



ISRI is the voice of the recycling industry, promoting safe, economically sustainable and environmentally responsible recycling through networking, advocacy and education.



**DEPARTMENT OF THE TREASURY
United States Mint
Exchange of Coin
86 FR 23877 (May 5, 2021)**

VIA: Regulations.gov Portal
Mutilated Coin Redemption Program
Manufacturing Directorate
United States Mint
801 9th Street, NW
Washington, D.C. 20220

COMMENTS OF THE INSTITUTE OF SCRAP RECYCLING INDUSTRIES, INC.

The Institute of Scrap Recycling Industries, Inc. (ISRI) ¹ respectfully submits these comments and suggestions in response to the United States Mint's May 6, 2021 notice and request for comments regarding proposed revisions related to the exchange of uncurrent, bent, partial, fused, and mixed coins, updates to the redemption rates and procedures, and acceptance and processing of bent and partial United States coins.

The Recycling Industry

The recycling industry is an essential industry as the first link in the manufacturing supply chain that supplies more than 40% of manufacturing's global raw material needs. The U.S.-based recycling industry transforms more than 135 million metric tons of recyclable materials into specification-grade recycled commodities sold for productive economic use as feedstock materials by industrial consumers in the United States and throughout the world.

Like manufacturers, recyclers purchase their inputs (e.g., recyclable materials), process them into outputs (e.g., specification-grade recycled commodities), and earn revenue from the sale of these outputs that covers operating and other costs. Additionally, the work of recyclers also inherently benefits the environment and helps prevent what would otherwise become solid waste problems.

The Recycling Process and Mutilated Coins

Recyclers across the United States have been recovering coins for over one hundred years. This practice began when recyclers would find loose coins that had fallen to the ground during the recycling process of cars, vending machines and other products. The business evolved with

advances in sorting technology and the advent of new machinery capable of identifying very small items. As a result, the ability to purposefully recover coins in significant quantities grew quickly, and became an integral part of many recycling companies' operations, product mix, and bottom lines.

Shredding is the predominant method for recycling heavy steel-bearing end of life products into commodity grade products, including automobiles, appliances, coin operated laundry machines, and vending machines. Shredding greatly improved recycling productivity with great benefits for environmental protection, natural resource conservation, manufacturing sustainability and reliability as well as worker safety. Recycling an automobile used to require a worker torching for several hours and utilizing hand tools to separate components. However, the development of sophisticated sorting and separation technologies removed many of the safety challenges workers faced in the past for recovering a multitude of metals and contaminants such as coins. The Mint's proposal to prohibit mutilated coins that have undergone the shredding process may drive some recyclers to return to less effective manual sorting and separation processes that also unnecessarily increase the risks to workers.

In a typical shredding operation, a mixture of automobiles, appliances, and other such steel-bearing products are fed into a hammer mill, where they are shredded into approximately fist-sized pieces of steel. The steel, or ferrous metal, is separated using a series of magnets. The stream is then separated by size, and processed to recover the nonferrous metals (e.g., aluminum, stainless steel and copper) from the non-metallic materials. Approximately one-third of the total annual production of recyclables are exported to 150 nations and are an essential part of the global manufacturing supply chain. In fact, at the beginning of the COVID-19 Pandemic, the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency deemed recycling commodities such as steel, aluminum, iron, paper, glass, textiles, and used electronics part of the nation's essential manufacturing supply chain since these materials are required to manufacture new products used in everyday life.

The Origin of the Mint's Mutilated Coin Redemption Program

The Mint originally outlined how to redeem mutilated coins in 1911 through the "Circular Instructions of the Treasury Department" (February 7, 1911) allowing individuals and businesses to exchange coins that were mutilated and no longer acceptable as legal tender. More than a century later, the purpose of the program is unchanged. This program will always be necessary if the Mint wishes to continue to promote confidence in the U.S. coinage. In fact, according to Mint spokesperson Michael White on September 16, 2011, the program exists "to back and promote confidence in U.S. coinage by ensuring that even mutilated U.S. coins are ultimately redeemable for their face value". During Mint Director David J. Ryder's confirmation hearing, he indicated the program would be reinstated recognizing the importance of the program and the need to put into place additional safeguards to protect against counterfeiting from China.

Climate and Responsible Sourcing of Precious Metals

In addition to protecting the integrity of the nation's coinage, the environmental benefits of redeeming and recycling old and mutilated coins fits well within the environmental and climate goals of the Biden Administration. Melting mutilated coins into new coins saves energy and reduces the environmental impacts compared to virgin materials. Redeeming and melting mutilated coins reduces the need for mining precious metals especially in countries that often do not practice high standards of worker safety or occupational health the United States demands from its suppliers. Moreover, recycling and reclaiming these valuable commodities is integral for environmental sustainability and circularity which is a leading factor in President Biden's environmental and climate agenda. Without recycling, sustainability and circularity is simply impossible.

During the lifetime of an automobile (estimated at between 10 and 12 years in the U.S.), most drivers manage to lose a fair number of coins in the areas under seats. Many people also forget to remove the coins they store in their car for use in parking meters and the like before their car is sold. Similarly, it is surprising how many companies operating vending machines and coin operated laundry equipment fail to remove remaining coins before sending the machines for recycling. As the coins travel through an auto shredder, they become bent and twisted and ultimately end up in the nonferrous mixed metal stream (known as "Zorba") leaving the shredder. ⁱⁱ

Prohibiting Foreign Sources of Coins is Inconsistent with Protecting the Nation's Coinage

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. In addition, the extraordinarily low cost of labor in China allowed Chinese companies to hand separate the various metals contained in Zorba at a rate lower than the cost of mechanical sorting in the U.S. Hand picking of the material resulted in a far greater quantity of coins being recovered than ever before, hence the sudden increase in the amount of U.S. coins being redeemed at the Mint by foreign participants.

We understand the Mint first expressed concerns about the possibility of fraud within the Mutilated Coin Redemption Program in May 2008 and subsequently reported these concerns to the Treasury Department's Office of Inspector General (OIG) based upon the value and frequency of mutilated coin redemptions by a relatively small number of individuals and corporations. The OIG's report found "several weaknesses, that if addressed, would likely improve the integrity of the Mutilated Coin Program." ⁱⁱⁱ

Further, in 2010, the Treasury OIG released a report describing their programmatic review recently conducted ^{iv} identifying several key vulnerabilities including the near impossibility for the Mint to adequately inspect the shipments to determine the authenticity of the coins and minimal reporting requirements imposed on the redeeming parties. The Mint staff had not previously conducted inspections or samplings to verify authenticity and condition of mutilated coins submitted for redemption. The report went further stating that by not filing financial transaction reports with FinCEN ^v "is not supporting the overarching governmental interest of

collecting, analyzing and identifying suspicious financial transaction.” The report outlined four specific recommendations to remedy the inspection and reporting shortfalls:

1. The Mint should conduct thorough inspections of incoming shipments of mutilated coins at the PMX Industries in Cedar Rapids, Iowa to verify authenticity;
2. The Mint should only redeem those coins that are mutilated’
3. The Mint should require more information from its vendors prior to payment; and
4. The Mint should consider developing and requiring legal certification forms.

ISRI has long supported and continues to advocate these and other recommendations to strengthen the Mint’s mutilated coin redemption program to dissuade and prosecute counterfeiters and other violators.

The Suspension has Been a Major Financial Burden on Recyclers

When the mutilated coin redemption program was resumed over three years ago, scrap recyclers had many years’ worth of accumulated mutilated coins as a result of the earlier 2015 suspension. After only a couple of months following the resumption of the Program the Mint in 2019, the Mint unexpectedly suspended the Program – yet again. During those few months of operations, only a very few participants were able to redeem even some of their coins.

Without any indication that recyclers would not be eligible to redeem coins through this program, recyclers continue to collect coins from their shredding and downstream sorting and separation operations and now have over six years’ worth of mutilated coins stored at their facilities. The storage of these coins is not the only burden scrap processors encounter as certain recyclables such as Zorba is priced to reflect the redemption value from mutilated coins. Accordingly, recyclers have lost significant revenues as a result of the program’s suspension. Worse, after storing many years’ worth of mutilated coins, the Mint’s recent proposal to discontinue the program for recyclers, recyclers would now be forced to forfeit millions of dollars’ worth of these coins and the associated storage and security costs.

Prohibiting Recyclers from Redeeming Coins is Unwarranted

Recyclers have been participating in the Mint’s Mutilated Coin Redemption Program since its inception in 1911. While there have been some instances of alleged fraud by a very few foreign sources, no criminal actions have been taken against them. ISRI has long suggested a qualified redemption program or ‘trusted redeemer’ combined with a robust certification program that requires recyclers to certify that their submissions are in full accordance with all the Mint’s rules and guidelines and recommending that any program participant that violates the rules or guidance be suspended from the program. The Mint largely adopted such a certification program but should have gone further to alleviate any fears that a participant would provide false information or submit unauthentic coins.

Moreover, recyclers (and other participants) were never given any indications from the Mint that recyclers would not continue to be eligible to redeem their coins including the coins that

have accumulated since the Mint suspended the program over five years ago. During that time, storing and securing these coins has been a tremendous expense for recyclers, yet recyclers did anticipate being able to redeem their coins at some point. If the Mint discontinues the coin redemption program for recyclers, recyclers will have very few options to redeem and recoup any value for these coins including melting when it is permissible for some denominations of coins. Moreover, by not recycling these coins, it will unfairly cost recyclers tens of millions of dollars and impose additional costs on the American taxpayer.

The Mutilated Coin Redemption Program Should be Available to Everyone

Instead of unilaterally prohibiting recyclers from redeeming coins, ISRI suggests the following solutions to enable the Mint to continue accepting mutilated coins from recyclers and foreign sources. In the cases of domestic recyclers with a long history of compliance, ISRI suggests the Mint resume accepting the accumulated coins that have been securely stored by recyclers for many years to alleviate this backlog of coins. The Mint could accept these coins with several preventive measures to ensure compliance such as the following certification and inspection protocols.

- 1. A 'Qualified' Redemption Program** – Rather than abruptly discontinuing the coin redemption program for recyclers, ISRI has repeatedly suggested that recyclers who have long demonstrated compliance with the Mint's regulations should be able to continue redeeming the value of mutilated coins collected over the years. Many U.S. recyclers have participated in this program for decades with no compliance issues whatsoever. However, they are being unfairly penalized. Instead, "qualified" recyclers who have both demonstrated compliance and would be willing to undergo additional requirements should be allowed to resume redeeming mutilated coins. Such qualified recyclers would also undergo annual as well as random facility inspections, further sort the coins if necessary, provide additional documentation, purchase surety bonds, as well as comply with industry management system standards such as the Recycling Industry Operating Standards (RIOS), ISO 9000 or other ASTM standards of the Mint's choosing.

In those cases where the Mint has substantial concerns or suspicions about a particular participant, the Mint could impose a requirement that those registered suppliers acquire a temporary surety bond in order to redeem their damaged coins. Of course, the Mint would reserve the right to deny any individual redemption and remove any registered supplier if such concerns proved to be true. We feel this program of financial safeguards, along with the criminal and civil referrals provisions implemented earlier, would provide the Mint with the necessary and effective enforcement tools.

- 2. Site Inspections** – As suggested in the Treasury's 2010 OIG report, ISRI has long supported facility site inspections for anyone participating in this program regardless of the volume of coins submitted or frequency of those submissions. While we recognize the Mint's resource limitations, we strongly support site visits when the Mint suspects criminal activity, a submission contains a material misrepresentation of facts, the submission demonstrates a pattern of intentional mutilation or an attempt to defraud

the United States, or the material presented is not identifiable as United States coins. The Mint could impose a service charge to cover any costs incurred plus an administrative fee for the inspection. Additionally, we recommend supplementary site inspections for compliance audits and educational tours - all of which could be reimbursed by the participants.

Conclusion

The recycling industry is essential to the global manufacturing supply chain as well as an integral part of the circular economy. The Mint has utilized the recycling industry for over a century to recover precious metals from damaged coins towards the goal of protecting the integrity of the nation's currency. Recovering these coins is also important towards the goal of environmental sustainability by reducing the need for unsustainable mining often in developing countries where environmental and worker safety are secondary.

The recycling industry welcomes the opportunity to discuss various approaches including certification and inspections in order to remain a reliable and major supplier to the Mint's Mutilated Coin Redemption Program. Please feel free to contact Billy Johnson (billyjohnson@isri.org or 202-662-8548) with any questions or if he may be of any further assistance.

Respectfully submitted on July 6, 2021



William H. Johnson

ⁱ **The Voice of the Recycling Industry** - The Institute of Scrap Recycling Industries, Inc. (ISRI), represents 1,300 private, for-profit companies operating at more than 4,000 facilities in the United States and 34 countries worldwide. ISRI members are processors, brokers, and industrial consumers of scrap commodities, including ferrous and nonferrous metals, paper, electronics, rubber, plastics, glass and textiles. www.isri.org

ⁱⁱ Zorba is a specification grade commodity, which is a combination of aluminum, copper, lead, magnesium, stainless steel, nickel, tin, and zinc.

ⁱⁱⁱ Office of the Inspector General, Department of the Treasury, Semi-Annual Report to Congress, October 1, 2009-March 31, 2010.

^{iv} Management Implication Report 2008-0096.

^v FinCEN is the Financial Crimes Enforcement Network established in 1990.