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Via e-mail

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Financial Crimes Enforcement Network
Department of the Treasury
Washington, DC
Email to: regcomments@fincen.treas.gov

Attn: Section 352 -- Jewelry Dealer Regulations

This letter is in response to FinCEN's request for comments on proposed jewelry dealer regulations pursuant to provisions of the Patriot Act of 2001.

Owens Corning fully supports the intent of the Patriot Act to intercept and obstruct terrorism and FinCEN's desire to prevent and detect money laundering and the financing of terrorism. However, OC is concerned that the broad reach of the proposed regulations unnecessarily burdens US industry without furthering the goals of the act or the proposed regulations themselves.

Owens Corning (OC) is a world leader in building materials systems and composite solutions. Founded in 1938, the company had sales of \$4.9 billion in 2002 and employs approximately 19,000 people worldwide. As part of its operations, OC manufactures, markets and sells fiberglass reinforcement products to manufacturers in a variety of industries who manufacture fiberglass reinforced composite solutions. These products include fiberglass reinforced boat hulls, automotive parts, telecommunications cables, wind turbine blades and other products where lightweight, high strength and low cost are important.

OC Operations

These fiberglass reinforcement products are manufactured by melting specialty glass at very high temperatures (in excess of 2600 F) and then drawing or pulling the molten glass through small holes in forming plates into long fibers. Because of the very high temperatures involved and the highly abrasive nature of molten glass at such high temperatures, the forming plates (called "bushings") must be made from specialized alloys of platinum and rhodium.

Unlike several other manufacturers of fiberglass reinforcement products, OC manufactures its own bushings in house. As part of this manufacturing operation, OC regularly purchases and sells platinum and rhodium metals from metals brokers, mixes these metals into the specialized alloys required for bushing manufacture and then transports the manufactured bushings to OC's various manufacturing plants, affiliates' plants and the manufacturing facilities of a few third party customers with long term

supply contracts. Due to the high cost of the metals involved, OC makes no shipments to a plant, affiliate or customer unless and until the plant, affiliate or customer establishes a positive metal balance with OC. Because of the cost of refining metal, virtually all of the metal balance is maintained in the form of alloy metal.

Platinum/Rhodium Alloys

These alloys are typically in the range of 80 to 90% platinum metal (10 to 20% rhodium metal). These alloy percentages are unique to the glass manufacturing industry and cannot be used in jewelry or art objects. In fact, even manufacturers of other glass products (optical glass, flat glass, glassware and the like) cannot use the alloys used by OC in the manufacture of fiberglass reinforcement products due to residual glass in the alloy and the relative impurity of OC's alloy (some of which is less than 99% platinum and rhodium).

Furthermore, these alloys are excruciatingly difficult to separate into pure metal due to their high melting points (in excess of 3500 F) and the complexities of the refining process. Therefore, alloy metal is nearly useless as a medium of exchange in almost all normal precious metal channels and cannot be easily turned into cash through non-industrial outlets. Only a limited number of platinum refiners are interested in and capable of de-alloying rhodium from platinum, thereby further restricting the ability of potential diverters to use alloy as a medium of exchange, to turn alloy into cash or to avoid traceability.

Purposes of the Proposed Regulations

The legislative purpose of the Patriot Act, which OC fully supports, is to intercept and obstruct terrorism. The purpose of the proposed regulations, also fully supported by OC, is to prevent and detect money laundering and the financing of terrorism. Neither of these purposes is served by regulating OC's manufacture or shipment of glass fiber reinforcement bushings or alloy metal. Unlike traditional bullion, pure metals, precious jewels and jewelry, alloy metal is not easily transportable, is not an international medium of exchange and is not widely seen as a profitable target for theft. Instead, alloy metal is shipped as fabricated bushings, is only useful to a limited number of specialized platinum group refiners and is rarely the target of thieves. In fact, in those rare instances of theft from OC, the thieves have been caught when they attempted to market metal to OC's competitors in the industry.

OC's business practices with respect to alloy metal do not present the sort of risks and vulnerabilities to money launderers and terrorists. Because of OC's large investment in the metals used in its alloys, OC naturally imposes high security on each and every shipment of bushings or other parts. OC only ships bushings and parts to and from its own plants, and the plants of customers and wholly owned affiliates. Each customer has signed a long term supply contract and has been a customer of OC for years. OC also physically inventories alloy in its possession or control once every calendar month down to the nearest tenth of a gram. Even floor sweepings and employees' work shoes are collected periodically to collect residual metals.

The Scope of the Proposed Regulations

The proposed definition of "dealer" within the draft regulations would include OC through its precious metal operations. Absent any applicable exception, pursuant to Section 103.104(a)(1), OC is a "person" that is "engaged in the business of purchasing and selling . . . precious metals" as defined in the regulations in excess of the monetary limits of the section. This will require OC to establish a complicated system of internal regulation to comply with the minimum requirements of the proposed regulations.

Because compliance with these requirements will not serve the legislative purposes of the Patriot Act or the implementing regulations, OC proposes that the following be added to Section 103.140(a)(1)(ii):

(C) A person who engages in transactions in precious metals for the purposes of fabricating industrial products that contain only precious metals in alloy form where the refining of such metals into pure form would require temperatures in excess of 3000 F.

In conclusion, OC would welcome the opportunity to meet with representatives of FinCEN at your convenience to discuss our operations and industry in greater detail. In addition, we would like to invite representatives of FinCEN to visit our facilities in Ohio or North Carolina to view our security measures in person.

Sincerely yours,

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