

ONE HUNDRED ELEVENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115

Majority (202) 225-2927  
Minority (202) 225-3641

**MEMORANDUM**

**September 21, 2010**

**To: Members of the Subcommittee on Commerce, Trade, and Consumer Protection**  
**Fr: Subcommittee on Commerce, Trade, and Consumer Protection Democratic Staff**  
**Re: Legislative Hearing on H.R. 6149, the Precious Coins and Bullion Disclosure Act**

On Thursday, September 23, 2010, at 2:00 p.m. in room 2322 of the Rayburn House Office Building, the Subcommittee on Commerce, Trade, and Consumer Protection will hold a legislative hearing on H.R. 6149, the Precious Coins and Bullion Disclosure Act.

**I. BACKGROUND**

Investment demand for gold has been rising in recent years. This year, gold prices reached an all-time high, not adjusted for inflation, of \$1,261 an ounce, nearly double its price of just under \$650 an ounce three years ago, and more than quadruple its price of roughly \$290 an ounce in 2000.<sup>1</sup> While some buyers have long seen gold as a safe haven or hedge against inflation, some marketers today seek to capitalize on consumers' concerns about the economy by amplifying these concerns and subsequently urging consumers to protect themselves with investments in gold.<sup>2</sup>

Consumers have complained that they responded to advertisements touting gold as an investment, and instead of being sold gold bullion, were pressured or deceived into buying

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<sup>1</sup> The London Gold Market Fixing Ltd., London P.M. gold prices: \$1261 per ounce on June 28, 2010, \$647.50 per ounce on June 28, 2007, and \$288 per ounce on June 28, 2000, (online at [www.kitco.com](http://www.kitco.com)).

<sup>2</sup> See, e.g., Goldline television advertisement (online at [www.youtube.com/watch?v=mLb4\\_wNO-5s](http://www.youtube.com/watch?v=mLb4_wNO-5s)); Rosland Capitol television advertisement (online at [www.youtube.com/watch?v=oZ\\_ylZURpZc](http://www.youtube.com/watch?v=oZ_ylZURpZc)); Monex television commercial (online at [www.youtube.com/watch?v=t3UaTjzZFY0](http://www.youtube.com/watch?v=t3UaTjzZFY0)); Superior Gold Group television advertisement (online at [www.youtube.com/watch?v=vnYOxrRV1mk](http://www.youtube.com/watch?v=vnYOxrRV1mk)).

overpriced gold coins. Several consumer complaints focus on two precious metal dealers that are currently under investigation by Southern California law enforcement authorities: Goldline International and Superior Gold Group.<sup>3</sup> The Federal Trade Commission (FTC) received 15 consumer complaints regarding purchases from Goldline between January 2006 and May 2010,<sup>4</sup> including allegations of aggressive sales tactics and overpriced products.<sup>5</sup> In several of the complaints, consumers wishing to invest in precious metals alleged that sales representatives from Goldline convinced or pressured them into buying gold coins that they later would discover were not only poor investments, but also had been heavily marked up.

Goldline acknowledges that it places a significant markup on gold coins, such as the Swiss 20 Franc that it encourages its salespeople to promote.<sup>6</sup> Goldline states that – for many coins – there is a 35% spread between the price it charges purchasers and the price it would pay to buy those coins back from the purchasers. For example, a coin for \$500 would be bought back for \$325 – a spread that translates to a 54% markup.<sup>7</sup> Goldline also acknowledges that its salespeople can earn up to 22 times as much selling a gold coin as they can selling bullion.<sup>8</sup> Furthermore, Goldline admits that it and its salespeople publicize the possible government

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<sup>3</sup> “Is gold dealer using fear to steer buyers into more expensive purchases?,” *Los Angeles Times*, July 30, 2010 (online at [articles.latimes.com/2010/jul/30/business/la-fi-lazarus-20100730](http://articles.latimes.com/2010/jul/30/business/la-fi-lazarus-20100730)).

<sup>4</sup> Federal Trade Commission, *Consumer Sentinel Record Complaints* (online at [motherjones.com/files/MotherJonesGoldlineFTCComplaints.pdf](http://motherjones.com/files/MotherJonesGoldlineFTCComplaints.pdf)).

<sup>5</sup> Although a small number, the dollar values in the complaints were significantly higher than the average FTC complaint.

<sup>6</sup> Letter from Mark Albarian, President & CEO, Goldline International, Inc., to Rep. Bobby L. Rush, Chairman, Subcommittee on Commerce, Trade and Consumer Protection (Aug. 12, 2010).

<sup>7</sup> *Id.* It has been alleged that Goldline coins can have a markup significantly more than 54%. According to Peter Schiff of Euro Pacific Capital, Goldline was selling French 20 Francs Rooster gold coins for \$402, and was willing to buy it back from purchasers for \$260. Competing dealers would sell the same coins to consumers for only \$250. According to Mr. Schiff, dealers could buy the coin at wholesale for \$240, and dealers other than Goldline would only pay consumers \$230 for it. This translates into a 67% markup from the price Goldline reportedly paid for the coin. Similar markups were observed by the office of Representative Weiner. A report by that office notes that Goldline charged consumers, on average, 84% more for certain purportedly collectable coins than one of its lower-priced competitors. *See SchiffReport Video Blog, “The wrong way to buy gold,”* (online at [www.youtube.com/watch?v=2GJNRdIoStk](http://www.youtube.com/watch?v=2GJNRdIoStk)). *See also “Congressman Anthony Weiner, As Seen On TV: An Investigation of Goldline International,”* (May 17, 2010) (online at [weiner.house.gov/Reports/GoldlineReport.pdf](http://weiner.house.gov/Reports/GoldlineReport.pdf)).

<sup>8</sup> Letter from Mark Albarian, President & CEO, Goldline International, Inc., to Rep. Bobby L. Rush, Chairman, Subcommittee on Commerce, Trade and Consumer Protection (Aug. 12, 2010).

confiscation of gold as a rationale for consumers to buy gold coins, rather than gold bullion.<sup>9</sup> <sup>10</sup> However, Goldline explains that it has an A+ rating from the Better Business Bureau, strong disclosures and an unconditional seven day cancellation policy for first time coin purchases.<sup>11</sup>

## **II. H.R. 6149, THE PRECIOUS COINS AND BULLION DISCLOSURE ACT**

On September 16, 2010, Representative Anthony Weiner introduced H.R. 6149, the Precious Coins and Bullion Disclosure Act, a bill addressing the sale to consumers of gold and other precious metals for investment purposes. The bill would require those who sell bullion or certain coins as investments to disclose prior to sale all fees associated with purchasing the items, the items' purchase price, the value of the metal in them, and the value for which they could be sold to other dealers. The bill would not apply to rare and collectible coins whose value is not significantly attributable to their metal content and is not affected by the price of precious metals. In addition, the bill would allow the FTC to require additional disclosures through rulemaking.

## **III. WITNESSES**

The following witnesses have been invited to testify:

**Dr. Julius A. Bazan**

Private citizen

**Lois Greisman**

Associate Director, Marketing Practices Division, Bureau of Consumer Protection  
Federal Trade Commission

**Charles Bell**

Programs Director  
Consumers Union

**Scott Carter**

Executive Vice President  
Goldline International

**Howard Beales, Ph.D.**

Associate Professor

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<sup>9</sup> *Id.*

<sup>10</sup> ABC News, "Glenn Beck's Golden Advertiser Under Investigation – Authorities Probe Goldline, Gold Firm Touted By Beck And Other Fox Talkers, For Alleged 'Rip Off'," July 19, 2010 (online at [abcnews.go.com/Blotter/glenn-beck-fox-hosts-golden-advertiser-goldline-investigation/story?id=11197000](http://abcnews.go.com/Blotter/glenn-beck-fox-hosts-golden-advertiser-goldline-investigation/story?id=11197000)).

<sup>11</sup> Letter from Mark Albarian, President & CEO, Goldline International, Inc., to Rep. Bobby L. Rush, Chairman, Subcommittee on Commerce, Trade and Consumer Protection (Aug. 12, 2010).

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