

# International Precious Metals Institute

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Via e-mail: [regcomments@fincen.treas.gov](mailto:regcomments@fincen.treas.gov)

To: Department of the Treasury  
Financial Crimes Enforcement Network  
Re: AML Rule for Dealers in Precious Metals  
70 Federal Register 33702, June 9, 2005  
RIN 1506-AA58  
Date: 25 July 2005

Dear Sir or Madam:

The International Precious Metals Institute is an association of producers, refiners and users of precious metals. We submit this comment in response to your request, issued with the interim final rule for dealers in precious metals, stones or jewels, for comment on specific questions. We address two of those questions.

## 1. Silver as a Precious Metal

Silver is, in history, culture, art and emotion, a precious metal. It is surely one of the most beautiful natural substances, and its lustrous glow and tactile warmth have moved hearts for millennia. But pure silver, standing alone, is not likely to move illegal assets, or play a role in terrorist finance. We accordingly recommend that silver be excluded from the definition of precious metal for purposes of the AML Rule.

The AML Rule addresses transactions in physical precious metals, which, as you noted in the preamble, are "easily transportable, highly concentrated forms of wealth and can be highly attractive to .. criminals." (70 FR at 33703) Silver alone does not come within that description. To reach a nominal AML concern level of \$10,000, almost 100 pounds of pure silver would have to change hands. While such a physical exchange can be done, that amount of metal is not "easily transportable, highly concentrated." It is an unlikely medium of exchange for someone trying to hide assets.

Fabricated silver products seem even less likely to be used for money laundering and terrorist finance. When silver is used in works of art and jewelry, the design and artistic workmanship are a significantly larger part of the product value than the pure metal content. The same is true in medical and industrial silver products, such as with brazing alloys. The resale market, always a necessary part of money laundering, is limited to specific consumers and users, those who would buy for design, beauty and purpose, or else it would necessarily discount design, artistry and fabrication values and recover only commodity silver. This very substantial loss of value would make these fabricated

products very unattractive for money laundering and terrorist finance.

## 2. Finished Goods: 50% Value Threshold

We support the 50% value threshold for finished goods, because it sets a balance that is realistic for the object of deterring money laundering. The practice of laundering money involves layering - the passing of assets through one or more transactions to complicate and hide their illegal origin. While a money launderer will necessarily accept some losses in those transactions, he or she will want to minimize those losses. Layering through a dealer in precious metals, stones or jewels – especially when a transaction involves a final product – does not minimize losses. It means that a money launderer must purchase a final product at one price, and then sell it a second price. As people who have pawned or sold precious metal final products know, that second price is usually substantially lower than their purchase price, especially for products that contain less than 50% precious metal, such as 10 karat gold jewelry. A final product containing a relatively low amount of precious metals will have a limited market as “used” or “off-market” goods, or will have only its recoverable precious metal content value. A 50% threshold for final products, for AML purposes, effectively recognizes that a money launderer will not accept more than a 50% loss in a layering through this industry.

Please contact me if you have questions or would like to have additional information.

Dr. Larry Manziak

A handwritten signature in cursive script, appearing to read "Larry Manziak".

Executive Director  
850-476-1156

**Orlin, Lindsay**

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**From:** Larry Manziek [larry@ipmi.org]  
**Sent:** Tuesday, July 26, 2005 3:59 PM  
**To:** Comments, Regulation  
**Subject:** Response to RIN 1506-AA58

Dear Sir or Madam:

Please find attached the response from the International Precious Metals Institute regarding the above matter.

Respectfully,

Dr. Larry Manziek  
Executive Director

7/26/2005