



DEPARTMENT OF THE TREASURY

United States Mint

Exchange of Coin

AGENCY: United States Mint, Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: The United States Mint proposes to revise its regulations relating to the exchange of uncurrent, bent, partial, fused, and mixed coins. The proposed revisions include updates to redemption rates and procedures previously proposed in the *Federal Register* on July 16, 2014, as well as revisions that will enhance the integrity of the acceptance and processing of bent and partial United States coins.

DATES: Send comments on or before [INSERT DATE 45 DAYS AFTER

PUBLICATION IN THE *FEDERAL REGISTER*]

ADDRESSES: The United States Mint invites comments on all aspects of this proposed revision. You may send comments, identified by docket number and/or RIN number, by any of the following methods:

- Federal eRulemaking Portal: www.regulations.gov. Follow the instructions for sending comments.
- Mail: Submit all written comments to Mutilated Coin Redemption Program; Financial Directorate; United States Mint; 801 9th Street, N.W., Washington, DC 20220.
- Hand Delivery/Courier: Same as mail address.

Instructions: All submissions received must include the agency name and docket number or Regulatory Information Number (RIN) for this rulemaking. All comments received will be posted without change to regulations.gov, including any personal information provided.

For additional information on the rulemaking process, see the “Public Participation” heading of the SUPPLEMENTARY INFORMATION section of this document.

FOR FURTHER INFORMATION CONTACT: Sheila Barnett, Legal Counsel, Office of the Chief Counsel, United States Mint, at (202) 354-7624 or sbarnett@usmint.treas.gov.

SUPPLEMENTARY INFORMATION:

I. Background

The Treasury Regulations appearing at 31 CFR part 100, subpart C, are promulgated under 31 U.S.C. 5120, and relate to the exchange of uncurrent, bent, partial, fused, and mixed coins. The last amendment to 31 CFR part 100, subpart C, was on August 23, 1999. Since then, the United States Mint has identified portions of the regulations in need of revision to update redemption rates and procedures, and to enhance the integrity of the acceptance and processing of bent and partial United States coins.

The first category of proposed revisions would update and improve the redemption process of bent and partial coins to enhance security and ensure the integrity of United States coinage. These revisions were not previously proposed. The revisions would establish procedures for certifying participants based on submission amounts and frequency, sampling submissions to authenticate material, conducting site visits for certain participants, and requiring information on how the submission came to be bent or partial. The revisions will also inform submitters of required banking information. Lastly, the revisions would provide the United States Mint discretion to cease processing submissions that appear to be part of an illegal scheme, or contain material that is not identifiable as bent or partial United States coinage.

The second category of proposed revisions, previously proposed in 79 FR 41468, July 16, 2014, relates to the redemption rates for uncurrent coins and bent and partial coins that have been withdrawn from circulation. For uncurrent coins, the revision would clarify the procedure for redemption by instructing the public to deposit the uncurrent coins with a financial institution that will accept them, or with a depository institution that has a direct relationship with a Federal Reserve Bank. The revision would make clear that a Federal Reserve Bank will redeem uncurrent coins based on the policies described in the Federal Reserve's Operating Circular 2.

For bent or partial coins, the proposed revision would update the redemption rates of certain coins to reflect the current values and compositions of coins being redeemed. For example, in the existing regulation, the redemption rate for one-cent coins is \$1.4585 per pound; this redemption rate was derived from the weight of brass one-cent coins (3.11 grams or 0.1097 ounces each), which the United States Mint has not minted and issued since 1982. In 1983, the United States Mint began minting and issuing only copper-plated zinc one-cent coins, which weigh 2.50 grams or 0.0882 ounces each. Due to the weight difference, a pound (the minimum weight for redemption) of copper-plated zinc one-cent coins contains a higher quantity of coins than a pound of brass one-cent coins. The proposed revisions would make the redemption rate \$1.8100 for a pound consisting solely of copper-plated zinc one-cent coins. For brass one-cent coins, or a mix of both brass and copper-plated zinc one-cent coins, the lower redemption rate of \$1.4585 will apply. A similar update would be made to the redemption rate for \$1 coins.

The third category of proposed revisions, also previously proposed in 79 FR 41468, July 16, 2014, would clarify that the United States Mint will not accept fused coins. The

United States Mint will also not accept mixed coins (coins of several alloy categories presented together) for redemption, with the exception of bent or partial one-cent coins and \$1 coins that are presented in mixed years.

The fourth category of proposed revisions puts the public on notice that the Director of the United States Mint may provide information pertaining to any bent or partial coin submission to law enforcement officials or other third parties for purposes of investigating related criminal activity or for purposes of seeking civil judgment. The revisions would also notify potential participants that they may be held criminally and/or civilly liable, fined, and/or imprisoned for fraudulent submissions.

II. Public Participation

The United States Mint previously proposed updates to redemption rates and procedures in 79 FR 41468, July 16, 2014, and requested comments. The United States Mint received one comment, but it was not responsive to the proposed updates. A final rule was not published.

In 81 FR 75922, Nov. 1, 2016, the United States Mint issued a request for public comment on new ways to enhance the integrity of the acceptance and processing of bent and partial coins. Seventeen comments were received and reviewed. The majority of comments were submitted by individuals or entities that previously exchanged bent or partial coins with the United States Mint.

In general, most comments expressed support for requiring participant certification, particularly for participants submitting large quantities of bent or partial coins. Many comments expressed concern with the cost and feasibility of coinage material authentication but supported sampling or spot testing by the United States Mint.

Many comments supported the suggestion of requiring chain of custody information regarding the bent or partial coin submissions. Comments from stakeholders in the recycling industry, however, discussed the difficulty they face in tracing coins recovered by auto and appliance shredding, and therefore recommended that recyclers be considered the point of origin. Multiple comments noted the importance of documenting the chain of custody of coins that had circulated outside of the United States.

The suggestion of annual limitations on submissions was largely disfavored by those who submitted comments. Many comments described a backlog of bent or partial coins from the suspension of the exchange program and a lack of alternative forums to redeem such coins.

III. Procedural Analysis

Regulatory Planning and Review

The Office of Management and Budget has determined that this proposed rule does not constitute a “significant regulatory action” under Executive Order 12866 or Executive Order 13771.

Regulatory Flexibility Act Analysis

It is hereby certified that the proposed revisions will not have a significant economic impact on a substantial number of small entities. Accordingly, a regulatory flexibility analysis under the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, is not required. First, the regulations do not directly regulate any entities. The redemption of uncurrent, bent, or partial coins is a discretionary service offered to the public; participation is voluntary. Second, many of the coins presented for redemption in the past were submitted by individuals transacting with the United States Mint in their own names.

The number of entities tendering significant quantities of coins for redemption is small. Even if each such individual or entity qualified as a “small entity” within the meaning of 5 U.S.C. 604(a), the United States Mint does not believe that the proposed revisions are likely to have a significant economic impact. The revisions do not change or limit the scope of what may be submitted for redemption or who may submit them. The revisions may require additional information from participants to deter potential fraud and abuse, but the added administrative costs for participants are expected to be minimal.

IV. Request for Comment

Before the proposed revisions to the Treasury Regulations at 31 CFR part 100, subpart C, are adopted as final regulations, the United States Mint will consider any comments that are submitted to the bureau as prescribed in this preamble under the “Dates” and “Addresses” headings. The United States Mint and the Department of the Treasury request comments on all aspects of the proposed revisions.

List of Subjects in 31 CFR Part 100

Coins.

For the reasons set forth in the preamble, the United States Mint proposes to revise 31 CFR part 100, subpart C as follows:

PART 100—EXCHANGE OF PAPER CURRENCY AND COIN

Subpart C—REQUEST FOR EXAMINATION OF COIN FOR POSSIBLE REDEMPTION

Sec.

- 100.10 Request for Examination of Uncurrent Coin for Possible Redemption.
- 100.11 Request for Examination of Bent or Partial Coin for Possible Redemption.
- 100.12 Exchange of Fused or Mixed Coin.
- 100.13 Notices.

PART 100—EXCHANGE OF PAPER CURRENCY AND COIN

Subpart C—Request for Examination of Coin for Possible Redemption

§100.10 Request for Examination of Uncurrent Coin for Possible Redemption.

(a) *Definition.* Uncurrent coins are whole U.S. coins which are merely worn or reduced in weight by natural abrasion yet are readily and clearly recognizable as to genuineness and denomination and which are machine countable.

(b) *Redemption process.* The United States Mint will not accept uncurrent coins for redemption. Members of the public wishing to redeem lawfully held uncurrent coins must deposit the uncurrent coins with a bank or other financial institution that will accept them, or with a depository institution that has established a direct customer relationship with a Federal Reserve Bank. A Federal Reserve Bank will redeem uncurrent coins, based on the policies described in the Federal Reserve's Operating Circular 2.

(c) *Criteria for acceptance.* Depository institutions that redeem uncurrent coins must sort the coins by denomination into packages in accordance with the Federal Reserve's Operating Circular 2. The Federal Reserve Banks have the right to reject any shipment containing objects that are not U.S. coins or any contaminant that could render the uncurrent coins unsuitable for coinage metal.

(d) *Redemption sites.* The Federal Reserve Banks and branches listed in §100.17 are the only authorized redemption sites at which a depository institution that has established a direct customer relationship with a Federal Reserve Bank may redeem uncurrent coins.

§100.11 Request for Examination of Bent or Partial Coin for Possible Redemption.

(a) *General.* Lawfully held bent or partial coins of the United States may be submitted to the United States Mint for examination in accordance with the provisions in this subpart. Any submission under this subpart shall be deemed an acceptance of all provisions of this subpart.

(b) *Definitions.* (1) Bent coins are U.S. coins which are bent or deformed so as to preclude normal machine counting but which are readily and clearly identifiable as to genuineness and denomination.

(2) Partial coins are U.S. coins which are not whole; partial coins must be readily and clearly identifiable as to genuineness and denomination.

(3) Participants are individuals or businesses that submit coins through the redemption process.

(c) *Redemption process.*

(1) Depending on submission amount and frequency, participants may be subject to a certification process by the United States Mint. The established annual weight threshold and details about the participant certification process will be published on the United States Mint's website. If certification is required, it must be done prior to submission.

(2) All submissions for review shall include an estimate of the value of the coins and an explanation of how the submission came to be bent or partial. The submission should also contain the bank account number and routing number for a checking or savings account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) in the United States.

(3) Participants may be required to provide documentation for how the participant came into custody of the bent or partial coins.

(4) The United States Mint reserves the right to test samples from any submission to authenticate the material. The size of the sample will be limited to the amount necessary for authentication. Testing may result in partial or complete destruction of the sample.

(5) The United States Mint reserves the right to conduct site visits for participants over a certain volume threshold to verify information provided to the United States Mint.

(6) No redemption will be made when:

(i) A submission, or any portion of a submission, demonstrates a pattern of intentional mutilation or an attempt to defraud the United States;

(ii) A submission appears to be part of, or intended to further, any criminal activity;

(iii) A submission contains a material misrepresentation of facts;

(iv) Material presented is not identifiable as United States coins. In such instances, the participant will be notified to retrieve the entire submission, at the participant's sole expense, within 30 days. If the submission is not retrieved in a timely manner, the entire submission will be treated as voluntarily abandoned property, pursuant to 41 CFR 102-41.80, and will be retained or disposed of by the United States Mint;

(v) A submission contains any contaminant that could render the coins unsuitable for coinage metal. In such instances, the participant will be notified to retrieve the entire submission, at the participant's sole expense, within 30 days. If the submission is not retrieved in a timely manner, the entire submission will be treated as voluntarily abandoned property, pursuant to 41 CFR 102-41.80, and will be retained or disposed of by the United States Mint; or

(vi) A submission contains more than a nominal amount of uncurrent coins. In such instances, the participant may be notified to retrieve the entire submission, at the participant's sole expense, within 30 days. If the submission is not retrieved in a timely manner, the entire submission will be treated as voluntarily abandoned property, pursuant to 41 CFR 102-41.80, and will be retained or disposed of by the United States Mint.

(7) The Director of the United States Mint, or designee, shall have final authority with respect to all aspects of redemptions of bent or partial coin submissions.

(d) *Redemption rates.*

(1) *Generally.* Participants shall separate bent or partial coins by denomination in lots of at least one pound for each denomination category. The United States Mint will redeem bent or partial coins on the basis of their weight and denomination at the following rates:

(i) One-Cent Coins: \$1.4585 per pound.

(ii) 5-Cent Coins: \$4.5359 per pound.

(iii) Dime, Quarter-Dollar, and Half-Dollar Coins: \$20.00 per pound.

(iv) \$1 Coins: \$20.00 per pound.

(2) *Exceptions.*(i) The United States Mint will redeem one-cent coins inscribed with a year after 1982 at the rate set forth at subparagraph (1)(i) of this subsection unless such one-cent coins are presented unmixed from one-cent coins inscribed with a year before 1983. The United States Mint will redeem unmixed one-cent coins inscribed with a year after 1982 at a rate of \$1.8100 per pound.

(ii) The United States Mint will redeem \$1 coins inscribed with a year after 1978 at the rate set forth at subparagraph (1)(iv) of this subsection unless such \$1 coins are presented unmixed from \$1 coins inscribed with a year before 1979. The United States Mint will redeem unmixed \$1 coins inscribed with a year after 1978 at a rate of \$56.00 per pound.

(e) *Redemption sites.* Coins are shipped at the sender's risk of loss and expense.

(1) Bent and partial coins submitted in quantities less than or equal to a threshold established annually will be redeemed only at the United States Mint at Philadelphia, P.O. Box 400, Philadelphia, PA 19105.

(2) Bent and partial coins submitted in quantities greater than a threshold established annually should be scheduled with the United States Mint to be sent directly to the authorized recycler(s) of the United States Mint.

§100.12 Exchange of Fused or Mixed Coin.

(a) *Definitions.* (1) Fused coins are U.S. coins which are melted to the extent that they are bonded together.

(2) Mixed coins are U.S. coins of several alloy categories which are presented together, but are readily and clearly identifiable as U.S. coins.

(b) The United States Mint will not accept fused coins for redemption. The United States Mint will not accept mixed coins for redemption, except as provided for in §100.11(d)(2).

§100.13 Notices.

(a) Additional information and procedures about the United States Mint's redemption of bent or partial coins can be found on the United States Mint's website.

(b) Criminal penalties connected with the defacement or mutilation of U.S. coins are provided in 18 U.S.C. 331.

(c) The Director of the United States Mint may provide information pertaining to any bent or partial coin submissions to law enforcement officials or other third parties for purposes of investigating related criminal activity or for purposes of seeking a civil judgment.

(d) Whoever intentionally files a false claim seeking reimbursement for uncurrent, bent or partial coins may be held criminally liable under a number of statutes including 18 U.S.C. 287 and 18 U.S.C. 1341 and may be held civilly liable under 31 U.S.C. 3729, *et seq.*

Dated: September 13, 2017.

Jean Gentry

Chief Counsel, United States Mint.

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