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Actual speech given

Page 1 of 4

A-MARK PRECIOUS METALS, INC.; STEVEN C. MARKOFF, CHAIRMAN
ADVISORY COMMITTEE ON CFTC/ STATE COOPERATION
MAY 12, 1992; WASHINGTON, D. C.

Good Morning Commissioner West, and members of the Advisory Committee.

A-MARK PRECIOUS METALS, INC., a company I chair and founded in 1965, began and continues, primarily as a wholesale precious metals dealer, dealing with banks, brokerage houses, central banks, government mints, mines, manufacturers, and coin and retail metal dealers. A-Mark also owns 2 subsidiaries that deal with the public. One, DEAK INTERNATIONAL GOLDFINE, sells metal for cash and storage; and PRECIOUS METALS FINANCE CORPORATION, a licensed California commercial lender, finances primarily 3rd party spot sales of precious metals to the general public.

Over the years, other group activity included a leverage transaction merchant license, seats on major commodity exchanges, weathering several informal CFTC investigations —that ended peaceably— and recently, defending our name and checkbook in an Idaho case know as BYBEE vs. A-MARK.

With the governments expressed legalization of buying gold in the mid-70s and its historic acceptance of other precious metals activity, its clear, buying those metals is, in itself, a legal and proper activity. To be able to buy something, somebody must sell it, and with similar logic, there must be acceptable ways to sell precious metals.

Additionally, few would disagree that any of us should be able to borrow money on any of our assets —except for certain public policy driven prohibitions against borrowing on, for example, one's IRA account.

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We, therefore, believe the issue today isn't if one can properly buy, sell or finance precious metals— but how.

Buying, selling and financing metals are already subject to many state and federal laws such as:

- — Fraud and racketeering
- — Usury
- — Telemarketing
- — The Model Commodity Code, and
- — Many others in place, and on the drawing boards.

Other formidable weapons, if not in the regulators holster, are at least in their hearts, civil litigation and the lurking class action plaintiffs attorney.

With all these laws, regulation and regulators, and the real threat of private litigation against those mis-stepping— particularly when our courts are thought to be tougher on crime, why does the general public still encounter problems in precious metal dealings?

We believe the answer is at least three fold:

1. There will always be plenty of crooks and con men to prey on the weak and unwary.
2. People have and exercise free will, and exercise it for an infinite number of reasons that constantly change, and
3. Our government allows its citizenry to accept great risks given a minimum level of information.

It is this last point —information— that we believe best protects the consumer —and an area we have been working on.

Clearly, no information by itself, no matter how accurate or complete, will stop people from doing things others believe too risky. We only need to look at the millions of well-informed Americans that continue to smoke despite our government's massive education campaign that smoking—statistically adversely affects one's health and life.

Our company has had a long standing stake in the precious metals markets, and we feel every fraud, reported or not, every allegation of malfeasance against a dealer or exchange trader, every reported fine or legal settlement — such as the recent \$10MM Safra Bank settlement, even though it may have been "without admitting guilt" causes our market to lose credibility, clients and simply hurts our business.

Focusing on these problems, we decided to fight the bad elements in our industry by cutting them off at the pass— by arming their potential victims —our potential customers— with a potent weapon— a simple, straight-forward, user-friendly risk and disclosure document— so the public at large can easily, truly understand the risks and warts of our industry. Being a bit cynical about the world, and a realist of the time pressure we all live under, we put a hard overview of the document on the cover— for those that may never read past it.

In the last 6 months, we have sent our risk disclosure document to the FTC, CFTC, 50 of the states attorney generals, the 42 congressmen involved in the recent telemarketing subcommittee — and other interested parties. Our lending subsidiary, PRECIOUS METALS FINANCE CORPORATION, requires its receipt be acknowledged, in writing, before they will lend a borrower money.

Our goals in distributing the document are educating the public and our clients about our business, the regulators and others about our efforts, while looking for meaningful feedback to improve our disclosure.

We believe something like our document should be generic for the industry, with procedures developed to insure easy and wide access of the information to the public.

Accurate information won't keep some from taking what others consider excessive risk— as the smoking example suggests, but informing the general public about our markets, with the attendant regulatory arsenal mentioned, should give those participating in precious metals a somewhat level playing field— and better disclosure than in any industry we are aware of.

Lastly, we offer ourselves as another resource to the regulatory community, to help address issues and answer questions that have or that may cross your desks in the future.

Thank you for the opportunity to speak to you today. If there are a few minutes left, I'll be happy to try and answer any questions or listen to any thoughts you have.....