

Opening Statement  
Chairman Bill Nelson  
Senate Special Committee on Aging: Exploring the Perils of the Precious Metals Market  
April 30, 2014

Good afternoon. Today, we're going to talk about precious metals and the schemes that have cheated Americans out of millions of dollars.

A year-long investigation by the Committee uncovered that over 10,000 Americans—many of whom are seniors—have lost nearly \$300 million from these schemes.

We've all seen the commercials on TV, touting the benefits of owning precious metals, such as gold, silver, and platinum.

Indeed, many investment advisers agree that investing in precious metals can be a responsible way to diversify an investment portfolio.

But we're not here to talk about the virtues of different investment strategies. We're here to spotlight the worst practices in an industry that has run amok and largely remains in the shadows. Consumers are increasingly getting trapped in bad deals.

Some of these bad practices include charging hefty fees and commissions, using bait-and-switch tactics to sell products at highly inflated prices, using high pressure sales tactics to get consumers to buy metals on leverage, and flat out fraud.

Many precious metal firms will also downplay the risks associated with precious metals in order to get the customer to spend more money, which the company can raid through fees and commissions.

But the most blatant type of fraud occurs when the seller outright lies to the customer, either through a Ponzi-scheme or by charging fees for fictional services. For example, the Commodity Futures Trading Commission—testifying today—has gone after a number of companies for charging storage fees when in fact no metal was ever stored on the customer's behalf.

Customers can also be tricked into buying metals on credit, sometimes called “on leverage,” where they're charged an interest expense on top of other fees and charges. This makes it nearly impossible for them to make money or break even. In fact, investors often end up losing money from these deals—with no metal to show for their troubles—since the company can seize the customer's holdings during a short-term dip in the market.

Clearly, wherever there's money to be made, you can bet unscrupulous individuals will soon follow. And that's what happened in this industry.

So, I look forward to hearing from our panel today, which will be able to go into greater detail about what is going on in this industry, and how law enforcement is responding to protect consumers from these schemes.

I am entering a summary of this bipartisan committee staff investigation into the record.

I now yield to Senator Collins.