

Comment received via email June 9, 2006

This comment relates to your request for public comment on the "Final Interim Rule" regarding certain questions that you will like to receive public input in order that you verify if the assumptions that Fincen has made regarding "dealers" have taken into account the correct financial impact to this industry.

1) Should silver be considered a precious metal?

Given that the price of silver many times less than the price of gems, stones and other metals it would appear to me that silver should be left out of the equation. Most silver is received from Mexico and South America and is used in the creation of "less priced jewelry". Very few dealers even do business in silver due to the bulk and price.

2) Should precious stones & jewels be defined with a minimum \$/karat formula?

Putting a minimum amount will just complicate compliance since historical prices will need constant updating and help mask money laundering. Dealers could invoice lower quality gems but sell higher quality gems(a geological structuring to avoid reporting)

3) Should 50% be the appropriate amount to determine if the market value derives most (50% or more) of its value from gems, stones or metals?

This is my opinion (as an ex-auditor and CPA) is a compliance nightmare for the dealers and your IRS staff trying to verify the correctness of the formula. I talked to several dealers and when they buy pre-finished goods (rings, necklaces, earrings, etc) they have no idea what part is labor and what part actually is derived from the raw material. "High prices" watches might contain gold or platinum and precious metals and I doubt that the seller is going to break out the portion that is related to the raw material and to the labor, marketing, profit and overhead, etc.

4) What is the potential impact on small business that might be dealers?

In my opinion this area has not been studied by persons with the necessary knowledge and experience in this industry. Most retailers that we service (as customers) buy gold in Italy, diamonds in Israel or from dealers that obtain the gems from Israel (mined in South Africa), silver in Mexico and stones in South America and to and an increasing portion of gems in the Far East. Watches are obtained from either the foreign dealers or manufactures or their USA divisions. Therefore, in my interpretation they are all dealers an subject to this rule. I made many inquires today from jewelers and none of

them had even hear of this "Interim Rule" and this answer might very well explain why you did not receive any input. The trade groups in this industry are not well organized and are only marketing oriented. The impact on small business will be huge and will affect the smaller business more as the cost of compliance will have a disproportional effect on the smaller businesses as a % of operating costs. Many of these small business have no idea what a risk assessment is, What BSA is, do not have any policies or procedures on any portion of their business, or know anyone in the BSA audit area. I cannot understand what makes a dealer of Gems part of the "Financial Industry". I think we need the help of ALL Businesses in this fight

Due to the very large impact on small businesses in this industry I suggest that at least an impact analysis be done in order to fully assess this very significant compliance burden and negative impact.

I am a president of a South Florida community bank, a CPA with a local practice for many years, a promoter of the American Dream and a believer of keeping America Safe from Both Terrorism, Money Launderers and Tax evaders. The above are may opinions only, not of my bank, my directors or anyone connected to my bank and I am taking time from my family to help give a "in the trenches" opinion of the impact to this industry.

While the rule states that the IRS will be responsible to administer this rule we need Fincen to inform banking regulators so that regulators do not use the same approach as with MSB's.

Sincerely,

Julian Mesa