

CHAPTER ONE

BREAKING INTO PRECIOUS METALS THROUGH THE BACK DOOR

My first two trades at Citibank, in the mid to late 1980s, happened to be the largest gold and silver transactions of my entire career. Fortunately, they also served as the springboard that launched me into the world of precious metals trading.

After high school, I attended Bernard Baruch College, graduating in January 1979. Tony, the elevator operator in the building at the corner of 23rd Street and Lexington Avenue, used to affectionately call it the “UCLA of the East,” the *University at the Corner of Lexington Avenue*. Baruch was

known for being a top business school for a City University of New York college (CUNY), with strong programs in finance, accounting, and public affairs. Located in the heart of Manhattan, it gave students like me direct access to New York City's financial world. Most importantly, it was affordable, the one factor that made a quality education truly attainable.

After procrastinating for two years in college, I finally declared a major in accounting in my junior year. Unfortunately, I was unable to finish all my business courses in two years and ended up on the 4.5-year plan. Nadine, my wife-to-be, was 1 year behind me and finished college in 3.5 years. As we were childhood sweethearts, we decided to get married in January 1979, when we both graduated from college.

I began my professional career at a Certified Public Accountant (CPA) firm straight out of college, where I spent two years and earned my CPA license. Landing my first job in precious metals nearly did not happen. I wanted to leave public accounting as the pay for a junior accountant was low, and I just got married and wanted to earn some real money. My brother was a headhunter and placed me at Citibank's precious metals vault as the financial controller. When I went to resign at the CPA firm, the partner in charge of Human Resources had me meet with one of the audit partners that I worked for. Funny enough, he told me I was one of the very few juniors at the firm who knew how to write well. They offered to match the raise I was going to receive at Citibank and guaranteed I would eventually be promoted to a manager position but could not guarantee me a partnership.

They were finally showing me some love. I called my brother to say I was staying at the CPA firm and not taking the job at Citibank. He told me he would come over the phone and kill me, as he had used many favors to get me that position! So, I flipped my decision again; I resigned and accepted the Citibank offer.

In this chapter, I'll share my first few years at Citibank from working in the precious metals vault to becoming head trader on the trading desk.

MY INTRODUCTION TO PRECIOUS METALS VIA THE VAULT

My career in precious metals began as the financial controller of Citibank's precious metals vault, tucked away in the lowest basement level of 399 Park Avenue in Manhattan. It was not exactly glamorous, far from the buzz of the trading floors above. What it offered was a front-row seat to the operational side of the bullion vaulting business. Deep underground, behind layers of security, I was responsible for overseeing the accounting and movement of gold and silver bars that passed through one of the most secure facilities in the city. It was a world that few ever saw, and it laid the foundation for everything that followed in my career. It was far from glamorous. Unless your idea of luxury includes freight elevator deliveries in the basement hallway, and the lingering smell of mystery meat and other surprise meal choices being delivered to the cafeteria.

There was no shortage of eccentric personalities in Citibank's precious metals vault, and early on, I could not help but wonder if I had stumbled into the wrong career. On my very first day, I was introduced to all the managers in the vault's business unit. I vividly remember meeting Vic, the physical vault manager. He shook my hand and said, "Good to meet you, babe. Are you married?" I said yes. Without missing a beat, he offered this piece of life advice: "I hope you checked her teeth before you got married, mine cost me a fortune. You have got to check them like you would a horse's teeth." I walked out of the vault that day utterly bewildered.

As odd as it was, dealing with characters like Vic turned out to be oddly useful in my trading career. It taught me to always expect the unexpected and to be ready with a response.

What truly blew me away was my first tour of the precious metals vault. Before you even step inside, the armed guard puts you on alert; then, seeing the massive vault door reinforces your impression of maximum security. Just standing in front of it, you can feel the weight, both literally and in terms of what it is protecting. It was the first time I truly grasped the seriousness of the world I was stepping into. This was not just a vault door, it was a fortress. Weighing several tons, it was made of reinforced steel layered with composite materials engineered to withstand drilling, cutting, and even explosives.

Opening the vault was not something anyone could do alone. Two authorized individuals had to be present, each with separate access codes, a strict dual-control process that served both security and compliance purposes. On top of that, the door was equipped with time-delay locks, programmed to open only during set hours and only after a mandatory waiting period once access was initiated. I remember standing there, genuinely impressed, not just by the sheer scale of the security but by the precision and seriousness behind every detail. It was clear, this was a place built to protect serious value.

Gold, silver, platinum, and palladium were everywhere, not only in bullion bars but also minted into gleaming coins. Platinum and palladium also came in sponge form, essentially a fine powder used primarily for industrial applications. Seeing the gold stacked neatly on shelves was one of the most incredible sights I had ever witnessed.

It never got old, walking past those bars, giving tours to high-value clients, watching their eyes light up in awe. Their reactions alone always made it worthwhile and helped with my sales pitches. To highlight just how compact and rare gold truly is, it is often said that all the gold ever produced in the world could fit within the space of a single American football field.

Most of the gold bars in the vault were either 100-ounce bars or 1-kilogram bars, as these were used to physically back the Chicago Mercantile Exchange (CME) gold contract. In addition to this, the vault also held some

400-ounce bars (roughly 12.5 kilograms), stored in the non-Exchange room. These larger bars were typically traded by and held by central banks.

While gold held the most value, silver took up the most space in Citibank's vault. The facility was vast, with much of it dedicated to storing silver bars, stacked on wooden pallets that stretched up to the ceiling. Each silver bar weighed approximately 1,000 ounces, about 69 pounds on a scale, but felt much heavier due to its dense, compact shape. Handling one required gloves and both hands, and even then, it was no easy task. Bars were stacked five to a row on a pallet, with each group representing a 5,000-ounce silver warrant on the CME. Every warrant was tracked in the computerized inventory system, with silver cataloged by pallet number and gold by shelf number, ensuring that each bar could be quickly located. Up to 25 silver bars were stored on each pallet, and forklifts were used to move and stack them from floor to ceiling.

In the six plus years, I spent working in the vault, and I learned everything I could about the physical precious metals market: from all types of physical metal traded around the world to the different specifications for each trading market. For example, a gold contract traded on the CME represents 100 ounces of gold. In the 1980s, the exchange was known as the COMEX, the Commodity Exchange, Inc., which was acquired by CME in 2008. The gold bars backing each warrant must meet specific requirements: they must weigh between 95 and 105 ounces, have a minimum purity of 99.5 percent, a specific identifiable bar number incised on it, and must be either from an approved refiner or a brand. They must physically be delivered directly from approved refineries, brands, or recognized international depositories via authorized carriers. The chain of custody tracks the ownership and movement of the gold, ensuring its authenticity and validating that the gold being traded or delivered is genuine.

One exception to the standard 100-ounce bar backing a CME gold warrant is the option to deliver 3-kilogram bars, which equates to 96.45 ounces. This deviation is significant, as much of the physical gold traded

globally, particularly in regions such as Asia, Switzerland, India, and the Middle East, is in the form of kilo bars. While a 5,000-ounce silver contract traded on the CME is backed by five bars of approximately 1,000 ounces each. The silver bars involved must meet specific requirements: they must weigh between 950 and 1,100 ounces, have a minimum purity of 99.9 percent, a specific identifiable bar number incised on it, and must be comprised of CME-approved refiners or brands.

Kilogram and 100-ounce bars are traded in the United States and in global physical markets such as India and Asia. The use of 12.5-kilogram bars (roughly 350–430 ounces) are predominantly traded in London, where central banks store gold typically at the Bank of England. In addition, these bars are the standard for bullion banks to settle trades through the London Precious Metals Clearing, Limited (LPMCL) system that clears all the over-the-counter gold and silver trades for the loco London market. The London Bullion Market Association (LBMA) approves all authorized brands that are acceptable for delivery in London. The LBMA Good London gold delivery list specifies all the rules that good delivery bars must meet in order for the bars to be accepted for delivery in settlements in the London market clearing system.

The London market also trades 1,000-ounce silver bars for physical settlement. However, not all bar brands are accepted by both the CME and London markets. The LBMA also approves all authorized silver brands that are acceptable for delivery in London. The LBMA Good London delivery silver list specifies all the rules that good delivery bars must meet for the bars to be accepted for delivery in settlements in the London market clearing system (LPMCL). Silver bars in London do not have to have weights incised on the bars, as all bars are subject to reweigh.

It was during my time in the vault, rising from financial controller to eventually running the vaulting business, that my passion for precious metals truly began to take shape. I immersed myself in every aspect of the physical metals business. I met regularly with traders from bullion banks,

who were customers of Citibank's vault, offering storage incentives to attract their business and maximize vault revenue. Trading was already in my DNA, even if I did not fully realize it at the time.

I built relationships with a wide range of clients: bullion bank traders, occasional central banks, high-net-worth investors, mining companies, refiners, and end users. I often helped facilitate transactions between vault clients and the banks active in the bullion markets. When Citibank shut down its own precious metals trading desk midway through my time there, I leaned even more into cultivating relationships with traders from other banks and investment houses. These connections not only boosted vault revenue but also became a critical part of my education.

To bring more metal into the vault, I would offer sweeteners like free storage to entice traders. In return, I would pick their brains about trading strategies, arbitrage, and anything else I could learn. I soaked up every insight. Looking back, that was the true beginning of my journey into the trading world. I negotiated an arrangement with Peñoles, the world's largest producer of refined silver, to truck silver from Mexico directly to Citibank's vault in New York. As an incentive, we offered the shipping and handling at no cost, on the condition that the metal would ultimately be sold to a bullion bank or delivered against a CME contract. Once the silver changed hands, we would then collect storage fees from the buyer, making the deal mutually beneficial. That same mindset, finding creative ways to generate flow and build relationships, soon opened the door to an entirely new opportunity.

MY INTRODUCTION TO THE TRADING SIDE

Citicorp International Trading Company Inc. (CITC) was a global trading subsidiary of Citigroup, involved in international transactions across a broad range of commodities and financial instruments. It was through

CITC that I first connected with a group of New York-based Citibank traders who were purely transactional, and they could trade just about anything. Early in 1985, I was approached by the head of one of CITC's trading groups who wanted to discuss a potential gold deal. It turned out that someone from our Tokyo office had referred them to participate in a bid involving the sale of gold to the Japanese Ministry of Finance (MOF). The gold was intended for minting a commemorative 100,000-yen coin, struck in 99.99 percent fine gold, to honor the 60th anniversary of Emperor Hirohito's reign. It was an interesting meeting, even though the head of the group believed that the chances of winning the business were quite slim.

I basically forgot about the meeting, and one day several months later the same head of the CITC group appears in my office (in the dungeon of the basement), all excited. They won the transaction, due to their strategy of not having a precious metals trading desk at Citibank (meaning we could never trade against our client, the Japanese MOF), along with the strength of our successful commercial COMEX depository for precious metals. They also promised we would be able to deliver the entire sale of gold, which amounted to 223 tons of gold to the Japanese MOF with the quality of 99.99 percent pure gold. As we were not precious metals experts, we had no idea what we were committing to. I do not believe anyone else made this pledge. At the recent high price in 2025 of \$3,500 an ounce of gold, the value of 223 tons is approximately \$25 billion. Back in 1986, the value of 223 tons of gold was approximately \$2.6 billion.

The transaction was super complex, and in retrospect, the Japanese MOF knew what they were doing, while I could not say that for ourselves. Somehow, we managed to pull it off in the end. I learned so much from that transaction, lessons that still resonate with me to this day. The Japanese MOF contracted with us at Citibank, to sell the 223 tons of gold to them on approximately a one-year forward basis. In addition, whatever gold was not sourced in the United States had to be shipped to the United States for eventual direct shipment and sale to the Japanese MOF (see Figure 1.1).

Figure 1.1 Japanese MOF inspecting their gold with Robert Gottlieb in the middle



Wherever we bought the gold and whatever purity it was (standard gold that is traded in London and CME is 99.5 percent pure gold, while higher purity gold like 99.9 percent and higher is used for jewelry, coins . . .), we needed to upgrade the gold to 99.99 percent pure and ship it to our vault in New York. We found it extremely difficult to source the high-grade gold as well as execute the purchases. They set up a private trading room in

a conference room. They traded at all hours of the night, in all markets to improve the average purchase price. However, as we did not have an official trading desk in precious metals, our counterparties were somewhat limited. They chose a few select names to execute their purchases.

Upgrading all the gold to 99.99 percent pure was also a significant hurdle, and there was not 223 tons (over seven million ounces) of 99.99 percent pure gold for us to access in any normal way. We used Citibank's central bank contacts as well as the central banks I met during my tenure at the precious metals vault to obtain some of the 99.99 percent pure gold. I happened to have a good relationship with Banco Central do Brasil and was helping to sponsor their government refinery/mint Casa Da Moeda as good delivery for the COMEX. I was able to secure a decent amount of 99.99 percent pure gold from Casa Da Moeda through Banco Central do Brasil, as Brazil is a gold-producing country and it was good for Brazil to gain international recognition for their gold refinery.

We also negotiated, through one of the Swiss banks, the purchase of a substantial amount of 99.99 percent pure gold from the Russians (central bank). Things became dicey and complicated when we began test-assaying some bars after they arrived at our vault. The goal was to verify that the purity matched the stated 99.99 percent. However, some of the Russian bars tested below that standard, coming in closer to 99.92 percent. As we expanded our testing, we traced the issue back to two specific refineries in Russia, which appeared to be the source of the discrepancy.

We sent one of our traders and a senior ambassador from Citibank Treasury to Switzerland to meet with the Swiss Bank and the Russians. From what I was told, the night before the first day of negotiation, two ladies of the evening showed up at the hotel door of the senior ambassador from Citibank Treasury. She was denied access, as he knew that the Russians wanted to put him in a compromising position by taking photos if he allowed access to his hotel room. The next evening at the hotel bar, there were two different gorgeous women dressed in the same dresses as the

ladies that came to his hotel room the evening before. He also rejected their advance, as it was obvious what they were after. The Russians in the end agreed to replace all the bars from the two refineries that were producing below 99.99 percent pure gold, as it turned out there was something corrupting their process at these refineries that resulted in not being able to produce 99.99 percent pure gold.

By having us move all the 99.99 percent pure gold into our vault in New York and then shipping it to Japan, it turns out that the Japanese MOF strategy was to impact the balance of payments between the United States and Japan. In addition, the Plaza Accord was signed by the G5 nations (United States, Japan, West Germany, France, and the United Kingdom) to address the overvaluation of the US dollar in late 1985. By the end of 1986, when it was time to purchase the gold, the Yen significantly appreciated, bringing down the overall purchase price significantly.

Every time we bought gold from another bank or bullion dealer, we would record the purchase on Citibank's balance sheet and immediately sell it forward to the Japanese MOF. Even though we were fully hedged, the gold stayed on Citibank's books until shipment was sent to Japan and settlements were complete, when we officially transferred over ownership of the gold to the Japanese MOF and received payment in US dollars.

I still remember the final phase of the transaction vividly. As we neared completion, finalizing the gold purchases and booking the forward sales to the Japanese MOF, Citibank's CFO was calling almost daily, pressing for updates on when the deal would be closed. The trade was tying up approximately \$2.5 billion on the bank's balance sheet, a massive figure at the time (and still a substantial one today). From start to finish, the process took nearly a year. We had to acquire the gold, take physical delivery, refine it from 99.5 to 99.99 percent purity, and ultimately ship it to Japan.

We made a substantial profit for the bank, a big win, especially for 1986. Unfortunately, most of the bonus credit went to the person in Tokyo

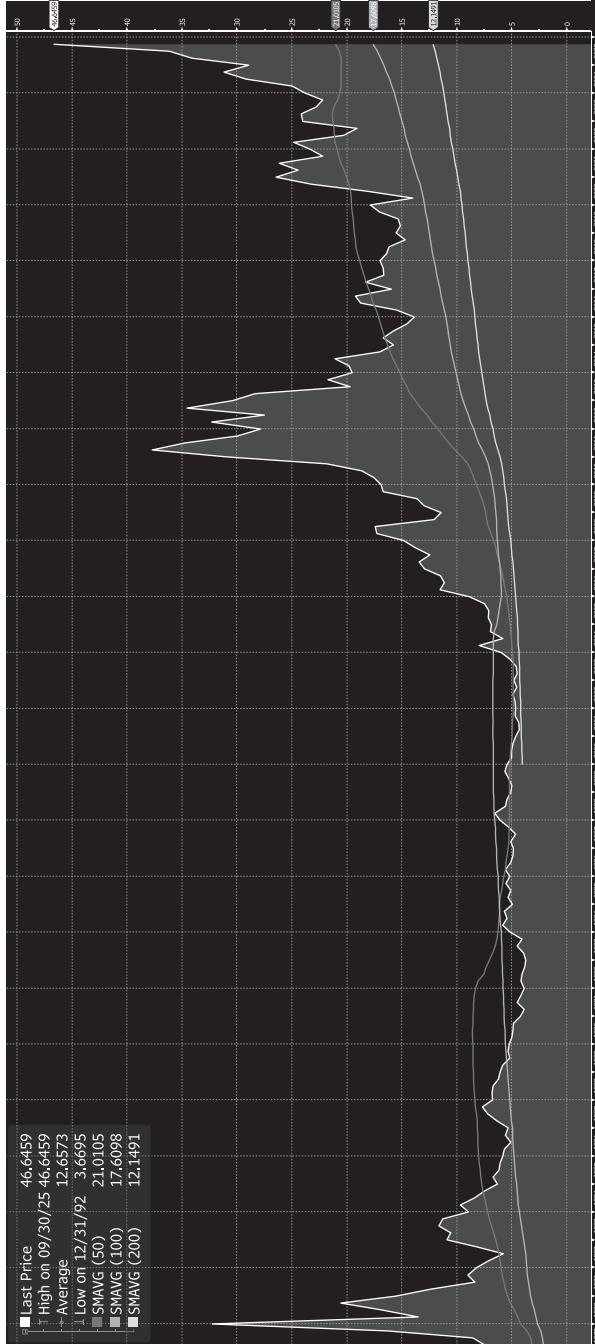
who originally sourced the deal. Still, that trade played a major role in solidifying our reputation and our future in the precious metals business.

Looking back, that trade at Citibank marked a turning point. It was not just about the size of the transaction or the profit we made, though both were significant, it was about proving that we could execute a complex deal, manage the risks, and deliver results in a highly specialized market. Even though the bonus did not follow, the opportunity opened doors that would shape my entire career in the precious metals world. What started with that single transaction would soon evolve into a much larger role, as I found myself stepping deeper into the world of gold, silver, and global trading, a world that was just getting started for me.

Sometime in late 1987 or early 1988, I was approached again by the head of CITC's trading desk, the same person I had worked with on the Japanese MOF gold transaction. This time, he wanted to talk about silver. To say the least, things were getting interesting, and my trading instincts were clearly being stirred. As it turned out, they were vying for the opportunity to liquidate the remaining silver position held by the Hunt brothers, Nelson Bunker Hunt and William Herbert Hunt. The Hunts had famously attempted to corner the silver market, amassing a massive position in COMEX silver futures (COMEX was later acquired by CME Group as part of its 2008 merger with the New York Mercantile Exchange [NYMEX]) as well as in physical coins and bullion. Their aggressive buying drove silver prices from around \$6 an ounce in early 1979 to nearly \$50 an ounce by early 1980 (see Figure 1.2).

The banks and trading houses that were on the other side of Hunt's positions were constantly having margin calls placed on them, as the price dramatically increased from \$6 to \$50. During 1979–1980, the United States was experiencing very high inflation at approximately 13.5 percent, and the Federal Reserve under Paul Volker raised interest rates significantly. This caused significant strain on the banks and trading houses as the margin calls were more expensive to fund, which, in turn, added

Figure 1.2 Bloomberg silver spot price chart from 1979 to early 2025



pressure on the NYMEX (COMEX) to change the rules regarding the Hunt brothers in an effort to stem the mounting losses.

In response to growing concerns over market manipulation, the Commodity Futures Trading Commission, along with other regulators and the NYMEX, which owned the COMEX, stepped in and changed the rules. New position limits were introduced to cap the maximum number of silver contracts any individual could hold. In addition, a “liquidation-only” order was imposed, meaning that no new long positions could be opened and only existing ones could be sold off. These measures triggered a wave of forced selling, sending silver prices into a free fall overnight. It was also believed that the Hunt brothers had borrowed heavily against their existing silver positions, and when they could not meet the margin calls, they were forced into even deeper liquidation.

The strategy from the head of the trading desk at CITC was to leverage Citibank’s vault as a selling point in order to secure the business of liquidating their entire silver holdings. While it is not entirely clear from all the available information on the subject whether the Hunts were actually forced to liquidate their entire silver holdings, which were estimated to be around 100 million ounces, I believe that, in fact, they did sell it all. This transaction took several months to possibly a year, as I recollect. The CITC traders used a different clearing firm rather than Citibank’s clearer to liquidate their silver futures and bullion holdings, to help with the confidentiality of the transaction at the time.

We had to arrange for the physical shipment of silver from Delaware, where the Hunts had stored thousands of bags of silver coins and bullion, held off the COMEX and not reflected in the CME’s published warehouse statistics. I was responsible for coordinating these shipments, and saying that the vault manager at the Bank of Delaware was unhappy with me would be a major understatement. They had been counting on the long-term storage revenue from the Hunts, and it was clear they would feel the loss.

The operating company that the Hunt brothers used for their trading was Placid Oil Company. I traveled a few times with my colleagues to meet with senior members of Placid Oil to give them updates on how the liquidation process was going. I do remember when we traveled out for the last time, when we completed the liquidation. We were having lunch with the CFO of Placid Oil, and I gave him a shiny one-ounce silver ingot with Citibank's name on it as a token gift. He looks at me and says (in a good southern Texas accent), you know what Bob, I have more silver than Nelson!

Being involved in every aspect of those transactions only deepened my desire to become a trader and have the ability to structure deals myself. Following the success of the gold and silver transactions, Citibank senior management, once again, decided to re-establish a full-fledged precious metals trading desk as part of a broader bullion banking initiative.

This was my big opportunity, although I still needed to convince the head of CITC's group. I made it a point to stop by his office every day, persistently lobbying to join his team. Eventually, I must have worn him down. I gave him an ultimatum: either bring me on board, or I would accept an offer from his internal competition within CITC, who was also looking to hire me.

He asked if I had a résumé on hand, which, of course, I did not. The only thing on his desk was a napkin, so I scribbled a rough version of my résumé right there. He walked into his boss's office, one of the heads of the investment bank with the napkin. Fortunately, he signed off, and the rest, as they say, is history. I was finally hired as a trader. While I was ecstatic to have reached my goal, I had no idea of the challenges ahead or how much I still had to learn that would shape my future and career.

