency also offered central banks a way to mobilize their gold reserves.

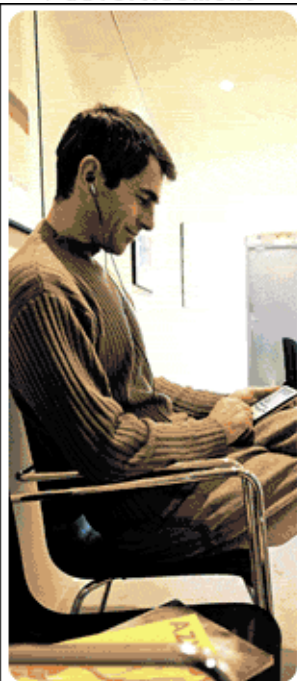
"The central banks, and the IMF, are sitting there with thousands of tons of gold as a major part of their assets, but they can't be used for capital transactions."

Official gold holdings stood at about 30,000 tons worldwide at the end of 2000, out of total global above-ground stocks of 142,600 tons, according to industry analysts Gold Fields Mineral Services.

The United States was ranked first with 8,137 tons, followed by Germany with 3,469 and France with 3,025.

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operations, but it was sitting on 100 tons of gold reserves that it couldn't easily draw into that effort," Jackson said.

He added that the absence of credit risk exposure in using digital gold, rather than a traditional hard currency, could also change the way financial markets did business -- for example, in allowing the immediate settlement of securities trades and the clearing of multiple dissimilar financial assets.

"In theory a grandmother in Bangladesh with a few grams of gold could get access to the global financial system for the first time," Jackson said.

Gold was fixed at \$267.45 a troy ounce in London on Tuesday afternoon, and there are 32,151 troy ounces in one ton.

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