

# GARDERE

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April 24, 2003

Financial Crimes Enforcement Network  
P.O. Box 39  
Vienna, Virginia 22183-0039

Attn: Section 352 – Jewelry Dealer Regulations

To Whom It May Concern:

We represent a company (the “Company”) which is involved in direct sales of jewelry made from gold and other metals to retailers. Under most circumstances, the Company acts as a jewelry wholesaler. The jewelry sold by the Company is not sold as high-quality jewelry, nor is the cost of the gold, jewels or precious stones incorporated into the jewelry a significant part of its total value. Generally, the finished jewelry contains less than five hundred parts per thousand of gold and would not satisfy the definition of precious metal.

The proposed definitions of “jewel” and “precious stone”, each refer to items of “gem quality market-recognized beauty, rarity and value”. Much of the jewelry sold by the Company contains fragments, chips or other pieces of jewels and precious stones and would probably lie outside of the proposed definitions. It is unclear, however, at what point do these fragments, chips and pieces become jewels and precious stones.

You have indicated that precious metals, precious stones, and jewels are of particular concern to FinCEN in its efforts to combat money laundering and terrorism because (i) they constitute easily transportable, highly concentrated forms of wealth, (ii) they serve as international mediums of exchange that can be converted into cash anywhere in the world and (iii) precious metals, in particular, can be melted down, obliterating refinery marks and making the metal virtually untraceable. The jewelry sold by the Company cannot reasonably be classified as a highly concentrated form of wealth, nor can it be easily converted into cash anywhere in the world, and finally, it cannot be melted down without destroying its value. The value of the jewelry as sold by the Company, does not lie in its minor precious metals, jewel or precious stone content, but rather in its beauty as a finished product. The jewelry is frequently called “high-fashion” jewelry for its design and not for its content.

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Because the items sold by the Company are not of the quality that would be useful to money launderers, I would ask you please to revise 31 CFR §103.140(a)(1)(B), as indicated below, to provide a safe-harbor for wholesalers of low-cost jewelry:

“(B) A person who engages in transactions in jewels, precious metals, or precious stones for purposes of fabricating, purchasing or selling jewelry or finished goods composed thereof, that contain less than 50% by content of, or the value of which is less than 50% attributable to, such precious metals, precious stones, or jewels.”

I would be pleased to answer any questions you may have concerning this matter.

Best regards,

A handwritten signature in black ink, appearing to read "Stephen D. Elison". The signature is fluid and cursive, with the first name "Stephen" being the most prominent part.

Stephen D. Elison

cc: Jane Fergason (firm)