

Private Safe Deposit Vaults Are On the Rise. . . AGAIN!

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As many small and very large investors flock to the perceived security of gold and silver investments, this has sparked and revived the interest of worldwide entrepreneurs wanting to offer these consumers a secure and convenient storage location for their investments. This secure location is a private safe deposit vault facility. As the demand for gold and silver shows no signs of easing, and current prices reach record levels, consumers will continue to invest.

Recent Inquiries

As President of Safe Deposit Specialists, I have, over the past 40 years, assisted a number of individuals wanting to open private safe deposit vault facilities. Currently I am receiving numerous calls from entrepreneurs requesting information and assistance to take advantage of this growing consumer demand for secure storage locations nationwide.

After completing a recent consulting project for one of my private vault clients, I determined that out of the large number of private safe deposit vaults that opened two decades ago, only nine of these businesses survived and are currently operating in the United States. This research clearly showed that many of these private vault enterprises did open, but they had a very difficult time being successful and most were forced to close their doors. This report also indicated that this recent surge of gold and silver investors demanding secure storage, could make these new private vault endeavors, if run properly, more viable than their predecessors were 20 years ago.

Regulated Service

Historically safe deposit vaults have always been associated with and offered by recognized nationwide financial institutions. These institutions are required by law to adhere to stringent governmental regulations. They must obtain proper identification from all new box renters, maintain accurate safe deposit records and comply with all state and federal safe deposit regulations. Because of the USA PATRIOT Act and the Bank Secrecy Act's money laundering reporting requirements, they are also required to report to the Treasury Department any suspicious or illegal activity associated with these rented safe deposit boxes.

Want Privacy? No Problem

Significant privacy advantages are available to consumers if they rent their box in some of these private vault facilities. There are none of the aforementioned government regulations which impact the private vault industry. Some vault entrepreneurs have shared with me that they plan to offer box rental services by guaranteeing total anonymity and requiring all box renters to pay their annual rental fees, which can amount to thousands of dollars, in cash. One private vault owner had only two rules to qualify for box rental: "No narcotics and don't lose your keys". He also guaranteed "untraceable" privacy because he required no personal identification or contract signatures for box access or rental. He only used a biometric iris scanning device to identify his box renters and permit vault access.

One other private vault, established in the early eighties also provides box renters with "complete anonymity". This vault owner tells his clients that they can use any name, including a pseudonym such as Mickey Mouse or Donald Duck, to rent a box. They need only bring their keys and sign their selected (AKA) name to access their box. The signature is then compared against the selected name on the signed access record and if it matches, vault access is granted.

FBI and DEA

The Federal Bureau of Investigation and I share some common concerns. When I'm contacted by these private vault investors, I caution them that if they don't set up proper identification procedures they could be encouraging, or even inviting criminals and terrorists into their facility to conduct illegal and dangerous activities. The FBI's Investigation Terrorism Finance Unit has stated that "the current growth of private vault companies is a cause for significant concern".

The Drug Enforcement Administration (DEA) also feels that these private vault enterprises have not yet, but could pose formidable problems in the future. Their view is that these vault companies should be subjected to the same government regulations to which all other financial institutions which offer safe deposit services must comply. Several years ago, federal agents were able to secure a search and seizure warrant to raid a private vault. They seized 32 gold bars which proved to be the spoils of an elaborate Ponzi scheme. No legal action or charges were brought against the private vault owner.

Neither the Bank Secrecy Act nor the Treasury Department, both of which are responsible for the enforcement of money laundering activities, has any jurisdiction to govern or regulate these businesses because at this time these private vaults have no connection with the financial industry.

Not My Job

Some private vault owners argue that the regulations that govern and control financial institutions should not and do not apply to them. "We have nothing to do with finance. We are all about public storage". Yet recent history has graphically shown that a void created by weak or non-existent regulations or supervision will quickly be filled by criminal or corrupt activity.

Can you think of a better way for criminals and terrorists to conceal their ill-gotten gains, drugs, bombs or money that they are otherwise trying to hide? In a poorly run private vault facility, this type of activity would be acceptable, totally underground, and the prospect of unknown illegal activity will be extremely heightened.

In Conclusion

As you can see, fortunately only two of the nine surviving nationwide private vaults have implemented this complete box renter anonymity philosophy. Because of this, I believe we could see more properly run private vaults open in the future. To be successful, these entrepreneurs must carefully plan and market their new business, offer complete vault security, adopt an acceptable renter identification and access system, hire and properly train qualified and trustworthy staff and provide a secure storage facility and service in which consumers will have complete trust and confidence. If these steps are followed, there could be many successful private vault businesses popping up from coast to coast within the next few years.

About the Author: David P. McGuinn, President of Safe Deposit Specialists, is a former banker and is often referred to nationwide as the safe deposit GURU. In all 50 states he has trained over 250,000 safe deposit personnel since 1969 and has served as President of the American Institute of Banking and the American, Texas and Houston Safe Deposit Associations. He has created numerous safe deposit manuals, training videos and other compliance products and forms. During the past 40 years, McGuinn's safe deposit resources, found at www.sdspec.com, have been recognized as the accepted national standard for the financial industry.