



Coins, Counterfeiting & Recycling

An investigative report

Writing and photography by Brad MacAulay

The U.S. Treasury Department and U.S. Mint's sudden suspension of the mutilated coin redemption program dealt a body blow to the global coin recycling sector, sowing uncertainty across the ranks and freezing millions of dollars' worth of recycled coins throughout a complex supply chain. Join AMM nonferrous scrap reporter Brad MacAulay as he travels the world to capture the real story, brings attention and clarity to a largely overlooked market, and—in a unique twist—creates a framework to redeem the lost dynamism of the coin recycling industry.

AmericanMetalMarket

Recycler targeted in phony coin probe

PITTSBURGH — Federal prosecutors have filed a complaint for forfeiture against a group of companies, including a Texas metals recycler, for allegedly using counterfeit coins to defraud the U.S. Mint of nearly \$5.5 million.

Federal prosecutors are seeking to seize \$5,453,012, a vehicle and a Dallas property from Dallas-based metals recycler America Naha Inc., Hong Kong-based exporter Wealthy Max Ltd. and Rancho Cucamonga, Calif.-based importer XRacer Sports Co. Ltd. for allegedly defrauding the U.S. Mint using damaged counterfeit coins imported from China.

The companies could not be reached for comment.

The group allegedly imported mutilated counterfeit dimes, quarters and half dollars—primarily composed of copper and nickel—from China and sold them to the U.S. Mint for \$19.84 per pound through its mutilated currency reimbursement program.

“U.S. Mint personnel also believe that more half dollars have been redeemed by the China-sourced vendors in the last 10 years than the U.S. Mint has ever manufactured in its history,” according to documents filed March 20 in U.S. District Court in New Jersey by the U.S. Attorney’s Office in Newark.

In 2009, the U.S. Customs and Border Protection reported increased volumes of damaged coin imports at the Port of Los Angeles, raising suspicions at the agency and sparking a U.S. Department of Homeland Security investigation, according to the court documents.

Upon investigation, some of the importers claimed the coins were found inside vehicles exported to China from the United States as scrap.

According to the U.S. Treasury Department’s Office of the Inspector General, there would have to be an estimated \$900 worth of U.S. coins in every vehicle ever exported to China as scrap in order to account for the total amount of waste coins imported from China and redeemed.

In June, XRacer Sports, Wealthy Max and America Naha submitted large shipments of Chinese-origin mutilated coins to the U.S. Mint for redemption. An analysis of some of the coins by U.S. Customs and Border Protection concluded that they were counterfeit, but the U.S. Mint was scheduled to pay the companies a total of \$5,453,012 due to technicalities with the program. Homeland Security Investigations executed a warrant in September and seized \$5.45 million of the defendants’ funds.

Federal prosecutors claim that the mutilated coins are linked to Kei Yi Loung, who owns America Naha, according to the court documents. Loung admitted to customs agents that he regularly exported scrap to China from his metals recycling company and imports mutilated coins to sell to the U.S. Mint as a broker for Hong Kong-based Pacific Worldwide Supply.



According to court documents, America Naha received an estimated \$6.4 million from the U.S. Mint between 2012 and 2014 under the coin buyback program. Loung’s Dallas scrapyards and a vehicle valued at \$81,000 are believed to have been purchased with money from the scheme.

Homeland Security agents believe that clad coins can be “reverse engineered,” as the die striking machinery used to manufacture the coins is commercially available and the old coin die strikers used by the U.S. Mint were sold as scrap metal to China, according to the court documents.

Recycler seeks to recoup \$2.4M in phony coin case

PITTSBURGH — Coin recycler and exporter Wealthy Max Ltd. is seeking dismissal of a case brought against it by federal prosecutors alleging the company participated in a scheme to defraud the U.S. Mint of nearly \$5.5 million using counterfeit coins.

The Hong Kong-based company has filed a motion to dismiss a civil forfeiture case filed in U.S. District Court in New Jersey

by the U.S. Attorney’s Office in Newark earlier this year, which claimed that Wealthy Max and several other recycling companies attempted to pass counterfeit U.S. coins through the U.S. Mint’s program (amm.com, March 31).

The company is attempting to recover \$2,388,091 from the U.S. Treasury for coins submitted to the U.S. Mint’s Mutilated

Coin Redemption Program, according to Washington-based law firm GeyerGorey LLP, which is representing Wealthy Max in the case.

“We are filing the motion to dismiss on behalf of Wealthy Max because we believe the complaint brought by the U.S. Attorney’s Office has a number of errors relating both to points of law as well as to misunderstand-

ings about our client's business," attorney Bradford L. Geyer said in a statement.

The law firm noted that the original complaint expressed doubts that Wealthy Max and other recycling companies with links to China could source the number of coins claimed through scrap metal exported from the United States to China, thus

"demonstrating a lack of understanding of the scale and organization of the Chinese metal recycling industry."

"You could never guess from the complaint that Wealthy Max has an unblemished past performance record that spans 13 years with over 150 shipments accepted by the U.S. Mint and converted into coin roll.

What we have as a matter of public record is one alleged non-conforming shipment awash in a 13-year sea of conforming shipments from a responsive government contractor with an unblemished past performance record," said Geyer.

A spokesman from the U.S. Attorney's Office declined to comment on the matter.

Nov 20, 2015

Coin recycler plans audit to prove innocence

PITTSBURGH — Coin recycler and exporter Wealthy Max Ltd. plans to hold a public audit of 13 tonnes of damaged U.S. coins in an effort to prove to government agencies that the coins are legitimate.

The Hong Kong-based company and several other recyclers have been accused by federal prosecutors of defrauding the U.S. Mint of nearly \$5.5 million by submitting counterfeit coins to the agency's mutilated currency reimbursement program (amm.com, March 31).

Plans for the audit are being finalized, according to Washington-based law firm GeyerGorey LLP, which is representing Wealthy Max in the case. The audit will be conducted by former U.S. law enforcement agents, with the findings shared with all relevant U.S. government agencies, the law firm said.

"Wealthy Max has complete faith in the U.S. legal system and the integrity and competence of the officials and agents involved in this investigation, and is ready to cooperate in every way possible to resolve the government's concerns," attorney Bradford L. Geyer said.

The U.S. Mint temporarily suspended

the mutilated coin buyback program for six months on Oct. 29 due to the "possibility of unlawful activity on the exchange program," according to the Federal Register.

The Mint said it will "assess the security of the program and develop additional safeguards, as necessary, to ensure the

officials involved in this case have been very satisfactory and productive. We are confident that as the U.S. officials gain a better understanding of the scope and nature of the scrap recycling business in China, where Wealthy Max sources its damaged coins, they will see that this is a highly reputable

"Wealthy Max has complete faith in the U.S. legal system and the integrity and competence of the officials and agents involved in this investigation..."

integrity of United States coinage." Uncurrent coins—those which have been materially worn or reduced in weight through excessive use—will continue to be accepted by the agency.

Geyer described the Mint's decision to suspend the program and further investigate the sourcing of coins as "a very positive development," adding that Wealthy Max "will adhere to whatever protocols are developed during this suspension."

"Our recent interactions with other

company that is conducting its business with the U.S. Mint honestly and transparently," Geyer said.

A law firm spokesman told AMM that representatives from the U.S. Treasury Department and Justice Department have not responded to a request to attend the audit.

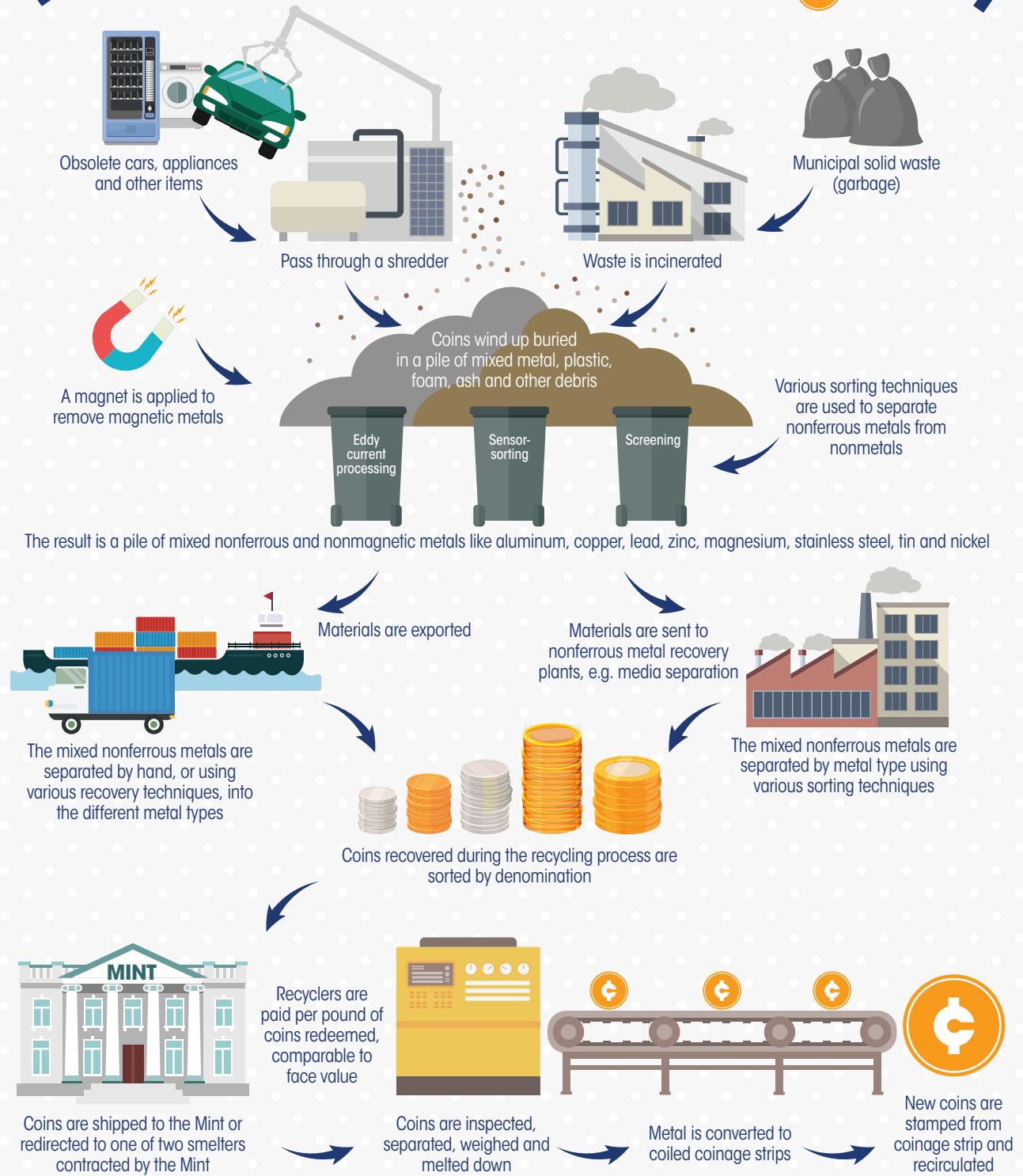
Wealthy Max attorneys last month filed a motion to dismiss a civil forfeiture case filed in U.S. District Court of New Jersey by the U.S. Attorney's Office in Newark (amm.com, Oct. 21), and is attempting to recover nearly \$2.39 million from the U.S. Treasury for coins submitted to the U.S. Mint's mutilated currency redemption program, according to GeyerGorey.

The U.S. attorney's amended civil forfeiture complaint claims the company defrauded the Mint of more than \$47 million between early 2005 and June 2014.

The U.S. Mint incurred costs of approximately \$205.9 million for redeeming mutilated and uncurrent coins over the past 15 years, according to the agency's annual reports from 2001 to 2014.



Lifecycle of a Recycled Coin



Jan 22, 2016

Wealthy Max not source of coins tested in probe: lawyer

PITTSBURGH — Coin recycler and exporter Wealthy Max Ltd. claims that coins tested by the U.S. Department of Homeland Security as part of a counterfeiting investigation were not sourced from the company.

The Hong Kong-based company and several other recyclers have been accused by federal prosecutors of defrauding the U.S. Mint of nearly \$5.5 million by submitting counterfeit coins to the agency's mutilated currency reimbursement program (amm.com, March 31).

Washington-based law firm Geyer-Gorey LLP, which is representing Wealthy Max in the case, claims that the findings of the government's laboratory report are invalid because the sampled coins used in the tests did not include Wealthy Max as a source.

"We find it difficult to understand how the U.S. Attorney's Office could bring a civil forfeiture case against Wealthy Max based on this laboratory report that fails to connect any of the coins tested to Wealthy Max," attorney Bradford L. Geyer said in a statement. "The report is very clear that the coins tested arrived in envelopes labeled with the name of a totally different company. Wealthy Max's name does not appear on any of them."

According to the cited laboratory report, conducted by the Department of Homeland Security on Aug. 22, 2014, "the sample consists of a plastic bag... the inner bag holds five manila envelopes, each with the name 'America Naha.'"

Dallas-based coin importer America Naha Inc. was named in the original complaint for forfeiture, filed March 20 in U.S. District Court in New Jersey by the U.S. Attorney's Office in Newark.

"America Naha vigorously denies the allegations in the government's amended complaint. The government's only evidence that America Naha was dealing in counterfeit coins is the allegation that a sample of its June 2014 shipment was counterfeit," Lee Vartan, America Naha's attorney and a partner at New York-based law firm Holland & Knight LLP, told AMM.

Wealthy Max, as well as two other coin importers.

Wealthy Max has said it plans to take steps to prove to government agencies that the coins are legitimate (amm.com, Nov. 20). The company plans to hold a public audit of the damaged coins, which have been sealed in containers since the seizure, in February, a spokesman for GeyerGorey told AMM.

"The lack of physical evidence against Wealthy Max, and the fact that the government's amended complaint contains numerous allegations that are provably wrong... is distressing," Geyer said.

The Hong Kong-based company and several other recyclers have been accused by federal prosecutors of defrauding the U.S. Mint of nearly \$5.5 million

"But what the government conveniently ignores is that the Mint accepted America Naha's June 2014 shipment, melted it and used it to manufacture new coinage," he pointed out. "If the shipment was counterfeit, why did the Mint use it to manufacture new currency?"

Still, a custody receipt for seized property and evidence included with the laboratory report claims that the seized sample also held material sourced from

Wealthy Max attorneys had filed a motion last year seeking dismissal of the civil forfeiture case (amm.com, Oct. 21). The group is attempting to recover nearly \$2.39 million from the U.S. Treasury for coins submitted to the U.S. Mint's mutilated currency redemption program, according to GeyerGorey.

A spokeswoman for the U.S. Attorney's Office declined to comment.

Feb 23, 2016

Wealthy Max unseals coins to prove innocence

HONG KONG — Coin recycler and exporter Wealthy Max Ltd. has unsealed and sampled 13 tonnes of damaged U.S. coins for testing in order to prove to government agencies that the coins are authentic.

Washington-based law firm Geyer-Gorey LLP, which is representing Wealthy Max in the case and spearheaded the event, adamantly maintains that the Hong Kong-based company was wrongly accused by federal prosecutors of defrauding the U.S. Mint of millions of dollars by submitting

counterfeit coins to the agency's mutilated currency reimbursement program (amm.com, March 31).

The coins are primarily the byproduct of the processing of zorba, a nonferrous auto shred consisting mostly of aluminum, at scrap recycling facilities throughout China, Matthew Wong, director of Hong Kong-based Wealthy Max, told AMM.

Wong purchases the coins from processors across the country at a 30-percent discount from their respective redemption

value and sorts and separates the coins. He participates in 24 international coin redemption programs, including the U.S. Mint's.

"Wealthy Max is calling on the U.S. government to stop the harassment of honest Chinese companies, and return our property and money immediately," Wong said in statement prior to the audit. "Our property was taken and we are accused of a crime, but not charged. This is not fair, and we are committed to defending our rights and reputation through the U.S. justice



ranging between 1965 and 2013,” Gomez said, noting that this further implies the authenticity of the coins.

The team also implemented magnetic testing to determine whether the coins were legitimate, as clad coins are nonmagnetic.

“Coins made by the U.S. Mint do not have elements or materials that are magnetic. . . . This is not definitive proof, but this is one more indicator that suggests these coins are real,” Gomez noted.

In the 130 kilograms sampled and tested, the group did not find any magnetic coins.

“(The U.S. Mint) is essentially the institution of the world that is a leading coin expert. For many years they accepted the coins as being real. In trying to figure out what might have happened, there are a couple other agencies that don’t really seem to have had that much integration with the U.S. Mint that seemed to step in. Perhaps they weren’t experienced with industries like the scrap reclamation industries in China, and perhaps they leaped to some conclusions,” attorney Bradford L. Geyer told attendees during the audit.

The law firm contested the findings of the government’s laboratory report regarding a shipment earlier this year, stating that the results were invalid because the coins used in the tests were not sourced from Wealthy Max (amm.com, Jan. 22).

Wealthy Max’s attorneys had filed a motion last year seeking dismissal of the civil forfeiture case (amm.com, Oct. 21). The group is attempting to recover nearly \$2.39 million from the U.S. Treasury for coins submitted to the U.S. Mint’s mutilated currency redemption program, according to GeyerGorey.

system, and more, we are demanding justice for ourselves and others who have been wronged by the U.S. authorities.”

He added, “We organized this unsealing and audit to demonstrate, in a very tangible way, our belief in the legitimacy of our product and our commitment to transparency.”

The unsealing was overseen by Steve Gomez, director of FormerFedsGroup.com, a company that provides compliance, business development and trade facilitation, and a former U.S. Federal Bureau of Investigations agent.

The audit and unsealing of the crates mirror procedures used by U.S. federal law enforcement agencies and preserve a clear chain of evidence that will be usable in court, Gomez told AMM.

Each of the one-tonne crates was opened by Gomez and his team, who subsequently gathered and bagged 10 kilograms

of coins from each case as a sample. The bags were then combined into smaller boxes, which were sealed onsite and will be sent to the United States for laboratory tests.

“We found what appear to be real legitimate U.S. coins, dimes, quarters and half dollars. These coins reflect various years



The secret jackpot in America's waste stream

HONG KONG — Sharp syllables of Cantonese bite through the din of heavy truck traffic and steady beeps of a forklift as it unloads 13 tonnes of mangled U.S. clad coins—dimes, quarters and half dollars—from a freight container sitting in the center of Hong Kong's New Territories.

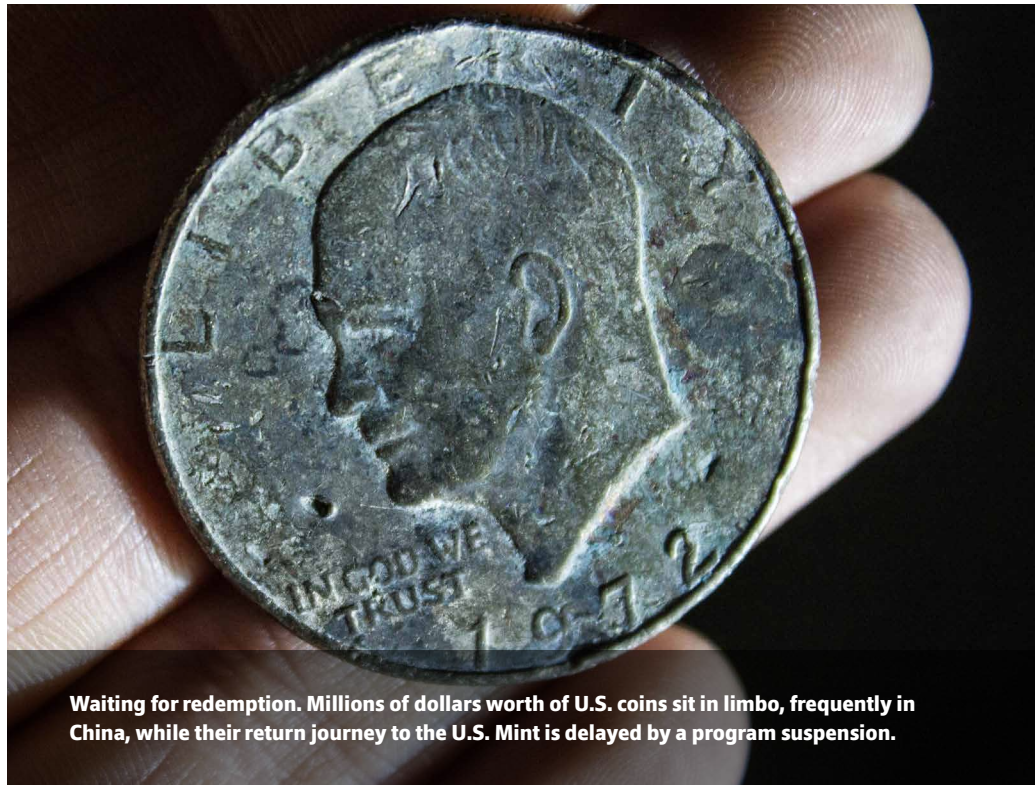
These coins are stuck in limbo. Unlike millions of their predecessors, they have not been returned to the United States, a voyage made possible by a century-old mutilated coin redemption program under the U.S. Mint. Their departure has been halted by the U.S. government, which has accused Hong Kong-based coin recycler and exporter Wealthy Max Ltd.—ostensibly the world's largest mutilated coin dealer—of fraud.

In a largely overlooked buyback program, the U.S. Mint has accepted mutilated and out-of-circulation coins since 1911. At a standard rate of \$20 per pound, 1 tonne of damaged clad coins, Mint-speak for a cupronickel, can be cashed in for more than \$44,000—a figure grossly exceeding any price that a Chinese smelter would pay.

With the exception of a brief period when the price of copper, nickel and zinc metal spiked, causing the scrap value of the penny and nickel to exceed their face values, the Mint's mutilated coin buyback program pretty much hummed merrily along.

However, the program hit a road bump in 2010 when a report issued by the Office of the Inspector General's Office of Investigations, part of the U.S. Treasury Department, sounded an alarm. Mint officials became concerned after the report suggested that the buyback program "could be exploited to facilitate illegal activity... based upon the value and frequency of mutilated coin redemptions by a relatively small number of individuals and corporations."

The seed was planted, and after a



review of the program Mint officials grew suspicious of fraudulent activity and became convinced that Chinese counterfeiters were using the guise of mutilation to siphon millions of dollars worth of fake coins back into the United States through the Mint's front door. The U.S. government took action, and in 2014 seized for laboratory testing millions of dollars worth of coin shipments from Wealthy Max and two other recyclers sourcing coins from China. The results revealed the presence of aluminum and silicon metals, which are not found in clad coins.

In November 2015, to ensure the integrity of U.S. coinage, the Mint suspended the buyback program for a period of six months to assess the security and safeguard protocols put into place. Since the suspension, coin recyclers in the United States and overseas have expressed serious concerns

about the resumption of the program and question whether the piles of coins they have collected over the past four months will be redeemable after the hiatus.

U.S. waste incinerators, auto shredders and heavy media plants have told AMM that the suspension of the buyback program has had a negative impact on their businesses, amounting to an abrupt freeze of a revenue stream during the worst market cycle since the 2008 crash. Despite the hiatus, companies said they continue to sort and collect coins, hopeful that the program will be resumed in May.

MOUNTAINS OF MONEY

With the hum of heavy machinery behind them, three executives—Matthew Wong, director of Wealthy Max; Dickie Chan (Chan Kai Yan), his colleague and co-owner of Glory Smart (HK) Ltd.; and Bradford L. Geyer,

U.S. MINT BUYBACK RATES

(Per pound)

Penny	\$1.4585
Nickel	\$4.5359
Clad coin (dime, quarter, half dollar)	\$20.00
\$1 coin	\$56.00

Source: Compiled by AMM from data released by the U.S. Mint.



Untouchables. Matthew Wong (left), director of Wealthy Max Ltd.; Dickie Chan (right), his colleague and co-owner of Glory Smart (HK) Ltd.; and Bradford L. Geyer (center), a partner in the Washington and Philadelphia offices of GeyerGorey LLP, who serves as the pair's attorney—in February as they prepared for a public unsealing of U.S. clad coins worth nearly \$7 million.

a partner in the Washington and Philadelphia offices of GeyerGorey LLP, who serves as the pair's attorney—in February prepared for a public unsealing of nearly \$7-million worth of U.S. clad coins that sat untouched inside a shipping container since the U.S. government seized the shipments more than 22 months ago.

In a bid to prove the company's innocence, Wong invited AMM to attend the unsealing and sampling of the 13 tonnes of mutilated coins in Hong Kong. During the course of the trip, AMM also had the opportunity to visit Wealthy Max's coin sorting factory in Foshan, China, and one of the many scrap reclamation facilities in the southern region of the country, where the company sources its coins.

Bagged in thick, white woven plastic and sealed in wooden boxes, the dual-metal zip ties atop each crate were cut so that the lids could be pried off with crowbars. The unsealing was overseen by Steven L. Gomez, director of FormerFedsGroup, a company that provides compliance, business development and trade facilitation, and a former U.S. Federal Bureau of Investigations agent hired by Geyer's law firm to conduct an investigation. Gomez was brought in as part of an offensive move to challenge the U.S. government's examination.

With a shovel and magnet in hand,

Gomez tested the coins at various depths, searching for any easily detectable and unauthentic magnetic coins. Dimes, quarters and half dollars contain 8.33 percent nickel with the remainder copper, and are not magnetic.

Over the past 15 years, Wealthy Max has successfully redeemed more than 160 shipments of pennies, nickels and clad coins with the U.S. Mint. The company, which participates in 23 similar buyback programs throughout the world, adamantly denies and

contests the U.S. government's accusations that it participated in a counterfeit scheme to defraud the U.S. Mint of millions of dollars. It argues that an entire industry has been overlooked, with a staggering volume of coins entering the waste stream every day.

CASTAWAY COINS

All but destroyed by the recycling process, these dull metallic and at times unrecognizable coins fully live up to the definition of "mutilated currency" assigned to them by the U.S. Mint. Whether a decade's worth of forgotten pocket change buried deep in the crevice of a car seat or the random pennies tossed in a dustpan after sweeping the floor, money inherently enters the waste stream. Whatever the route, a portion of this cold hard cash is eventually captured at some stage in the recycling process.

Further investigation by AMM has revealed that shredders, heavy media plants and waste incinerators are well aware of the presence of coinage in the recycling chain, with some companies taking special measures to capture part of this revenue stream.

On an individual basis, forgotten change might seem insignificant, little more than needles in the haystack of our country's waste stream, but on a national level the volume and value of these pennies, nickels, dimes, quarters, half dollars and dollar coins might actually accumulate faster than initially anticipated, especially when it's so easy to overlook the complex industry sorting it all.

U.S. MINT COSTS FOR MUTILATED AND OTHER COINS NOT FIT FOR CIRCULATION

(in millions of dollars)



SOURCE: COMPILED BY AMM FROM DATA RELEASED BY THE U.S. MINT.

New screening technology installed three years ago to boost Morristown, N.J.-based waste-to-energy provider Covanta Holding Corp.'s nonferrous metal recovery rate revealed the presence of a staggering number of U.S. coins, Steve Bossotti, the company's senior vice president of metals management, told AMM in an interview.

"When we started to screen and capture material, it was completely evident to the eye that there were a lot of coins," he said.

The findings prompted Covanta to conduct experiments with coins in the waste stream, and eventually led to a contract with a heavy media processor that sorts the company's nonferrous metals. A percentage of coin value sold back to the U.S. Mint by the heavy media processor goes to Covanta, Bossotti said.

The United States generates 389 million tons of trash annually, according to figures issued by the Energy Recovery Council in 2014. Of that total, some 247 million tons are landfilled, while 112 million tons are recycled or composted. Bossotti estimates that, on average, each ton of solid waste contains at least 15 to 25 cents, which suggests that in any given year, America could be discarding up to \$61.75 million in pocket change in its trash.

Added to this are the coins that numerous automotive recyclers have told AMM are found in the shredded waste stream, which includes cars, clothes washers and old vending machines. "There's a significant amount of coins (in the shredded waste stream)," one heavy media processor said. "It's a very large number, (but) in terms of the amount of coins its fraction of a percentage (of the total waste)."

"The U.S. Mint has an obligation to redeem damaged coins...there needs to be



Unsealed. Wealthy Max Ltd. publicly opened and sampled 13 tonnes of mutilated U.S. coins in Hong Kong. The pennies, dimes, quarters and half dollars come from piles of metal generated by automotive shredders and via incinerated waste streams.



a mechanism to recycle coins," former U.S. Mint director Edmund C. Moy, who headed the agency from 2006 to 2011, told AMM in an interview.

ZORBA

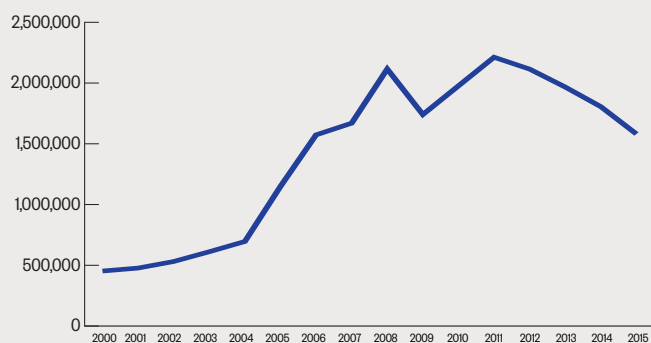
Bent and twisted after traveling through an automotive shredder or charred from temperatures in excess of 2,000 degrees Fahrenheit during waste incineration, most coins wind up buried in a pile of mixed

metal, plastic, foam, ash and other debris after their first round of processing. From there, various segregation techniques—eddy currents, air separation, flotation or screening, as well as at least one pass with a magnet—help to refine the jumbled mess into zorba, a shredded nonferrous scrap consisting predominately of aluminum, as defined by the Washington-based Institute of Scrap Recycling Industries.

After passing through the reclamation

US ALUMINUM SCRAP EXPORTS TO CHINA

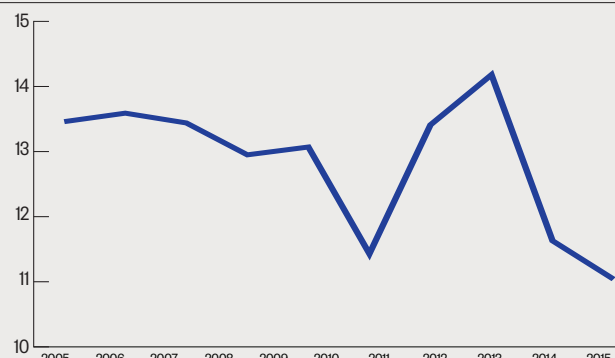
(in short tons)



SOURCE: COMPILED BY AMM FROM DATA RELEASED BY THE U.S. COMMERCE DEPARTMENT.

VOLUME OF US VEHICLES SCRAPPED

(in millions of units)



SOURCE: COMPILED BY AMM FROM IHS AUTOMOTIVE DATA.

chain, most of these coins are battered, no longer machine countable and unlikely to garner much attention from passersby if noticed on a busy sidewalk.

The generation of zorba has skyrocketed the past decade, propelled by a dramatic increase in the number of auto shredders that came online throughout the United States. The term overcapacity quickly became part of any discussion involving shredders, until the lethargic recovery in metal prices over the past few years led to the temporary idling and shutdown of some of these machines.

Shipping containers are packed full of this mixed nonferrous metal every month and sold to domestic processors and overseas buyers that use an array of sorting techniques ranging from primitive hand-eye methods to complex machines and proprietary systems. Any shipments of zorba entering the international market have a high likelihood of being funneled into

southern China due to the regions' ability to sort material cost effectively, suppliers said.

Tracking down a rock-hard number for zorba shipments is extremely difficult, according to Joseph Pickard, ISRI's chief economist and director of commodities, who noted that a lot of trade entries for aluminum scrap shipments are vague. "So it's not possible to tell what those shipments contain exactly," he said.

Industry veterans polled by AMM estimate that 70 to 90 percent of aluminum scrap exported to China is zorba. In 2015, the United States shipped 957,465 short tons of aluminum scrap to China (including Hong Kong), down 20.4 percent from more than 1.2 million tons the prior year.

REDS, SILVERS AND GOLDS

Hidden among these container shipments of zorba are countless coins from across the world, most of which will eventually be hand

sorted by color—reds, silvers and golds—by workers at a zorba processing facility and sold to coin recyclers like Wealthy Max. The other metals will be grouped and traded or melted down and cast into ingots.

Wealthy Max sources its coins from Du Chi Bu, a mutilated coin broker who handles coins from his family's scrap operations and other zorba reclamation facilities throughout southern China. Upon delivery to his facility, the coins are washed and dried to facilitate hand sorting.

Mounds of coins from throughout the world litter long wooden tables in a dimly lit warehouse belonging to Wealthy Max. Each of the piles is quickly picked through by workers, who in a matter of seconds can register the country, denomination and appropriate basket to toss the coin into. Like a slot machine in slow motion, the jingle of coins being hand sorted and simultaneously tossed echoes for an instant and then is suddenly muted by the sheer size of



◀ **Buried treasure.** Family owned scrap operations in China look through shipping containers of mixed nonferrous metal every day.

▲ **Reclamation chain.** Shipments of zorba and other mixed metal waste pass through a series of screening and flotation techniques before being hand sorted by metal grade. Coins go to coin recyclers, while the other metals will be grouped and either traded or melted and cast into ingots.



Hand sorting. Fewer than a dozen trained workers can sort through some 2 tonnes to 3 tonnes of coins each day, quickly dividing global coins by country and denomination.

the room. Here, less than a dozen trained workers can sort through some 2 tonnes to 3 tonnes of coins each day, according to Wong.

MUTILATED MASTERPIECES

The coins redeemed under the program are either the gravy for some waste incinerators, automotive shredders and heavy media plants or the mangled masterpieces of ingenious, clandestine and presumably well funded criminal organizations rooted deep in China—or maybe a mix of both.

What complicates the situation further is that retired die striking machinery, previously used by the Mint to manufacture coins, was sold to Chinese buyers within the past 40 years through government surplus auctions, according to American Numismatic Association museum curator Douglas Mudd. Adding to the concern is that clad coins can be reverse engineered, according to allegations made by the U.S. government in its complaint against Wealthy Max.

Coin counterfeiting is not a new issue, according to Mudd, who said that throughout history counterfeiters could generally be lumped into to three categories—artists showing off their skills, vigilantes destabilizing a country's currency and crooks looking to ride the easy train.

Moy said without hesitation that “it’s not feasible to counterfeit most coins... it’s a high-volume, low-margin business. When you look worldwide, most efforts focus on high-denominated coins.... Counterfeiting

coins is a more costly and complicated process than counterfeiting paper money,” he said.

Counterfeiting something like a quarter points to a large-scale operation, according to Mudd. “The tendency today is for larger-denomination coins to get counterfeited because you get more bang for the buck.”

A counterfeiting operation targeting lower-denomination coins like quarters and dimes would need to tap into the economies of scale to lower the production costs of each coin, similar to the U.S. Mint. The agency manufactured 16.2 billion circulating coins during fiscal 2015, which ran through Sept. 30, with the unit cost of a quarter at 8.44 cents and a dime at 3.45 cents. To achieve this figure, a rate of circulating coin production not seen since pre-recessionary levels of 2006, the Mint added a third shift to the Philadelphia and Denver operations and brought on additional personnel, Matthew Rhett Jeppson, the Mint’s principal deputy director, said in the agency’s 2015 annual report.

Coin collectors have been particularly hit hard over the past two decades, with increasingly higher-quality counterfeits of rare coins wreaking havoc on the trade, Mudd said.

“Fifteen years ago, any Chinese counterfeit that came across the table was easy to spot; that’s not the case now,” he said. “Counterfeiters are getting better and better.

The new generation of (counterfeit rare) coins is more difficult to distinguish. There’s no technology impediment to counterfeiting modern coins, in fact it’s probably easier.”

REPERCUSSIONS

While Wealthy Max is not officially banned from redeeming coins through the U.S. Mint’s program, the company has not sent any shipments to the United States since March 2015, according to Wong. However, over the past year it has continued to purchase and separate U.S. coins for redemption, with inventories gradually rising. Wong was unable to specify an exact volume of U.S. coins accumulating at his and other scrap facilities throughout China, but estimates the total value could easily exceed \$50 million.

U.S. waste incinerators, auto shredders and heavy media plants are just as anxious as Wong and other Chinese-based recyclers and coin dealers to have the program and its resultant lucrative revenue stream restored. On a per-pound basis, a pile of damaged coins returned to the Mint easily overshadows most other metals pulled from the waste stream ; and at a time when metals recyclers are struggling to stay afloat amid steep drops in commodities prices and lingering uncertainty about a recovery in the market, all sources of income are crucial. As a result, the piles of coins collected by U.S. companies are growing every day, with the

industry literally banking on the program's resumption.

Regardless of the authenticity of the seized coins, the ripple effects from the Wealthy Max case and subsequent modifications to the U.S. Mint's buyback program

could have implications for everyone involved in the mutilated coin trade. The ramifications promise to resonate from waste incinerators, heavy media processors and automotive shredders in the United States to the workers in some far off time zone who

glovelessly sort through heaps of waste.

Future investigations by AMM will feature further interviews from shredders, heavy media plants, waste incinerators and numerous other parties involved in the coin recycling industry.

Piling up. While other countries continue to buy back their mutilated currency, U.S. coins valued in excess of \$50 million have accumulated in scrap facilities throughout China since March 2015.



Apr 29, 2016

Mint coin buyback delay deals blow to recyclers

PITTSBURGH — Coin recyclers are grappling with the U.S. Mint's extended suspension of its mutilated coin redemption program, saying the continued hiatus will have serious repercussions for the industry.

Coin sellers will now have to wait an additional six months to capitalize on the lucrative revenue stream at a time when some metal recyclers are struggling to stay afloat amid the worst market cycle since the 2008 crash.

The U.S. Treasury Department said the program—which was suspended for an initial six months, effective Nov. 2 of last year, under suspicion that Chinese counterfeiters were using the guise of mutilation to siphon millions of dollars in coins back into the United States through the Mint—will not start back up for another six months, until at least Nov. 2 of this year, according to a notice in the Federal Registry.

"The United States Mint has made significant progress in assessing the current state of the program, evaluating risks and identifying potential remedial measures,"

according to the Federal Register notice. "Due to recent litigation involving the exchange program and more time needed to complete our work, the United States Mint is extending the suspension."

U.S. and Chinese recyclers had literally been banking on the program's resumption, with the value of U.S. coins accumulating in China estimated to easily exceed \$50 million (amm.com, March 22).

U.S. waste incinerators, auto shredders and heavy media plants have told AMM that the suspension of the buyback program has negatively affected their business, with the future suspension expected to deepen the impact.

"The idea that the U.S. Mint might not stand behind the currency is concerning," according to Luke Palen, president of Rosemount, Minn.-based Spectro Alloys Corp.

"From an industry standpoint, it is a big issue," he said, noting that the inability to liquidate currency collected in the recycling process has the potential to hurt many

people in the industry. "We are still paying good prices for zorba, but if the ability to capture coin value disappears it will hurt everyone in the value chain."

Others agreed.

"The U.S. Mint has got to understand that these coins are coming from zorba representing millions of cars shredded in the U.S., and the zorba is exported to China. Right now in the nonferrous scrap industry, times are tough, and any revenue stream is important to us," a nonferrous scrap processor told AMM. "The redemption program is good for the Mint and for scrap processors. It was a win-win situation. The Mint had a means of recovering all of these coins. It seems now that they're cutting off their nose to spite their face."

An investigation by AMM in February revealed that America could be discarding up to \$61.75 million in coins in any given year through waste incineration—a figure that doesn't take into account the value of money that may be found within cars during the automotive recycling and shredding

process.

Through these two waste streams, coins end up buried in processed piles of mixed metal called zorba, a shredded nonferrous scrap consisting predominately of aluminum, as defined by the Washington-based Institute of Scrap Recycling Industries.

Shredders, heavy media plants and waste incinerators are well aware of the presence of coinage in the recycling chain, with some companies taking special measures to capture part of this revenue stream.

"We appreciate the need to develop additional safeguards, but it is disappointing to see organizations that are deploying technology and capital investments to recover these coins properly continue to be negatively impacted by the suspension of the program. Well-established suppliers of recovered coins should not be penalized due to the actions of others," according to Steve Bossotti, senior vice president of Morristown, N.J.-based Covanta Holding Corp.'s metals management division.

The robustness of the program was called into question in 2010 after a report issued by the Office of the Inspector General's Office of Investigations, part of

the Treasury Department, suggested that the buyback program "could be exploited to facilitate illegal activity... based upon the value and frequency of mutilated coin redemptions by a relatively small number of individuals and corporations."

The U.S. government took action, and in 2014 seized for laboratory testing millions of dollars in coin shipments from Hong Kong-based coin recycler and exporter Wealthy Max Ltd. as well as two other recyclers sourcing coins from China.

Mint has not rushed to judgment regarding an important government program that contributes significantly to the Mint's ability to procure raw materials for coin replenishment and secures full faith and credit in our nation's currency," Bradford L. Geyer, a partner at GeyerGorey, told AMM.

The law firm commissioned a white paper on the mutilated coin redemption program, calling for the U.S. Mint to step up its inspecting process on large-scale coin recyclers, along with other policy recommen-

Shredders, heavy media plants and waste incinerators are well aware of the presence of coinage in the recycling chain

Wealthy Max and Washington-based law firm GeyerGorey LLP, which is representing the company, maintain that it was wrongly accused by federal prosecutors. In a bid to prove its innocence, the company unsealed and sampled 13 tonnes of damaged U.S. coins for testing in order to prove to government agencies that the coins are authentic—an event attended by AMM (amm.com, Feb. 23).

"We are gratified and relieved that the

dations for restrictions on the program.

The findings were presented Feb. 25 by Washington-based FormerFedsGroup LLC, which includes a conglomerate of researchers, analysts and retired Federal Bureau of Investigation agents.

"We stress at this time that our extensive internal international investigation has been unable to confirm any material breaches to the program caused by counterfeiting," Geyer said.

May 04, 2016

ISRI gauging impact of coin buyback suspension

PITTSBURGH — The potential impact of the prolonged suspension of the U.S. Mint's mutilated coin redemption program on businesses throughout the recycling chain is being assessed by the Institute of Scrap Recycling Industries.

"We are seeking to find out just how many of our members are being affected. There are many domestic and foreign recyclers that handle coins," Scott Horne, ISRI's counsel, told AMM. "Once we have a better understanding on the suspension's impact, we will be able to assess how we can approach the situation."

The Washington-based trade association is surveying domestic and foreign recyclers to gauge the repercussions of the suspension since November, as well as going forward.

Coin recyclers were dealt a blow after the U.S. Treasury Department announced that its coin buyback program would be

delayed for an additional six months. U.S. waste incinerators, auto shredders and heavy media plants have noted a negative effect on their business as a result of the program's hiatus, with the future suspension expected to deepen this impact (amm.com, April 29).

The hiatus followed suspicion that Chinese counterfeiters were using the guise of mutilation to siphon millions of dollars in coins back into the United States through the Mint.

"This is not the first time that a government agency has reacted without any understanding, or even a reasonable understanding, of the industry," Horne said, adding that coin recycling has been around for decades.

"Collecting coins out of scrap metal is a decades-old practice—particularly since the shredder came into being, and more so since the advent of advanced metal processing

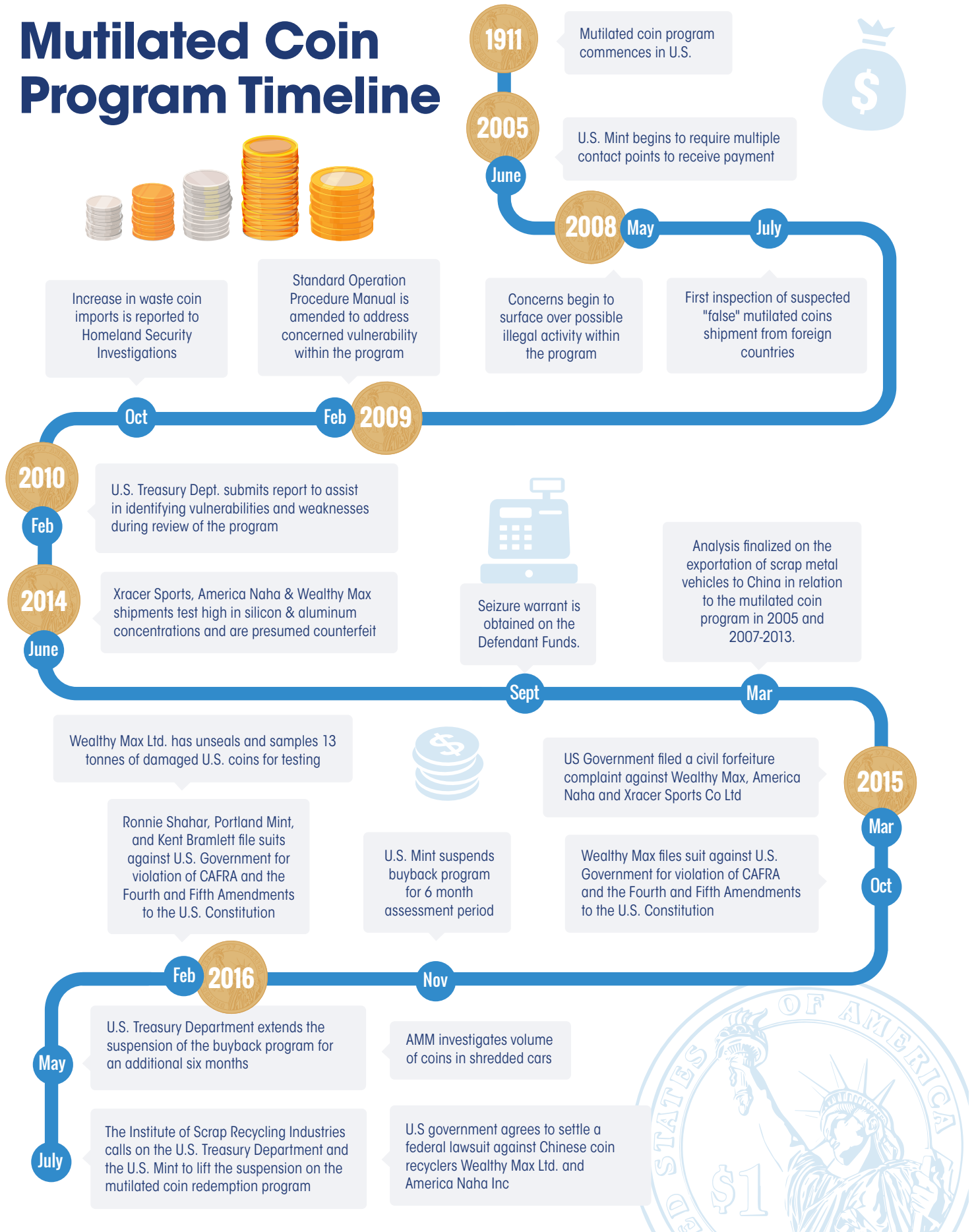
technology," he said. "If it is hurting our members as a result of pricing of zorba or through the inability to sell direct back to U.S. Mint, then obviously we need to step in."

An investigation by AMM in February revealed that the United States could be discarding up to \$61.75 million in coins in any given year through waste incineration—a figure that doesn't take into account the value of money that may be found within cars during the automotive recycling and shredding process (amm.com, March 22).

Through these two waste streams, coins end up buried in processed piles of mixed metal called zorba, a shredded nonferrous scrap consisting predominately of aluminum, as defined by ISRI.

Millions of dollars in coin shipments from overseas sellers to the program have been seized by the U.S. government for laboratory testing (amm.com, Feb. 23).

Mutilated Coin Program Timeline



More than chump change in auto waste stream, test shows

PITTSBURGH — With millions of dollars’ worth of discarded coins said winding up in the recycling stream via waste incineration and car shredding every year, according to an AMM report, one recycler orchestrated an experiment designed to put that theory to the test.

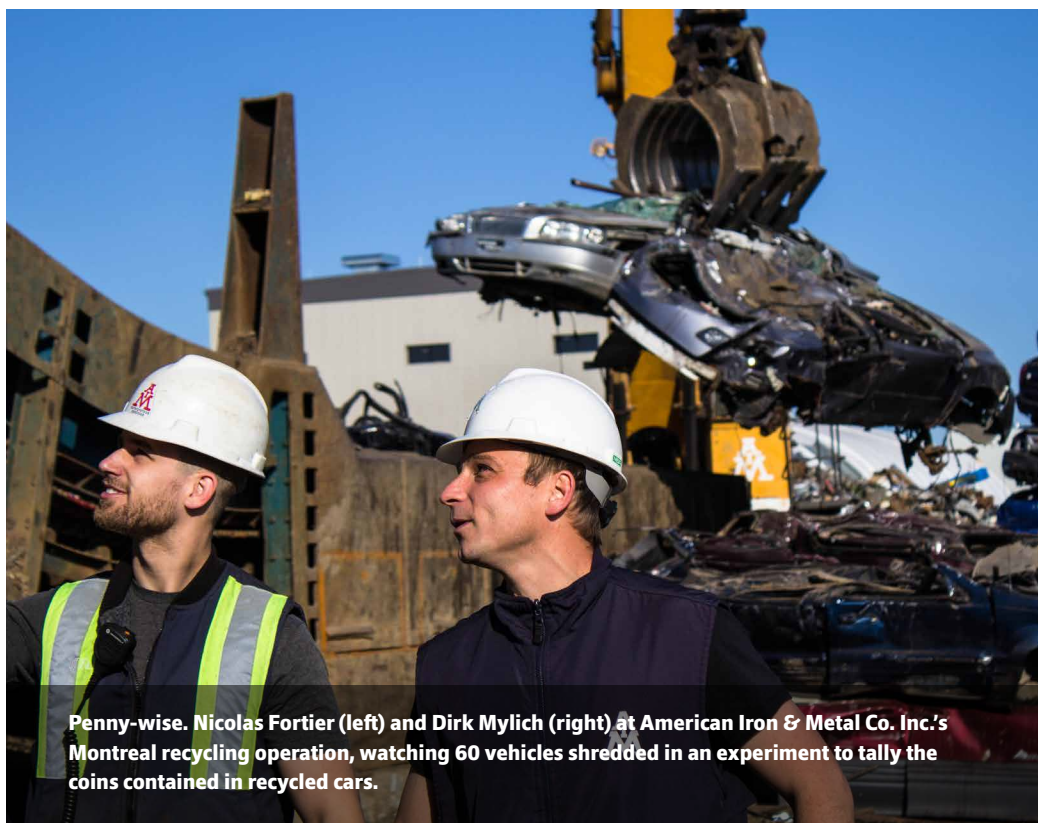
AMM was on the scene with American Iron & Metal Co. Inc. scrap process specialists Nicolas Fortier and Dirk Mylich at the scrap giant’s Montreal operation May 20 to test the notion that handfuls of pocket change are unsuspectingly lodged in vehicles at the time of recycling.

At half-speed it’s easy to pluck coins from the conveyer belt, which catches and carries fist-sized chunks of metal, tangled copper wires and pieces of green circuit boards from cars after they’ve been eaten and spit out of the industrial auto shredder.

On a normal day, the more than dozen men stationed along various segments of the belt—donning hard hats, masks, rubber gloves, dust suits and steel-toed boots—would let the coins pass. The pickers’ usual focus is to pull out and separate the higher-valued material from the fragments of steel and other metals as they glide by.

But on this day, the pickers standing on line at Montreal-based AIM’s scrap recycling operation have been given the directive to extract all the lost and forgotten pocket change from the conveyer as part of a test to learn whether automobiles are indeed a large source of mutilated coins.

The amount of coinage existing within the recycling industry has been called into question by the U.S. government after it seized millions of dollars in coin shipments



Penny-wise. Nicolas Fortier (left) and Dirk Mylich (right) at American Iron & Metal Co. Inc.’s Montreal recycling operation, watching 60 vehicles shredded in an experiment to tally the coins contained in recycled cars.

from recyclers sourcing what it alleges were counterfeit coins from China.

Following concerns that the U.S. Mint’s program to buy back these mutilated coins could be exploited, the Treasury Department suspended and later delayed the program for what will amount to an entire year as it works to assess the security and safeguard protocols in place. [The Canadian Mint, in comparison, buys back coins through a different procedure.]

Regardless of the authenticity of the seized

coins, U.S. auto shredders, waste incinerators and heavy media plants argue that a significant volume of coins enter into the recycling supply chain via waste incineration and car shredding (amm.com, March 22) and that the extended delay of the program negatively affects their businesses. The search for answers to determine just how many coins are thrown away has expanded across the recycling industry and subsequently the world.

The AIM experiment paid off. After 60 cars were turned into roughly 120,000 pounds of processed material which was meticulously picked through, screened and run through a series of separating techniques. This was followed by a second and final picking through. The findings

COINS PICKED IN 60 SHREDDED CARS <small>(in Canadian dollars/cents)</small>			
Coin type	Magnetic coins	Nonferrous coins	All coins
\$2	7	0	7
\$1	14	0	14
25¢	64	0	64
10¢	38	1	39
5¢	40	12	52
1¢	10	97	107
Total coins	173	110	283
Coins per car	2.88	1.83	4.72
Total value	\$49.90	\$1.67	\$51.57
Value per car	83¢	3¢	86¢

Anticipation. Cars prepped for shredding. In an exclusive experiment with AMM, 60 cars from American Iron & Metal Co.'s lot were turned into roughly 120,000 pounds of scrap.



Unseen money. The findings of AIM's experiment have prompted the company to keep a closer eye on the loose coins buried in each car.

left more than a shred of evidence that a substantial amount of coins sneak their way into this segment of the recycling stream every day.

PICK AND PULL

Through the large window of the shredder's operations tower, Fortier points down to a pile of 60 crushed and neatly stacked cars. Each vehicle to be shredded has already been "sourced" throughout Canada by AIM's company owned pick-and-pull-style, self-service auto part yards, where practically any piece of a car can be bought.

Over the rumble of the machine, Fortier explains that these cars will be used as feedstock for the experiment.

A crane picks off one of the top cars in the pile and positions it on the center of the conveyer, while a controller in the tower simultaneously turns on the belt to slowly draw the car into the mouth of the shredder. For the purposes of the experiment, this process has been significantly slowed down from the normal shredding speed in order to allow the pickers more time to locate and pull coins. Mixed in with unrecognizable chunks of what were once cars, coins are among the materials spit out the other end of the shredder and are carried along on a conveyer.

"A large portion of coins are still in the car when it's shredded," Fortier said,

noting that the cars used in this test had been pre-cleaned, or de-olluted in industry terms. Even still, Fortier hypothesized that pocket change not literally pocketed during depollution inevitably falls into and underneath the seats and other hard to reach spots.

Fortier expects to find the vast majority of coins within the separated ferrous material, as most of the coins manufactured by the Royal Canadian Mint consist of a steel base, causing them to be magnetic, unlike their U.S. counterparts that are both nonferrous and nonmagnetic. U.S. coins are generally found in the separated nonferrous materials.

Due to the magnetic quality of Canadian coins, Fortier and Mylich have implemented additional steps and scrutiny that would otherwise be unnecessary if the experiment were to be conducted using cars sourced from the United States.

"In the U.S., 100 percent of the coins would end up in the zorba," according to Mylich, referring to a shredded nonferrous scrap consisting predominately of aluminum, as defined by the Washington-based Institute of Scrap Recycling Industries. Various segregation techniques—eddy currents, air separation, flotation and screening, as well as multiple passes with magnets—help to refine the jumbled mess of mixed metal created when a car is shredded into a tradable commodity, he added.

Some domestic heavy media plants buy and process zorba, but an overwhelmingly large percentage of the metal is exported to China, where the piles are glovelessly picked through and separated by workers who find coins from around the globe.

LOONIES AND TOONIES

Cascading down chutes, the mixed metal is pulled along a maze of conveyer belts through a series of rooms, yielding handfuls of coins at each stage of the process.

A large magnet at the back of the shredder begins the process, separating the jumbled material that was spit out into two distinct paths—magnetic and nonmagnetic. Loonies and toonies, Canada's \$1 and \$2 coins, are the easiest to spot among the pieces of steel scattered in the material that drifts by. In the background, the flood of metal onto the first conveyer is punctuated with a pop and grinding noise as each car is crushed and torn apart by the shredding machine.

All the remaining nonmagnetic material was diverted onto a second path via another series of belts and chutes into a new room rightfully dubbed the downstream operation. Here, the metal from the automotive shredder, mixed with residue-glass, plastics, foam and rubber, literally is flung out of the stream and off the conveyer by an eddy current separation system. The metal

collected at this stage is zorba—aluminum, copper, lead, magnesium, stainless steel, nickel, tin and zinc.

These chunks of zorba are carried down another line and scavenged over by second group of pickers, who removed the majority of nonferrous coins, like pennies, during the experiment. In order to ensure that no coins were missed through the processes, Fortier and Mylich organized a third crew to sort through the fines—pieces smaller than the size of a pen cap—which get screened out after the eddy current process.

In a final attempt to locate any possible leftover coinage, the pair searched through the pieces of material that were kicked off into a separate bin by the magnets in the shredder. Just a few kicks through this scattered pile revealed coins, so Fortier and a few volunteers raked through the pile, successfully recouping the castaways.

JACKPOT

After the dust settled and all the pocket change was collected, the count began. Although Fortier and Mylich didn't become instant millionaires, the results amazed the pair. Out of the 60 cars shredded, the team extracted Canadian \$51.57 (\$39.57), or nearly C86 cents (66 cents) per car at an average of five coins in each vehicle. While this amount might seem trivial to some, the figure grows rapidly when looking at the number of cars shredded every year. In the United States alone, if an average of 86 cents were contained in each car at the time of shredding, the total amount climbs to well over \$150 million in recycled coinage since the start of the millennium.

"I thought we'd only find a few coins per car, but to find almost (Canadian) \$1 per car of value is quite amazing," Fortier said, noting that the challenges posed by the

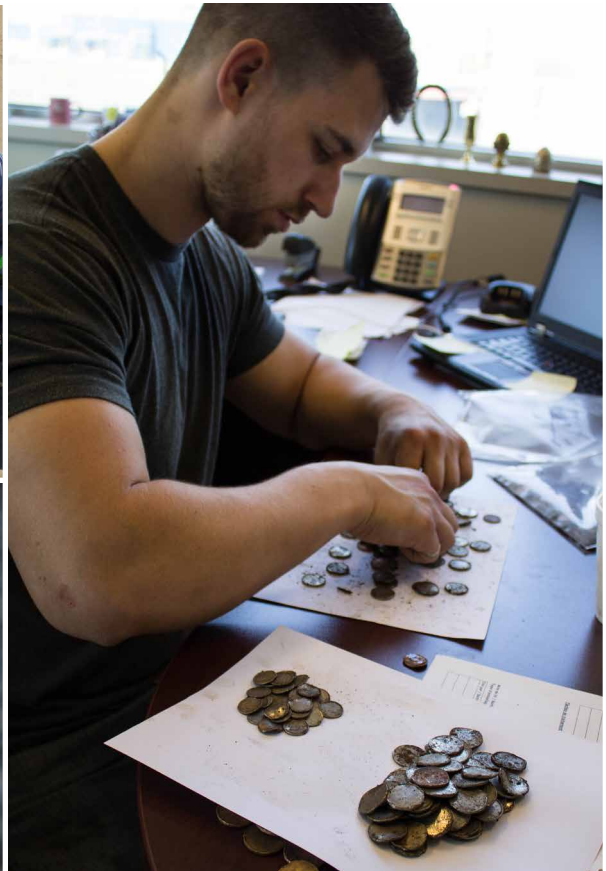
coins being magnetic could have resulted in some coins being missed through the process, suggesting the average amount per car could be even higher.

The findings surprised the pair, along with AIM president and chief executive officer Herbert Black—enough so that the team is rethinking how it handles cars and might potentially capture the unseen lucrative revenue hidden in each vehicle in the future.

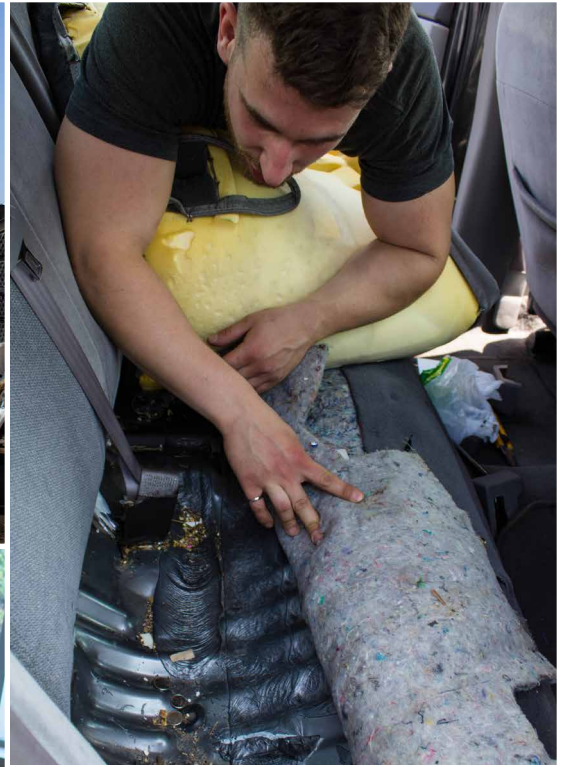
"This will change the way we treat the cars we buy for our pick-and-pull yards. While depolluting the cars, we will keep an eye on loose coins; It's easy money," Fortier said.

"If we were located in the U.S., we definitely would put a picker on the zorba line," Mylich added.

Out of curiosity, Fortier and Mylich went to the pick-and-pull yard armed with razor blades to conduct a followup experiment.



Pickers. More than 120,000 pounds of material processed from shredded cars was passed through a series of separating techniques, screened and meticulously picked by the Montreal scrap giant. The results revealed that each car contained an average of C86 cents (66 cents). If this rate is applied to the U.S. industry since the start of the millennium, it suggests that well over \$150 million in coins could have been recycled.



Reconsidered: Herb Black (above center), AIM's president and chief executive officer, discusses the results from the coin experiment with his scrap process specialists. The findings surprised them, enough so that the team is rethinking how it handles cars and might potentially capture the unseen lucrative revenue hidden in each vehicle in the future.

The pair scoured seven freshly delivered cars to the yard, ripping out the seats, peeling back the carpet and scavenging the dashboard, cup holders and floor. The findings from this small sample more than mirrored the earlier results, with an average of more than 10 coins in each car representing an average of about C\$1.12 (nearly 86 cents) in each vehicle. Interestingly, Fortier and Mylich concluded that the junkier the car, the more coins it was likely to contain.

FULL FAITH AND CREDIT

Whether hidden inside the nooks and crannies of cars, as proven by AIM, or among the ash of incinerated waste, coins enter the

recycling stream at a staggering rate when taking into account the number of vehicles shredded and the volume of trash generated on a national level in any given year.

As a result, U.S. waste incinerators, auto shredders and heavy media plants have had trouble digesting the U.S. Mint's decision to prolong the suspension to the buyback program. Numerous industry participants have told AMM that the extended suspension has and will continue to have a negative impact on their businesses, with the hiatus amounting to an abrupt freeze of a revenue stream during the worst market cycle since the 2008 crash.

After surveying domestic and foreign recyclers to gauge the repercussions that the suspension has had on business throughout

the recycling supply chain, the Washington-based Institute of Scrap Recycling Industries (ISRI) has begun talks with government officials in an attempt to resolve the issue.

"Based on these findings, it certainly shows there are indeed a significant number of coins in each car when it gets recycled, which total up to significant sums," ISRI legal counsel Scott Horne said. "We are speaking with legislative and executive branch officials to see if this issue can be resolved promptly."

Despite uncertainty regarding the resumption of the program, which in May was delayed an additional six months by the U.S. Treasury Department (amm.com, April 29), companies have told AMM that they continue to sort and collect coins, banking on the program's restart.

Jul 15, 2016

ISRI urges lifting of coin redemption freeze

PITTSBURGH — The U.S. Treasury Department and the U.S. Mint are being called on by a scrap industry trade group to lift the suspension on the mutilated coin redemption program.

“The moratorium is having a significant detrimental impact on U.S.-based recyclers who, suffering from low prices and very slim margins for several years, are now facing additional financial difficulty because of their inability to redeem the mutilated coins they have in inventory,” Institute of Scrap Recycling Industries president Robin K. Wiener said in a letter addressed to Treasury secretary Jacob J. Lew and Mint principal deputy director Rhett Jeppson.

The government should use more discretion in its efforts to cease purchases and not ban companies at large, Wiener said. “While ISRI fully supports enforcement activities against those companies that abuse the redemption program through the attempted sale of counterfeit coins, we do not see the need for a blanket moratorium that effectively punishes all those who legitimately rely on the program for their ongoing businesses,” she wrote.

The Washington-based trade group previously surveyed domestic and foreign recyclers to gauge the repercussions of the suspension since November 2015, as well as the potential future impact on the industry (amm.com, May 4).

Initially, the program was only supposed to be halted for six months. The impact on the industry deepened after the Treasury delayed the coin buyback program for an additional six months, prompting U.S. waste incinerators, auto shredders and heavy media plants to speak out on the negative effect that the program’s hiatus is having on their businesses (amm.com, April 29).

“As is our longstanding policy, due to the continuing litigation, it is not appro-



priate for us to comment at this time,” a spokesman for the Mint told AMM.

The Treasury Department could not be reached for comment.

It has been estimated that the United States could be discarding up to \$61.75 million in coins in any given year through waste incineration—a figure that doesn’t take into account the value of money that might be found within cars during the automotive recycling and shredding process (amm.com, March 22).

With millions of dollars’ worth of discarded coins said winding up in the recycling stream via waste incineration and car shredding every year, AMM teamed up with one recycler and orchestrated an experiment designed to count the number of coins in 60 shredded cars. The results revealed that each car contained an average of Canadian 86 cents (66 cents). If this rate is applied to the U.S. industry since the start of the millennium, it suggests that well

over \$150 million in coins could have been recycled (amm.com, May 27).

The original suspension followed suspicion that Chinese counterfeiters were using the guise of mutilation to siphon millions of dollars in coins back into the United States through the Mint, with millions of dollars in coin shipments from overseas sellers to the program seized by the U.S. government (amm.com, Feb. 23).

Wiener provided an explanation to account for the sudden uptick in coins redeemed from Chinese recyclers since the start of the millennium. “Beginning roughly around 2003, the vast majority of zorba generated in the U.S. began to move to China due (to) the high demand for aluminum within that country,” she wrote.

Low labor costs allowed Chinese companies to hand sort the zorba, resulting in greater recovery of coins and leading to a dramatic increase in the amount of U.S. coins being redeemed at the Mint by foreign companies, Wiener added.

Jul 25, 2016

US gov’t agrees to settle coin recycling suit

PITTSBURGH — The U.S. government has agreed to settle a federal lawsuit against Chinese coin recyclers Wealthy Max Ltd. and America Naha Inc., which had been accused of importing millions of dollars’ worth of fake

coins into the country and redeeming them through the U.S. Mint.

The suit was dismissed with prejudice July 21 by Judge Juan R. Sanchez in U.S. District Court for eastern Pennsylvania. The

case has been permanently closed and cannot be brought back to court.

“We are very gratified with the dismissal, with prejudice, of the case involving Wealthy Max, as it reflects the

reality that the Mint's Mutilated Coin Redemption Program has always been administered competently and professionally by the United States Mint and that its program has never been materially affected by counterfeiting," Bradford L. Geyer, a partner at GeyerGorey LLP and counsel for Wealthy Max, told AMM.

"The government never had any evidence that America Naha was counterfeiting coins. This settlement agreement is an admission of that and a significant win for my client. After litigating for over a year, America Naha will see the return of millions of dollars in wrongly seized assets and dismissal of the case with prejudice. It's a complete victory," Lee Vartan, America Naha's attorney and a partner at New York-based law firm Holland & Knight LLP, told AMM.

The U.S. government in 2015 accused Hong Kong-based coin recycler and exporter Wealthy Max—ostensibly the world's largest mutilated coin dealer—as well as Dallas-based coin importer America Naha and Rancho Cucamonga, Calif.-based importer XRacer Sports Co. Ltd. of fraud, at the time seizing millions of dollars' in coin shipments for laboratory testing (amm.com, March 31, 2015).

Some of the allegations federal prosecutors brought against the trio in the first forfeiture complaint, including an estimate that there would have to be about \$900 worth of U.S. coins in every scrap vehicle ever exported to China to account for the coins redeemed from the Asian country, were drastically revised. The amended complaint estimated "\$900 in mutilated coins in every vehicle exported to China in 2007 and approximately \$27 in mutilated coins in every vehicle exported to China in 2008."

Other allegations, such as a claim that Chinese recyclers redeemed more half dollars in 10 years than have ever been minted, vanished in the second amended verified complaint for forfeiture.

"There is no doubt that this case was complicated and deals with a complex and little-known global industry. We were glad that the government has been open to receiving the information that we have provided and to correcting the mistake that was made when the complaint was originally filed," Geyer said.

Wealthy Max and America Naha didn't admit wrongdoing in the settlement and maintained their innocence throughout the case, with Wealthy Max previously orchestrating a public audit and unsealing of 13 tonnes of damaged U.S. coins to prove their authenticity (amm.com, Feb. 23).

The dismissal of the case comes on the heels of a letter written by Institute of Scrap Recycling Industries president Robin K. Wiener urging Treasury secretary Jacob J. Lew and Mint principal deputy director Rhett Jeppson to use more discretion in their efforts to cease purchases and not ban companies at large from participating in the mutilated coin-redemption program (amm.com, July 15). Outrage from U.S. waste incinerators, auto shredders and heavy media plants prompted the Washington-based

If this rate is applied to the U.S. industry, it suggests that well over \$150 million in coins could have been recycled since the start of the millennium (amm.com, May 27).

Whether through an automotive shredder or during waste incineration, most coins end up buried in a pile of mixed metal that is eventually refined into zorba, a shredded nonferrous scrap consisting predominately of aluminum, as defined by ISRI. Industry veterans polled by AMM estimate that 70 to 90 percent of aluminum scrap exported to China is zorba.

All eyes are now on the Treasury and Mint as the redemption program remains offline and isn't set to be reopened until November. However, a serious backlog of coins since the initial suspension has left some recyclers concerned and others

An investigation by AMM found that a staggering volume of coins—up to \$61.75-million worth in any given year—could be discarded in trash or in automobiles, as well as in vending and washing machines at the time of recycling.

scrap industry trade group to investigate the hiatus' effect on businesses throughout the industry (amm.com, May 4).

This spring, the suit against the Chinese recyclers ballooned into an industry-wide hiatus of the Mint's century-old mutilated coin-redemption program as the U.S. Treasury Department paused to assess the program and its associated risks (amm.com, March 22). The suspension reportedly crippled U.S. and foreign coin recyclers, and its impact was only exacerbated by the six-month extension granted due to the ongoing litigation (amm.com, April 29).

An investigation by AMM found that a staggering volume of coins—up to \$61.75-million worth in any given year—could be discarded in trash or in automobiles, as well as in vending and washing machines at the time of recycling. AMM later teamed up with one recycler to estimate the number of coins in 60 shredded cars, finding an average of Canadian 86 cents (65 cents) in each.

expecting drastic revamps to the program.

"If there is no case regarding counterfeiting of coins for repurchase by the U.S. Mint, we look forward to the Mint expeditiously ending its moratorium on the purchase of mutilated coins," ISRI vice president of government relations Mark Reiter told AMM.

Geyer agreed. "The recognition that there is no evidence that damaged U.S. clad coins (dimes, quarters, half dollars and dollars) have ever been counterfeited in bulk should lead to the prompt reopening of the U.S. Mint's Mutilated Coin Redemption Program, as it is required to do by law under congressional authority, so that it can reestablish the U.S. Treasury's proud historical commitment to granting full faith and credit to U.S. currency and coinage," he said.

The Treasury Department, Mint and U.S. Attorney's Office declined AMM's requests for comment.

US release of coins not enough, recyclers say

PITTSBURGH — Coin importers anticipate some relief as shipments held for testing by the government now appear to be en route to their rightful owners, but other recyclers are seeking alternative methods to redeem their coin stockpiles while the U.S. Mint's buyback program remains suspended.

The U.S. Bureau of Customs and Border Protection (CBP) has apparently agreed to release more than \$700,000 in coin shipments to a trio of importers, and deliver payment for more than \$300,000 in melted coins that have allegedly been detained and withheld without due process since 2014 and 2015, parties involved with the situation said.

At least one company—Portland, Ore.-based Portland Mint LLC, which buys, sells and stores bulk quantities of coins—received confirmation of the release of a shipment that had been detained by the CBP for 507 days, according to documents obtained by AMM.

The CBP had no comment Sept. 13.

However, while the coins might be returned there is still no way to sell off the inventory while the Mint's program remains halted. Melting them down independently isn't an option because it is illegal to destroy U.S. currency, and coin recyclers are awaiting an answer from the U.S. government regarding what they should do with the piles of coins building up at their facilities.

Coins vs. currency

Some recycler sources questioned the worth of these materials if they can't be redeemed.

"The suspension of shipments to the Mint has caused a severe business hardship, as we have been held up from shipping to the Mint for nearly 18 months. This includes almost six months prior to the formal suspension of the program in which we were unable to get an appointment to deliver coins," according to a heavy media plant operator, who wished to remain anonymous.

"While we understand and can deal with the market risks associated with scrap metals, we could never have imagined the current scenario under which U.S. currency has essentially become worthless with no ability to monetize it.... We are currently



looking at various methods to clean and recirculate these coins, as we need to be able to recoup some of the costs already expended. On a much broader level, if the program stays on hold what impact will the continued suspension have on the monetary value of the coins and U.S. currency?" this source asked.

"We're frustrated that the program is still offline due to the fact that we want to be able to capture the value of all these coins," Luke Palen, president of Rosemount, Minn.-based Spectro Alloys Corp., agreed.

"We're frustrated like the rest of the industry. This is currency and its value is being lost," Steve Bossotti, senior vice president of Morristown, N.J.-based Covanta Holding Corp.'s metals management division, said.

Covanta also is considering sorting through its inventory of bulk coins to separate pieces that haven't been mutilated, which account for roughly one-third of the company's coins, Bossotti said. "We are

evaluating cleaning and sorting the coins and returning them into the U.S. banking system. We'd spend more time to process (them) and get less value but if the status quo continues, we have to look at doing something different because it's value being lost."

MOVING FORWARD

The Institute of Scrap Recycling Industries has said that it is committed to finding a path forward with the Mint despite the government's lack of willingness to come to a resolution.

ISRI has tried to work with the Mint to resolve the buyback program's current suspension, but attempts so far have met with limited success, Billy Johnson, director of political and public affairs at the Washington-based trade association, told AMM.

The program was initially suspended for six months in November 2015, under suspicion that Chinese counterfeiters were using

the guise of mutilation to siphon millions of dollars in fake coins into the United States through the Mint (amm.com, March 22).

Meanwhile, recyclers remain stuck holding onto their coins due to “ongoing litigation,” Johnson said. “Until the litigation involving the coin program is resolved completely, the U.S. Mint has told us (ISRI) that it will continue its suspension of the mutilated coin redemption program.”

This has further riled already outraged industry participants, who looked to the U.S. government’s landmark decision to settle the federal lawsuit against two Chinese coin recyclers—Wealthy Max Ltd. and America Naha Inc. (amm.com, July 25), which had

“The coins aren’t going anywhere until the program is resumed. It’s encouraging to see that the U.S. government is releasing our coins, but until the program comes out of a suspension there will continue to be far-reaching impacts through the industry,” John J. Coughlin, a Moorestown, N.J.-based attorney representing three importers who are suing the government for illegally detaining their coins, said.

ONGOING LITIGATION

In addition to embargoing shipments, the nearly two-year-old coin saga has resulted in some parties not receiving payment for sales to the government.

“My client (Adam Youngs, managing member and cofounder of Portland Mint) received a call from his shipping agent to notify him that the coins have been released by U.S. Customs. It is my understanding from speaking with the U.S. Attorney (Gregory B. David) that a similar release will occur with respect to Kent Bramlett’s coins if it hasn’t already,” Coughlin said. “The U.S. Attorney is telling me that U.S. Customs is going to release all the coins of my clients’ that have been detained, and I believe that they intend to make the payment that was withheld (from) melted coin shipments.”

Coughlin has reason to believe that Bramlett will be paid for the \$306,003 coin shipment that the U.S. Mint had accepted and melted, but for which it withheld payment in November 2014. Another shipment valued at \$88,183 was detained in May 2015. Those coins will be released by Customs, but they will not be accepted by the Mint while the program is suspended.

“We’re very happy to hear that the coins will be released from Customs and we think it’s another example of the government’s acknowledgment that my client’s coins are not counterfeit,” Coughlin said, noting that the litigation will continue until his clients have been compensated for the seizure and the sudden suspension of the program.

“This case represents both an unlawful seizure of property and a complete denial of due process with respect to the seizure and the decision to suspend the program on alleged counterfeit coins,” he said, adding that he has renewed optimism for his clients but is refraining from celebrating as the buyback program remains on hold.



“We’re very happy to hear that the coins will be released from Customs and we think it’s another example of the government’s acknowledgment that my client’s coins are not counterfeit.”

been accused of importing fake coins and redeeming them through the Mint—as a natural step to lifting the moratorium on the program.

“If there is anything we can do as an industry... we’ll do it, but the Mint and Treasury haven’t even replied or taken us up on our offer,” Johnson said, referring to a letter from ISRI president Robin K. Wiener urging Treasury secretary Jacob J. Lew and Mint principal deputy director Rhett Jeppson to lift the freeze on the mutilated coin-redemption program (amm.com, July 15).

“I don’t know how they can make a valid choice to stop the program, but we also understand that they need to figure it out. ... This is U.S. currency and recyclers have a legal duty to redeem it. We need the Mint to lift the suspension as soon as possible,” Johnson added.

Coin recyclers have said that the nearly yearlong hiatus has been a serious impediment on their businesses (amm.com, May 4), as they are left with no choice but to store the growing piles of coins and bank on the suspension being lifted.

For now, the Treasury isn’t set to provide an update for the program until at least Nov. 2 (amm.com, April 29).

Kent Bramlett, a resident of Riverside, Calif., engaged in the redemption of mutilated coins to the Mint, filed a lawsuit against the government in U.S. District Court in eastern Pennsylvania concerning the redemption program Jan. 21; and Ronnie Shahar, an individual operating through his business, Israel Currency Exchange, in a similar lawsuit filed Jan. 22 partnered with Portland Mint.

Coughlin represents the three parties, who in their two cases are targeting the U.S. Treasury Department, U.S. Mint and Department of Homeland Security as well as the Bureau of Customs and Border Protection, alongside Jacob J. Lew, Rhett Jeppson, Jeh Charles Johnson and R. Gil Kerlikowske. Both suits seek to recover or be paid for detained coin shipments, to compel action for refused coins and to be awarded monetary damages caused by unlawful seizure of coin shipments, as well as attorney fees and costs related to the cases.

While the U.S. Mint and U.S. Attorney’s Office declined to comment and the CBP didn’t respond to AMM’s requests, the coin importers have said that they have been in discussions with the government and that coins have been released.

The lawsuits by the trio come on the heels of mirror litigation filed by Wealthy Max last October, seeking to recover or be paid for \$3.25-million worth of coins delivered to the U.S. Mint under the mutilated coin redemption program between 2014 and 2015.

In these three ongoing cases against the U.S. government, all parties allege that the government confiscated the shipments in violation of the Civil Asset Forfeiture Reform Act, as well as the Fourth and Fifth Amendments of the U.S. Constitution.

Robert E. Connolly, a partner at Washington-based GeyerGorey LLP and

the attorney representing Wealthy Max, said he couldn't comment on the status of the company's coins with the government.

Tip of the iceberg

Meanwhile, attorneys representing America Naha and Wealthy Max are currently working with the government to finalize settlement agreements following the dismissal of their case July 21.

"We're in the process of finalizing written settlement agreements with the government," Lee Vartan, America Naha's attorney and a partner at New York-based law firm Holland & Knight LLP, told AMM.

"We are gratified that all the government stakeholders seem to recognize now that there never were any counterfeit coins and that the Mint's mutilated coins program prior to the suspension was competently, capably and professionally administered," according to Bradford L. Geyer, a partner at GeyerGorey LLP and counsel for Wealthy Max.

Still, the nearing resolution of the government's litigation is only the tip of the iceberg, as Wealthy Max, Portland Mint, Shahar and Bramlett continue to forge ahead with their lawsuits against the U.S. government.

Nov 01, 2016

Coin buybacks still on hold as US mulls changes

PITTSBURGH — Recyclers of mutilated coins are left holding the bag for at least the short term now that the U.S. Mint has decided to hold off on restarting its coin exchange program while it mulls possible changes that could include annual submission limitations.

The program will remain offline but the Mint is seeking input on various proposed changes during a 14-day public comment period that closes Nov. 15, the U.S. Treasury Department said in a Nov. 1 Federal Registry notice.

Some of the safeguards the Mint is considering include requiring sellers to be certified in order to redeem coins, to demonstrate where the coins were obtained as well as set an annual limit, although the agency didn't indicate whether limitations would be by value or weight.

"The Mint is now seeking input on the effects of such measures on stakeholders, as well as other factors that should be considered to enhance the integrity of the acceptance and processing of mutilated coinage.... The program will resume at such time as the new regulations are finalized and published," according to the notice.

The announcement essentially delays the restart of the program and is bittersweet news to some domestic and foreign coin sellers, who question the remaining length of the suspension but welcome the government's acknowledgement that the program will eventually resume.

"Not only does (the delay) bring a

significant business hardship, it continues to impede the ability for regular suppliers to monetize a significant product stream. Moreover, it has also created a significant buildup of mutilated coin inventory with no alternative consumers," one heavy media plant operator said.

The notice is also unclear. "On one hand the fact that the Treasury Department is finally beginning to move forward on the mutilated coin issue and is seeking comments is welcome news. On the other hand, what the Mint is considering raises a host of questions and requires much more specificity," this source added.

Legal counsel for the Mint could not provide AMM with an estimate on when the program might officially resume. Following

the initial comment period, the government will mull changes and then publish proposed changes with a second comment period to be held in the Federal Registry. No time frame can be determined for the duration of this process.

Other coin recyclers were more critical of the proposed suggestion to put a cap on the amount of coins one party can redeem.

"Putting limits on the amount of mutilated coin that can be redeemed hurts businesses, effects many jobs and shows weakness in the U.S. dollar. If the U.S. government can't even stand behind their own currency then how do they expect anyone else to," Adam Youngs, managing member and co-founder of Portland, Ore.-based Portland Mint LLC, which buys, sells and





stores bulk quantities of coins.

Ronnie Shahar, operator of private business Israel Currency Exchange and partner with Portland Mint, similarly questioned the validity of limits on participants.

"The U.S. government has redeemed mutilated coins for more than 100 years. It seems that changes to such a successful program will cause huge damage to full faith and backing of the world's reserve currency. An attempt to pose limits or other red tape is designed simply to make the program exist in name only.... Changes to the program should never determine that a dollar is no longer worth a dollar," he said.

Both Youngs and Shahar are embroiled

in a lawsuit against the government, claiming it confiscated some of their coin shipments in violation of the Civil Asset Forfeiture Reform Act, as well as the Fourth and Fifth Amendments of the U.S. Constitution (amm.com, Sept. 13).

Meanwhile, the Institute of Scrap Recycling Industries (ISRI) said it welcomes the opportunity to comment on the impact of the program's suspension, as well as measures to enhance its integrity.

"While we are disappointed the Mint has decided to extend the suspension of the program and potentially impose annual limitations on the amount of coinage that may be redeemed, we hope that our input will help the Mint quickly resume operation of the redemption program. We also expect that many ISRI members will also provide comments to the Mint," Billy Johnson, director of political and public affairs at the Washington-based trade group, told AMM.

ISRI's attempts to work with the Mint to resolve the buyback program's suspension prior to this announcement have had been met with limited success, he had said in September, referring to a letter from ISRI president Robin K. Wiener urging Treasury secretary Jacob J. Lew and Mint principal deputy director Rhett Jeppson to lift the freeze on the mutilated coin-redemption program (amm.com, July 15).

The program was first suspended for

six months effective Nov. 2, 2015, so that the Mint and an independent contractor could assess the security and safeguard protocols in place following concerns about the possibility of unlawful activity. Litigation involving the buyback program, as well as additional time to complete its study, prompted the Mint to continue its suspension for an additional six months effective May 2 (amm.com, April 29).

Program participants have been unable to secure delivery appointments to redeem recycled coins for more than 18 months, prompting sellers to stockpile the damaged currency and subsequently creating what some see as a significant bottleneck of material throughout the supply chain.

Industry participants looked to the U.S. government's landmark decision to settle a federal lawsuit against two Chinese coin recyclers—Hong Kong-based Wealthy Max Ltd. and Dallas-based America Naha Inc. (amm.com, July 25), which had been accused of importing fake coins and redeeming them through the Mint—as a natural step toward lifting the moratorium on the program.

The U.S. government has agreed to reimburse coin recycler America Naha Inc. \$2.65 million for a shipment of damaged coins it seized in 2014 despite claims in a federal lawsuit that the money was counterfeit.

Nov 01, 2016

Recycler to get 93% of coins' value in US deal

PITTSBURGH — The U.S. government has agreed to return \$2.65 million to coin recycler America Naha Inc. for damaged coins seized in 2014 amid claims that the coins were counterfeit.

The settlement represents about 93 percent of the value of the seized coins, with just shy of \$199,180 retained by the United States for "costs incurred by the U.S. Mint and/or its designated representatives in connection with the conversion of a shipment of America Naha coins delivered to PMX on or about June 23, 2014, into new coin roll," according to a filing in U.S. District Court in eastern Pennsylvania.

America Naha also remains on the hook for attorney fees and associated costs incurred while defending itself. The Dallas-

based coin recycler had been cleared of wrongdoing over the summer (amm.com, July 25).

The company's primary business of selling mutilated coins had been shut down for more than two years between the onset of litigation and the U.S. Mint's suspension of its mutilated coin redemption program (amm.com, Nov. 20).

It is not uncommon for costs incurred by the defendant in civil asset forfeiture lawsuits, even with a ruling of no wrongdoing, according to David B. Smith, attorney and partner at Alexandria, Va.-based David B. Smith PLLC, who has played an integral role in helping reform U.S. forfeiture laws.

"The property owners in civil forfeiture will commonly agree to waive their right

to attorneys' fees under the Civil Asset Forfeiture Reform Act in order to resolve a case," he said, noting that those accused are anxious to get their lives back and put the ordeal behind them. "The fact that the government is dismissing the lawsuit speaks volumes to this case and shows the government's suit most likely lacked merit."

At the motion-to-dismiss hearing, attended by AMM, attorneys representing both parties expressed serious concerns regarding some of the more damning allegations brought by federal prosecutors against the recyclers in the first forfeiture complaint, which were deleted or drastically revised in the second amended verified complaint for forfeiture.

Despite contingencies in the settlement

agreement, a spokesman for America Naha said the company is relieved to finally have its money and property returned.

"Although it took two arduous years, America Naha could not be more pleased with the settlement agreement," Lee Vartan, America Naha's attorney and a partner at New York-based law firm Holland & Knight LLP, told AMM.

"The government has dismissed its complaint with prejudice, agreed to remove the lien on America Naha's warehouse, return (America Naha owner Kei Yi, also known as Kenneth) Loung's personal vehicle and, most importantly, pay America Naha \$2.65 million for the June 2014 coin shipment that the government once claimed was counterfeit. This is complete vindication for America Naha, Mr. Loung and his business," Vartan said.

The resolution comes three months after the government dismissed its forfeiture lawsuit against the company and Hong Kong-based coin recycler and exporter Wealthy Max Ltd.

The lawsuit, which the government launched in 2015, accused America Naha, Wealthy Max and Rancho Cucamonga, Calif.-based importer XRacer Sports Co. Ltd. of fraud, at the time seizing millions of dollars in coin shipments for laboratory testing (amm.com, March 31, 2015).

XRacer Sports entered into a settlement agreement with the U.S. government in January. Under that agreement, the government walked away with 59 percent—\$129,492—of the money seized in the forfeiture case. Sources have indicated that XRacer believed it was financially more prudent to forfeit \$129,492 in coin revenue

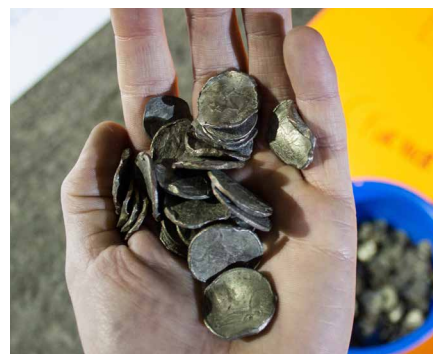
than to spend an unknown amount of money defending itself in court.

However, Wealthy Max has yet to hash out an official settlement deal, according to court documents. The company is forging ahead on separate litigation targeting the U.S. Treasury Department, Mint and Department of Homeland Security, as well as U.S. Customs and Border Protection—alongside similar cases against Treasury secretary Jacob J. Lew, Mint principal deputy director Rhett Jeppson, Homeland Security secretary Jeh Charles Johnson and Customs and Border Protection commissioner R. Gil Kerlikowske—seeking to recover or be paid for \$3.25-million worth of coins delivered to the Mint under the mutilated coin redemption program between 2014 and 2015 (amm.com, Sept. 13).

Other prominent parties involved in ongoing litigation associated with the Mint's mutilated coin redemption program told AMM they are continuing their lawsuits as well.

"We're still pursuing our lawsuit with the government, and the fact that other parties have reached a settlement doesn't discourage our pursuit.... The documents speak for themselves. We are forging ahead and we're seeking discovery as we have very little (information) in terms of what led to (the Mint's) decision to suspend the program. This is not the kind of case you see every day, but that doesn't mean that the government can go unchecked in its actions," John J. Coughlin, a Moorestown, N.J.-based attorney representing three importers in ongoing litigation against the U.S. government, told AMM Nov. 1.

America Naha's Oct. 27 settlement



closes one chapter in the nearly two-year saga, but there are still a lot of loose threads, including ongoing litigation involving the buyback program and the recent announcement of a further extension to the program (amm.com, Nov. 1).

An investigation by AMM in February revealed that America could be discarding up to \$61.75 million in coins in any given year through waste incineration (amm.com, March 22), while the results of an on-site experiment with a North American automotive recycler suggested that about \$150 million of recycled coinage can be traced back to recycled cars since the start of the millennium.

Nov 28, 2016

Two-tiered plan urged to resume coin buybacks

PITTSBURGH - The Institute of Scrap Recycling Industries (ISRI) is again calling on the U.S. Treasury Department and U.S. Mint to resume the mutilated coin redemption program as soon as possible, suggesting that a two-tiered approach be employed that first focuses on domestic recyclers.

"We do not see the need for a blanket moratorium that effectively punishes all those who legitimately rely on the program for their ongoing businesses. Instead, we believe that the mutilated coin redemp-

tion program should resume as soon as possible while the Mint and ISRI can meet to discuss the Mint's specific concerns," Robin K. Wiener said in response to the U.S. Mint's notice and request for stakeholders' comments regarding the continued suspension of the buyback program.

The U.S. Mint held off restarting the coin recycling program in November in order to mull possible safeguards and to seek input on various proposed changes (amm.com, Nov. 1).

In an effort to "assist in the immediate resumption of the mutilated coin redemption program" the trade group has suggested the Mint establish a registered supplier program to expedite the lifting of the suspension and allow domestic recyclers to immediately resume regular coin redemption activities for the growing stockpiles of coins collected since the hiatus began.

The registered supplier program proposed by ISRI would require anyone looking to redeem mutilated coins to first

register with the U.S. Mint and supply basic company information, as well as agree to random inspections by Mint officials.

Recyclers would also be required to obtain a surety bond to participate in the program.

Implementation of surety bonds—a three-party agreement between the recycler, Mint and bond provider—would protect the Mint from fraud or malpractice, with the amount of the bond not exceeding the value of the redemption.

“This program of safeguards would provide effective incentives while continuing to provide adequate enforcement,” Wiener said.

By imposing a temporary surety bond as part of the registered supplier program, the Mint would only need to inspect facilities when they suspect a problem or possibly on a routine basis.

Once the safeguards are properly established for domestic recyclers, they can then be rolled out for foreign recyclers. “Following a successful evaluation of new domestic safeguards, the safeguards can be extended to foreign producers as quickly as

possible,” Wiener said.

Meanwhile, ISRI was critical of some of the safeguards the Mint is considering, including requiring recyclers to demonstrate where the coins were obtained and setting an annual limit on coins recycled by each supplier.

“There should not be any annual limitations,” Wiener said, citing economic, regional and weather-related events as a few of the variables affecting the volume of coins recovered. “It is not possible to accurately predict the amount of coinage that will be recovered and thus redeemed in any given year, making an annual limitation impracticable, arbitrary and unnecessary.”

Requiring recyclers to provide a full chain of custody when redeeming the coins is “simply impossible,” she said, noting that the pool of scrap metal from which the coins are recovered is constantly changing.

In both these instances Wiener cited the registered supplier program as the most effective approach to restarting redemptions as soon as possible.

ISRI has tried to work with the Mint to resolve the buyback program’s current

suspension, but its attempts have been met with limited success (amm.com, Sept. 13). This is the Washington-based trade group’s second attempt to have the moratorium lifted (amm.com, July 15).

“The scrap recycling industry has been significantly and adversely impacted by the suspension of the U.S. Mint’s mutilated coin redemption program, particularly in light of the depressed global commodity markets. The suspension of the program has imposed an additional hardship on the scrap recycling industry that is made up of many small and medium-sized family owned and operated businesses who depend on the mutilated coin redemption program,” Wiener said, noting that ISRI welcomes the opportunity to provide suggestions on the program and work with the Mint to develop practicable solutions to ensure the integrity of the program.

The U.S. government has agreed to return \$2.65 million to coin recycler America Naha Inc. for damaged coins seized in 2014 amid claims that the money was counterfeit (amm.com, Nov. 1).

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