

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 157  
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**Authors:** Hilstrom and others

**Subject:** Regulation of bullion coin dealers

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### Overview

This bill would provide for regulation of “bullion coin dealers” and “coin dealer representatives” by the Minnesota commissioner of commerce. “Bullion coins” are coins that contain more than one percent by weight of a precious metal such as gold; they are sold as an investment.

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- 1**      **Definitions.** Defines the terms “bullion coin,” “bullion coin dealer,” “coin dealer representative,” “commissioner,” “owner,” “person” and “precious metal content.” A “coin dealer representative” is an individual who represents a bullion coin dealer in transactions with consumers.
- 2**      **Registration.** Requires that bullion coin dealers and coin dealer representatives be registered annually with the Minnesota commissioner of commerce before doing business in this state. Provides that registration starts July 1, 2014, if a dealer has engaged annually in transactions that exceed \$5,000 in the aggregate, or once the dealer’s transactions reach \$5,000, and requires continued registration regardless of future transaction amounts. Outlines information to be provided in the application or renewal forms. Provides for registration fees and authorizes commissioner to adjust fees annually based upon the cost of processing regulations.
- 3**      **Registration denial, nonrenewal, revocation, and suspension.** Provides that the commissioner may, by order, suspend, revoke, or refuse to issue or renew a registration for misrepresentation, fraud, and other violations of the law specified in the bill. Permits the

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commissioner to take action against a bullion dealer for a violation by its coin dealer representative or directly against the representative. Authorizes the commissioner to institute a revocation proceeding and impose civil penalties within two years after registration was last effective. Prohibits new applications for two years after the effective date of the revocation.

**4 Criminal convictions.** Requires denial of an application for registration from a bullion coin dealer or coin dealer representative if the applicant has within the last ten years, been convicted of a financial crime or of any crime involving fraud, theft, or dishonesty.

**5 Screening.**

**Subd. 1. Screening process required.** Requires a bullion coin dealer to screen each of its owners, officers, and coin dealer representatives before submitting an application for initial registration and at each renewal. Requires that the results of the screenings be provided to the commissioner at initial registration and each renewal, if requested by the commissioner.

**Subd. 2. Initial screening.** Describes the required screening for initial registration that must be done no more than 60 days before applying for registration. Requires that it include a national criminal history record search, court judgment search, and county criminal history search for all counties in which the applicant has lived within the preceding ten years. Requires that the bullion coin dealer use a professional vendor that specializes in conducting background screenings.

**Subd. 3. Renewal screening.** Requires a similar process for background screening in connection with renewal registration applications.

**6 Surety bond requirement.** Requires that a bullion coin dealer maintain a surety bond in an amount equal at least to the total purchase and sale transactions with consumers at retail in the preceding 12 months, but the bond amount need not exceed \$200,000. Provides that aggrieved consumers and the commissioner of commerce or attorney general may file a claim with the surety on the bond and may sue the surety if the claim is denied.

**7 Prohibited conduct.** Lists 15 things that bullion coin dealers and coin dealer representatives are prohibited from doing. Limits section's application in the first year (August 1, 2013 to June 30, 2014) to dealers with annual transactions exceeding \$5,000. On or after July 1, 2014, applies to any dealer required to be registered under this chapter.

**8 Criminal violation.** Provides that it is a misdemeanor for a bullion coin dealer or coin dealer representative to:

- (1) fail to register and maintain registration with the commissioner under this act;
- (2) fail to deliver purchased bullion coins to a consumer within 30 days or at the agreed-upon time; or
- (3) fail to pay a consumer for bullion coins sold and delivered to a dealer or representative

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within 30 days or at the agreed-upon time.

- 9**        **Local authority.** Provides that nothing in this chapter (80G) rules out a lawsuit for securities fraud under chapter 80A or preempts local authority under section 325F.742 (regulation of precious metal dealers).
- 10**       **Investigations and civil enforcement.** Provides the commissioner of commerce with authority to ensure compliance with this act using the commissioner's enforcement authority provided in this section and under Minnesota Statutes, section 45.027, including imposition of civil penalties.
- 11**       **Effective date.** Effective August 1, 2013.