

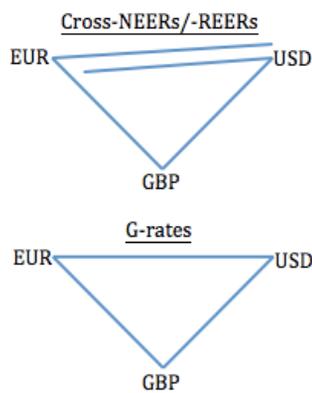


Dear Friends and Contacts of GCU,

I trust you are all familiar with the words “it’s our currency, but your problem” declared by US Secretary of the Treasury John Connally after the US cancelled convertibility between the dollar and gold. One can only recognize that he indeed was right, and has remained so to this day.

“It’s our currency, but your problem”

However, as with most of the problems Man faces, there is a track record of eventually finding solutions. For the specific problem pointed out by Connally, the solution seems to be close. A number of factors, most importantly technical innovation, are paving the way for what could become a paradigm-shift in how currencies are priced. When such innovations occur simultaneously with G20 leaders’ desire to advance monetary efficiency, a change could be emerging.



NEERing the REER without Arbitrage: The Nominal Effective Exchange Rate and the Real Effective Exchange Rate are two essential tools for monetary authorities when assessing whether the exchange rate of their currency is misaligned relative to past benchmarks. The reason why these best practice exchange rates have not been implemented for practical use is simply that they cannot be so implemented, as they would open the door for arbitrage. The Trade-Weighted Equilibrium Exchange Rate System from GCU has solved this problem - providing best-practice exchange rates without arbitrage. Attached you will find the document “Arbitrage-Free Trade-Weighted Exchange Rates” examining this aspect, by Professor of Financial Mathematics Rolf Poulsen.

A paradigm-shift does not mean that the old will disappear - it is just a completely new way of solving a problem, as GPS did for daily navigation and Skype did for communicating. The solution to the problem presented by Secretary Connally “it is our currency, but your problem” also represents a paradigm-shift in providing improved stability between economies and their currencies. In some cases, when presented a new approach to solving a problem, the best way to grasp it is by [seeing it for yourself](#). I also invite you to ask us any question or challenge from your perspective any aspect of the feasibility of this new type of exchange rates.



We thank Secretary Connally for pointing out the problem, and are pleased to present the solution.

Take a look, See the potential and Be inspired.

All the best,
Jesper Toft

