



## National Pawnbrokers Association



July 25, 2005

William Langford  
Senior Policy Advisor  
Financial Crimes Enforcement Network  
United States Department of the Treasury  
P.O. Box 39  
Vienna, VA 22183

Re: Docket No. RIN 1506-AA58 – Interim Final Rule for the  
Jewelry Industry

By email to [regcomments@fincen.treas.gov](mailto:regcomments@fincen.treas.gov)

Dear Mr. Langford:

The National Pawnbrokers Association wishes to express its support for the Interim Final Rule for the Jewelry Industry and especially for the limited pawnbroker exception as delineated in the Rule. In addition, we would appreciate clarification that our members may use (1) the \$50,000 exception for retailers described in the Rule involving purchases of covered goods, and (2) the trade-in exception. The balance of this comment explains our reasoning behind these positions.

**Industry Background:** The National Pawnbrokers Association is the only national trade association for the pawn industry. We represent roughly 12,000 member stores the vast majority of whom operate their stores as small, family-run businesses, and most having only one place of business. Accordingly, we pay very careful attention to the regulatory burdens of regulations that affect our members and we greatly appreciate the fact that you and your staff are attentive to the concerns of small businesses.

Pawnbrokers are designated as “financial institutions” for purposes of the Patriot Act, and particularly for Section 352. You and your staff may recall that we filed comments on the proposed Section 352 rules for both the pawn industry and the jewelry industry in 2003. As noted in the explanatory materials for the Interim Final Rule for the jewelry industry, FinCEN has suspended the effective date of Section 352 for pawnbrokers pending completion of its study of the industry.

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The pawn industry is one of the few groups of businesses that the Patriot Act designated as “financial institutions” and is the only group of providers of consumer credit regulated by state and local governments in every single state. As you may recall from our earlier comments, pawnbrokers are subject to cash transaction reporting on IRS Form 8300. Because of licensure requirements and other laws, regulations, and ordinances that govern the day-to-day operation of our businesses, we have maintained equivalents of “customer identification programs” for many years. Our members are the only providers of consumer credit required in every state to report all transactions to local law enforcement agencies – further evidence of how our industry is already heavily regulated. We are encouraged that some states, such as California, also require all secondhand dealers to report purchases from the public.

Support for the Pawnbroker Exception: Because of the extensive record-keeping and reporting required of our members, and the relatively high degree of knowledge that pawnbrokers tend to have about their individual customers, we believe that pawnbrokers are already engaged in the type of “know your customer” and “prevention of money laundering risk assessments” that are hallmarks of Sections 352 and 326 of the Patriot Act. As we understand the Interim Rule’s pawnbroker exception, it involves covered goods (as defined in the Interim Final Rule) that pawnbrokers accept as collateral and encompasses every aspect of the pawn transaction including loan extensions, renewals, redemptions, forfeitures and sales of forfeited collateral. Such an exception for pawn transactions will benefit our members, especially the smaller businesses, in keeping regulatory costs reasonable while still maintaining a focus on their compliance responsibilities.

Request for Clarification that the \$50,000 Floor for Purchases from the General Public Applies to our Industry: We respectfully request clarification that pawnbrokers are eligible for the same general exceptions announced for jewelry retailers that do not purchase from or sell to non-dealers \$50,000 or more of covered goods in the prior year as well as for the general trade-in exception, if applicable to the particular pawnbroker’s business. Because pawnbrokers compete with retailers in the jewelry industry, we believe that the same exceptions that apply to small jewelers should apply to small pawnbrokers.

Many pawnbrokers deal in jewelry, precious gems, stones, and metals, as we noted in our 2003 comment on both the pawn industry and jewelry industry proposed rules. Pawnbrokers buy merchandise that meets the definition of “covered goods” from non-dealers and dealers as well as sell to non-dealers and dealers. These transactions are in addition to the covered goods that serve as collateral for pawn loans. State and local laws requiring customer identification, record-keeping, and reporting apply to both pawn loans and purchases from non-dealers in every state. Pawnbroker purchases from non-dealers are also subject to state and local laws requiring the goods to be held for specified periods of time before they can be sold to the public or to dealers, quite unlike the considerably less regulated retail jewelry industry that has historically borne fewer compliance burdens than our members.



Position Summary: In order to place our members on a level playing field competitively with all other jewelry retailers, in addition to the pawnbroker exception provided in the Interim Final Rule, our members need the benefits of both the full \$50,000 exception for purchases from / sales to the general public as well as the trade-in exception.

We would like to express our deep appreciation for the sincere efforts that you and your staff have made to understand the unique nuances of our industry. If you have any questions about the positions taken in this comment, please contact Mr. Morgan Jones at [mjones@ampawn.com](mailto:mjones@ampawn.com) or myself at [sjpl@aol.com](mailto:sjpl@aol.com). Either one of use would be pleased to answer your questions. Thank you for giving us the opportunity to comment.

Sincerely,

A handwritten signature in dark ink, appearing to read "Edward D. Bean". The signature is fluid and cursive, with the first name "Edward" being more prominent than the last name "Bean".

Edward Bean  
President