

## **Welcome to the C.N.A. E-Bulletin Vol. 3, No. 30 – May 15, 2007**

An electronic publication of the Canadian Numismatic Association  
Copyright © 2007, the Canadian Numismatic Association

### **SPECIAL “ROYAL CANADIAN MINT” EDITION ON THE SPY COIN AND \$1 MILLION GOLD COIN**

#### **INTRODUCTION**

The Royal Canadian Mint had two of their coins featured very prominently in the news around the world over the past couple of weeks. One of them was the \$1 million gold coin, the world's largest coin. At 220 pounds of 99.999 fine gold, they sold for \$2.6 million dollars each.

The second coin's prominence was not as a result of the press that the Mint created. Rather, the publicity that the Poppy Quarter, the world's first circulating colorized coin, received was a result of Associated Press obtaining information under Freedom of Information legislation.

#### **WE HAVE MAIL**

From J.J.: “Now that the Royal Canadian Mint has gone to a five-nines (99.999%) gold standard with the new \$1 million bullion coin and the 1 ounce coin, will all other gold coins go to the new standard?” – A press release from the Mint states: “Although this coin presents a new standard in investment products, there are currently no plans to replace the 9999 pure Gold Maple Leaf bullion coins.” The Gold Maple Leaf bullion coin was first launched in September 1979, as a one ounce investment coin, the first coin to be struck of pure gold. The Gold Maple Leaf coin was 999 pure until 1982, when its purity was raised to 9999, setting a new benchmark for gold bullion coins. The RCM has maintained its tradition of leadership in the gold bullion industry by raising the bar once more, to 99999.

From Joe Fraser: “I am a newby to the hobby. I have seen the phrase ‘bullion coins’ in the newspapers and wonder what they are.” – Bullion coins are numismatic objects, invented so that collectors can add additional historical and artistic numismatic items to their collection. I mean, wouldn't I create history if word got out that I was one of the purchasers of the \$1 million gold coin? The Royal Canadian Mint has provided a detailed description of “bullion coins” which we are pleased to publish below.

#### **BULLION GLOSSARY**

The following is provided by the Royal Canadian Mint:

Precious metals in bulk form are known as bullion, and are traded on commodity markets. Bullion metals may be cast into ingots, bars and wafers, or minted into coins. The defining attribute of bullion is that it is valued by its mass and purity rather than by a face value as currency. Several nations compete with Canada in the minting of gold bullion coins, including the U.S.A., South Africa, Austria and Australia. Although some offer gold bullion coins of 99.99% purity, Canada is the first and only country to sell gold bullion coins of 99.999% purity.

**Assay:** The testing of gold or silver to determine its fineness or purity.

**Bullion Coins:** Contemporary precious metal coins minted by official agencies in unlimited numbers for investment purposes. A legal tender coin whose market price depends on its gold content, rather than its rarity or face value.

**Carat or Karat:** A measure of the proportion of gold in an gold alloy, on the basis that 24 karats is pure gold, often expressed as K or k (e.g., 22k is roughly 92% pure gold). This scale indicates the measurement of purity in gold, from 1 to 24. One karat is therefore 1/24 (or just over 4%) pure gold.

**Face Value:** The value struck on all legal tender coins. As legal tender, a 1-oz. Gold Maple Leaf gold bullion coin has a face value of \$50, but is sold at a price based on the current market value of one ounce of pure gold.

**Finess:** The purity of a precious metal measured in 1,000 parts of an alloy: a gold bar of .995 fineness contains 995 parts gold and 5 parts of another metal. For example: a Canadian Maple Leaf has a fineness of .9999, meaning that it is 99.99% pure.

**Fine Weight:** The weight of gold contained in a bar, coin or bullion as determined by multiplying the gross weight by the fineness.

**Intrinsic Value:** The value of a coin's metal content.

**LBMA:** The London Bullion Market Association was formally incorporated in December, 1987 to represent the interests of the participants in the wholesale bullion market and to encourage the development of the London market in every possible way.

**LBMA Gold Delivery Lists:** Lists of acceptable refiners of gold and silver whose bars meet the required standard (of fineness, weight, marks and appearance) of the London Bullion Market Association.

**Market Value:** The price at which a coin or bullion item trades.

**Numismatics:** The specialized sector of the coin business for the study and collection of rare coins and other media of exchange, particularly those with archaeological and historic interest.

**Obverse:** Obverse refers to the "heads" or face-up side of a coin. In Canada, it is the side of a coin which contains the Queen's effigy.

**Precious Metals:** Metals of great value being gold, silver, platinum and other platinum group metals.

**Premium:** The price of a coin over the value of its actual gold content. Also the dollar amount or percentage a coin sells over its intrinsic value. Example: Coins sell at a premium of 3 to 25%.

**Refining:** The separating and purifying of gold and silver from other metals.

**Reverse:** Reverse is the opposite of obverse and refers to the "tails" side of a coin.

**Scrap Gold:** The broad term for any gold which is sent back to a refiner or processor for recycling.

**Spot:** Used in commodities trading to denote something which can be delivered readily. The spot price is the price required for immediate settlement.

**Troy Ounce:** The traditional unit of weight used for precious metals which was attributed to a weight used in Troyes, France, in medieval times. One troy ounce is equal to 1.0971428 ounces

*avoirdupois*. A unit weight equal to about 1.1 ordinary ounces. The word ounce when applied to gold, always refers to troy ounces.

### **DID YOU ORDER YOURS YET?**

You'll never guess what I did...and I kid you not! I called the Royal Canadian Mint's order desk and asked the lady that answered the phone, Vicky, if I could order one of the \$1 million gold coins over the telephone. I thought she would either turn me down flat, hang up the phone, or refer me to another department that handles gold bullion. "Sure," she answered. It would be two-point-something million and that she would have to check the price. Obviously, pricing is not specified on her price list. Neither is it on the Mint's Website. I stated that I would, no doubt, have to charge it on a Platinum Visa credit card. "No problem" for Vicky. I wondered if they worked on commission or some bonus incentive, but didn't bother asking (that's a column for another day).

### **\$1 MILLION GOLD COIN UPDATE**

The Royal Canadian Mint now has commitments for 6 orders, of which we know the purchasers of three. The Mint will not tell you who their customers are, understandably, but A-Mark out of California, no doubt interested in the publicity that it would generate for them, have come forward and stated that they have ordered three. Delivery lead times vary, depending on when they can begin production of each piece. The gold itself is not the problem, because they can call on any of the producers and obtain what they need on very short notice.

The one piece that was exposed first at the unveiling at the Mint in Ottawa is going to be kept very busy traveling around the world. The \$1 million coin will see its international debut tomorrow (Wednesday, May 16), when it will be hosted by the New York Mercantile Exchange (NYMEX) headquarters in Lower Manhattan.

NYMEX President and Chief Executive Officer James E. Newsome said, "We are pleased to host the Royal Canadian Mint and to help it showcase its innovative gold bullion products."

"The Royal Canadian Mint operates in a very competitive environment, which is especially true of the international gold bullion market," said Ian Bennett, RCM President and CEO. "We are grateful to NYMEX for helping promote our new gold bullion coins, which will help further the RCM's reputation for excellence around the globe."

### **CANADA'S SPY COINS**

On May 7, Associated Press issued a press release under the heading "Canada's poppy quarters caused sensational warnings of 'spy coins' in U.S."

by Ted Bridis

WASHINGTON (AP) - An odd-looking Canadian quarter with a bright red flower was the culprit behind a false espionage warning from the U.S. Defense Department about mysterious coins with radio frequency transmitters, The Associated Press has learned.

The harmless "poppy quarter" was so unfamiliar to suspicious U.S. army contractors traveling in Canada that they filed confidential espionage accounts about them. The worried contractors described the coins as "filled with something man-made that looked like nano-technology," according to once-classified U.S. government reports and e-mails obtained by the AP.

The silver-colored 25-cent piece features the red image of a poppy, Canada's flower of remembrance, inlaid over a maple leaf. The unorthodox quarter is identical to the coins pictured and described as suspicious in the contractors' accounts.

The supposed nano-technology on the coin actually was a protective coating the Royal Canadian Mint applied to prevent the poppy's red color from rubbing off. The mint produced nearly 30 million such quarters in 2004 commemorating Canada's 117,000 war dead.

"It did not appear to be electronic (analog) in nature or have a power source," wrote one U.S. contractor, who discovered the coin in the cup holder of a rental car. "Under high power microscope, it appeared to be complex consisting of several layers of clear, but different material, with a wire-like mesh suspended on top."

The confidential accounts led to a sensational warning from the Defense Security Service, an agency of the Defense Department, that mysterious coins with radio frequency transmitters were found planted on U.S. contractors with classified security clearances on at least three separate occasions between October 2005 and January 2006 as the contractors traveled through Canada.

"We'll have a good laugh over it," said John Regitko, who writes a newsletter for a leading coin-collecting organization, the Canadian Numismatic Association. "We never suspected there was such a thing (as spy coins) anyway."

Regitko predicted the quarter will become especially popular among collectors because of its infamy as the culprit behind the spy warning, despite the quarter's wide availability. "Everybody has some in their drawer at home," he said.

One contractor believed someone had placed two of the quarters in an outer coat pocket after the contractor had emptied the pocket hours earlier. "Coat pockets were empty that morning and I was keeping all of my coins in a plastic bag in my inner coat pocket," the contractor wrote.

The Defense Department subsequently acknowledged it could never substantiate the espionage warning, but until now it has never disclosed the details behind the embarrassing episode.

In Canada, senior intelligence officials had expressed annoyance with the American spy-coin warnings as they tried to learn more about the oddball claims.

"That story about Canadians planting coins in the pockets of defense contractors will not go away," Luc Portelance, now deputy director for the Canadian Security Intelligence Service, wrote in a January e-mail to a subordinate. "Could someone tell me more? Where do we stand and what's the story on this?"

Others in Canada's spy service also were searching for answers. "We would be very interested in any more detail you may have on the validity of the comment related to the use of Canadian coins in this manner," another intelligence official wrote in an e-mail. "If it is accurate, are they talking industrial or state espionage? If the latter, who?" The identity of the e-mail's recipient was censored.

Intelligence and technology experts were flabbergasted over the warning when it was first publicized earlier this year. The warning suggested that such transmitters could be used surreptitiously to track the movements of people carrying the coins.

"I thought the whole thing was preposterous, to think you could tag an individual with a coin and think they wouldn't give it away or spend it," said H. Keith Melton, a leading intelligence historian.

But Melton said the army contractors properly reported their suspicions. "You want contractors or any government personnel to report anything suspicious," he said. "You can't have the potential target evaluating whether this was an organized attack or a fluke."

The Defense Security Service disavowed its warning about spy coins after an international furor. The United States said it never substantiated the contractors' claims and performed an internal review to determine how the false information was included in a 29-page published report about espionage concerns.

The Defense Security Service never examined the suspicious coins, spokeswoman Cindy McGovern said. "We know where we made the mistake," she said. "The information wasn't properly vetted. While these coins aroused suspicion, there ultimately was nothing there."

A numismatist consulted by the AP, Dennis Pike of Canadian Coin & Currency near Toronto, quickly matched a grainy image and physical descriptions of the suspect coins in the contractors' confidential accounts to the 25-cent poppy piece.

"It's not uncommon at all," Pike said. He added that the coin's protective coating glows peculiarly under ultraviolet light. "That may have been a little bit suspicious," he said.

Some of the U.S. documents the AP obtained were classified "Secret/NoFORN," meaning they were never supposed to be viewed by foreigners, even the United States' closest allies. The government censored parts of the files, citing national security reasons, before turning over copies under the U.S. Freedom of Information Act.

Nothing in the documents, except the reference to nanotechnology, explained how the contractors' accounts evolved into a full-blown warning about spy coins with radio frequency transmitters. Many passages were censored, including the names of contractors and details about where they worked and their projects.

But there were indications the accounts should have been taken lightly. Next to one blacked-out sentence was this warning: "This has not been confirmed as of yet."

The Canadian intelligence documents, which also were censored, were turned over to the AP for \$5 under Canada's Access to Information Act. Canada cited rules for protecting against subversive or hostile activities to explain why it censored the papers.

#### **WHAT ASSOCIATED PRESS DIDN'T PUBLISH**

Every one of you who has been interviewed can attest to the fact that most of what you say will never be published. The above article is the full AP press release. Most of the world press decided some geek "who writes a newsletter for a leading coin-collecting organization" was not worth quoting in their respective newspapers. Dennis Pike of Canadian Coin & Currency of Richmond Hill, Ontario, met the same fate. Here is the rest of the story:

by John Regitko

The call came out of the blue. "My name is Ted Bridis and I am calling from Associated Press in Washington, D.C. We are doing a follow-up story on the Spy coins. I understand that you are the one to speak to about the Canadian Spy Coins."

I said "I do know all about it because I wrote about it in the Canadian Numismatic Association's electronic bulletin distributed to over 2,400 subscribers."

AP: "Associated Press has obtained documents under Freedom of Information legislation that identifies the spy coins to be Canadian Poppy Quarters. Are you familiar with the coin?"

"I sure am," I answered. "I am a regular at Tim Hortons, the company that originally distributed them." I felt that comment went completely over his head, but he didn't bother to have me clarify it.

AP: "Apparently, two contractors discovered them in their pockets. Since they didn't know how they got there, they alerted the Defense Department. We are now told that they became suspicious because of the glossy coating on the red Poppy that the Royal Canadian Mint put on so it doesn't rub off easily and therefore lasts longer."

"I am really surprised that the Poppy Quarter was blamed," I commented. "If anything, I thought it might be the larger Tooney, whose center would more easily be popped out and hollowed out so as to insert a transmitter."

AP: "What did you think when you first heard about a Canadian spy coin?"

I responded: "We had a good laugh over it. We never suspected there was such a thing anyway."

AP: "Will this popularize the coin?"

I said: "The coin was already popular. It was the world's first colourized circulating coin and when people received one in change, they invariably put it into their drawer. I think every home has a bunch. The fact that it is accused of being the spy coin will give it more publicity around the world. It will mean that when the public gets their change, they will be looking for it as well as the many other commemorative circulating coins they find in change in Canada and put them away. Accumulating different coins is the first step to becoming a true coin collector."

I added: "I thought that the Royal Canadian Mint is producing the \$1 million dollar coin to make it easier to insert a powerful transmitter. I read that somewhere. I think it was in the C.N.A.'s E-Bulletin. Oh, yea, I wrote it, so it might not have been 100 percent accurate." No reaction from the AP man to that, either! I figured it wouldn't get into print.

### **CONTRACTORS WANTED**

Hey, if you know who the contractors are that thought the red on our world-renowned Poppy Quarter was used to spy on them, please send them mail with either a Mickey Mouse or RCMP stamp on the envelope. Why you ask?

So I have another column, of course. They might think the red of the tunic is spyware and complain to the U.S. Defense Department again. They will write a report that Associated Press will obtain under the Freedom of Information Act. They will call me because they are fans of these E-Bulletins (well, actually they never heard of it). After the interview, most of the world

press will publish the story, leaving out my portion. I will then have another world-exclusive in the C.N.A. E-Bulletin of what I said.

If any of you have other ideas how we can further agitate the contractors, drop a note to [cnanews@look.ca](mailto:cnanews@look.ca).

### **BUGS AND GOLD BULLION**

Do you remember me saying a while ago that the reason the Royal Canadian Mint is manufacturing the \$1 million coin is to make it easier for spies to insert transmitters? I know you thought at the time that I was crazy and that I must be a really weird guy, right? Something that my wife will attest to, I'm sure. Well, guess what? The Tuesday, May 8 editorial page of the Toronto Star, under the heading "Bugs and gold bullion," published the following:

"A shocking espionage plot that looked to be straight out of the Cold War has turned out to be poppycock.

"In January, a U.S. government agency reported that coins containing tiny transmitters had been planted on three defense contractors visiting Canada. The Virginia-based Defense Security Service claimed the rigged money was being used to steal U.S. military technology. But a few days later, it inexplicably retracted the allegations, saying they were "unsubstantiated."

"What had spooked the spooks? Turns out the "bugged" coins were quarters with the red poppies in the centre produced by the Royal Canadian Mint in 2004 to commemorate Canada's war dead. Nearly 30 million of the harmless quarters were issued.

"So imagine the alarm in U.S. spy circles last week when the Royal Canadian Mint introduced a 100-kilogram gold coin. The huge coin leaves plenty of room for tracking devices. Slipping it into someone's pocket, though, will be quite another matter."

There you have it! I can only assume someone is spying on me and picked up my idea. Maybe I better check the poppy quarters I have in my pocket. Or the \$1 million dollar coin in my dresser drawer.

### **WE HAVE LETTERS**

Jack Hunter sent us the following:

It was with great interest, and a bit of tongue in cheek, that I read an article about the "poppy" quarter that was thought to be a "spy" coin. The article was in the daily rag called the Lincoln Journal Star, in Lincoln, Nebraska USA.

My wife was semi-impressed when I told her of our having met at the MPC Fest this past March. And she is not easily impressed!

I guess that a little more educational material should have been issued when the coin was introduced! It fooled a lot of smart (sic) espionage experts. Way to mess with their heads eh?

It is hard to believe that so called "educated" people, working for the biggest spy outfit in the world, would be fooled by a circulating coin of Canada. Maybe they should employ an individual to help them with their numismatics! What a hoot!

Great read, by the way. And a real good job with the bulletin.

(Editor's comment: Thanks for your input, which is your first submission since we added 24 MPC Festers to our distribution list in March. Did you ever think that your wife might be even less impressed if she had met me? My proofreader/wife says that is for sure!)

From Liberty Karp (as published in the Letters to the Editor section in last Thursday Toronto Star under the heading "Why worry if you've got nothing to hide?"): Re: 'Mysterious spy coin simply poppycock article,' I wonder what kinds of nefarious activities these U.S. army contractors were engaged in that would make them so paranoid about espionage. After all, the American government itself insists that no law-abiding individual should be bothered by a bit of surveillance." – I wonder if the spy coin incidence has anything to do with the fact that the Canadian spy agency, CSIS, has received more than 14,500 applications to join their ranks. They have announced they will be hiring 100 new spy catchers... excuse me, intelligence officers.

### **ARE PLASTIC COINS NEXT?**

Knowing that nickel and copper pricing is so high, the Royal Canadian Mint, U.S. Mint and every other mint around the world is looking for low-priced alternatives.

I wonder what that red plastic coating on the Poppy Quarter costs? Maybe we can make the whole coin out of that. That would really give the contractors something to report!

### **CONCLUSION**

Alright, enough of my wisdom!

John Regitko  
Your C.N.A. E-Bulletin Editor  
Canadian Numismatic Association

*The Canadian Numismatic Association is a not for profit organization devoted to serving those who enjoy coin collecting/numismatics by promoting fellowship, communication, education and providing advocacy and leadership for the hobby.*

*If you have a comment to make, or would like to submit an item for publication, email:*  
[cnanews@look.ca](mailto:cnanews@look.ca)

*To subscribe to the E-Bulletin email:*  
[cnanews@look.ca](mailto:cnanews@look.ca)

*Back-issues of the C.N.A. E-Bulletin are available from the C.N.A. Website at*  
<http://www.canadian-numismatic.org/ebulletin.php>

*If you have questions about our privacy policy, email:*  
[privacyissues@canadiannumismatic.org](mailto:privacyissues@canadiannumismatic.org)

*To learn about the benefits of membership or to join the C.N.A. visit our website at:*  
[www.canadian-numismatic.org](http://www.canadian-numismatic.org)

*For a complimentary copy of The CN Journal, email your name and mailing address to:*  
[cnainfo@look.ca](mailto:cnainfo@look.ca)

*Any submissions, comments or information sent to us will be shared with subscribers unless indicated otherwise. We reserve the right to edit submissions for publication.*