



Precious Metals Workgroup

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Meeting Minutes

August 28, 2024 | 3:30 p.m. - 5:00 p.m.

IN-PERSON

Capitol Board Room
350 N. State Street, Second Floor
Salt Lake City, UT 84114

LIVESTREAM

Website: treasurer.utah.gov/gold
YouTube: <https://bit.ly/USTyt>

(Committee members join via Zoom)

Workgroup Members Present:

- State Treasurer Marlo Oaks
- Representative Ken Ivory
- Representative Jefferson Moss (Virtual)
- Dan Burton, Utah Office of Attorney General
- Christian Chelak, Office of U.S. Senator Mike Lee (Virtual)
- Gary Crittenden
- Sophia DiCaro, Governor's Office of Planning and Budget
- Kevin Freeman
- Hugh Hannesson
- Howard Headlee, Utah Bankers Association
- Randy Quarles

1. Welcome

Treasurer Oaks called the meeting to order at 3:30 p.m. Committee members and guests provided quick introductions.

2. Discuss Minutes of the June 26, 2024 Meeting

The minutes of the June 26, 2024 meeting were discussed. No changes were proposed.

3. Tax Considerations

Representative Ivory highlighted some of the discussions that took place between workgroup meetings and potential next steps for Utah, particularly regarding economic challenges facing the U.S. He shared insights from his meeting with Judy Shelton, a former nominee for the Federal Reserve, who echoed concerns about the dollar, debt, and federal finances.

Representative Ivory highlighted a [unanimous U.S. Senate resolution](#) declaring the national debt a threat to national security, emphasizing that China and Europe are developing alternative payment systems to challenge the U.S. dollar's dominance.

Representative Ivory also mentioned a recent conversation with Dr. Thomas Hoenig, a former Federal Reserve official, who warned that Washington is ignoring the severity of debts and deficits.

Representative Ivory said Dr. Hoenig recommended that state leaders ensure solid reserves and a stable store of value.

Representative Ivory proposed that Utah explore alternative payment systems to secure government payments and overcome obstacles like the capital gains tax on gold. He introduced Dr. Edwin Vieira, an expert on gold as money, to discuss potential legal challenges related to the capital gains taxation of gold and explore alternative payment options for Utah.

a. Capital Gains Tax, Dr. Edwin Vieira

Dr. Vieira, an attorney who studied at Harvard Law, began by discussing his early involvement in the U.S. monetary system, which started with his work alongside Ron Paul during the United States Gold Commission in the early 1980s. He wrote a paper on the historical and constitutional foundations of the monetary system. The book provides detailed historical insights into the origins and the subsequent deterioration of the U.S. monetary system, which he described as currently being a disjointed system lacking a unified structure tied to a commodity-based free market system.

Dr. Vieira noted that the U.S. monetary system includes various forms of currency, such as gold coins, silver coins, base metallic coins, and Federal Reserve Notes, all of which are labeled as dollars but do not share equivalent value. He highlighted the Secretary of the Treasury's statutory obligation to maintain equal purchasing power across different forms of U.S. currency but pointed out that this is far from reality. He used the example of a gold coin stamped as \$50 by Congress, which actually trades at a much higher market value of around \$2,500, showcasing the inconsistencies in the system.

One of the key challenges he discussed was the impact of gold clause contracts, which allow for contracts to be paid in gold. While historically these contracts were upheld by the courts to protect individuals against inflation, they are now complicated by IRS regulations. The IRS treats the market value of gold as taxable, rather than its statutory face value, which deters individuals from using gold in contracts due to potential tax implications.

Dr. Vieira argued that Congress has declared gold coins as money with a face value, and the IRS does not have the authority to devalue them. However, he acknowledged that challenging this system through litigation would be difficult, given the lengthy process of first complying with IRS regulations, then seeking refunds and pursuing appeals through the court system. He mentioned that while states can rearrange their own taxation systems, the overarching power of the U.S. Treasury and the IRS complicates the use of alternative currencies like gold.

In terms of potential legal challenges, Dr. Vieira highlighted the limitations posed by the Tax Injunction Act, which prevents taxpayers from preemptively challenging IRS regulations. Instead, individuals would need to pay the tax under protest and then sue for a refund, a process that could take years and would likely face resistance at various judicial levels.

Dr. Vieira also pointed out that while gold clause contracts were common after the Civil War and upheld by the Supreme Court, there has been little litigation on them since the 1930s, creating uncertainty about how courts would handle them today. He expressed skepticism about the Supreme Court's willingness to address these issues, especially given the potential economic instability that might follow a ruling challenging the current monetary system.

Representative Ivory sought clarification and asked if a few questions could be taken. He first summarized the issue by stating that the state is struggling to retain employees due to the devaluation of the dollar, as the private sector is able to quickly close the wage gap by offering higher salaries. This wage gap, exacerbated by the devaluation of the dollar, presents a challenge for the state. Representative Ivory noted that commodities and other goods the state purchases are becoming 10% more expensive annually, which is also tied to the declining value of the dollar.

Representative Ivory referenced Article 1, Section 10 of the U.S. Constitution, which stipulates that the state should only use gold and silver as legal tender for debts and that the state should not impair contracts. However, he pointed out that as the value of the dollar decreases each year, contracts paid in dollars are worth progressively less, creating issues with contract integrity.

Representative Ivory explained that the state is exploring contingency planning, potentially implementing an alternate payment system to retain employees or purchase necessary goods in case the dollar's value continues to decline.

Representative Ivory asked whether there is any legal precedent for a state challenging issues related to the impairment of contracts or the use of gold and silver as legal tender. He sought clarification on the existing legal precedents for a state taking action to uphold these constitutional clauses and protect the sanctity of contracts.

Dr. Vieira referred to the late 1800s post-Civil War case *Lane County v. Oregon*, in which the Supreme Court recognized that a state could decide for itself what currency to use in exercising its sovereign functions. In that case, Oregon had demanded taxes be paid in gold and silver rather than irredeemable United States legal tender notes, which Congress had introduced as currency. The argument against Oregon was that Congress had created these notes as legal tender and that the state must accept them. However, the Supreme Court ruled that, despite Congress's actions, states retained sovereign authority in certain functions, such as taxation, employment, borrowing, and spending.

Dr. Vieira explained that under the *Lane County* ruling, a state could choose to only accept or pay with gold and silver, and no one could force it to use other forms of exchange, like paper currency issued by Congress. This interpretation is reinforced by Article 1, Section 10, Clause 1 of the U.S. Constitution, which prohibits states from making anything but gold and silver a tender in payment of debts. Furthermore, while Congress's 1933 resolution attempted to abrogate gold clause contracts, no Supreme Court ruling has confirmed that this applies to state contracts. As a result, states have authority over their own monetary practices, particularly in sovereign functions.

Dr. Vieira also discussed the complexity that arises for individuals, such as employees or contractors, who would be paid in gold or silver. These individuals would face additional accounting challenges when handling such payments, as they would need to calculate the value and basis of the gold or silver and potentially face complex tax reporting. While this added layer of accounting is a practical challenge, Dr. Vieira pointed out that in a hyperinflationary event, the stability of gold or silver payments might outweigh the costs of additional accounting.

He concluded that while people may adopt gold clause contracts in times of severe currency depreciation, currently, most people do not understand the underlying causes of inflation. They only see rising prices for everyday goods, like a box of Cheerios, without realizing that these price increases are tied to the monetary system. Many mistakenly believe that price controls are a solution, without recognizing their disconnection from the actual causes of inflation in the banking system.

Representative Ivory asked for clarification, stating that he believed there was no congressional act that specifically subjected gold to capital gains tax, but rather that this was imposed through an IRS regulation and not an act of Congress.

Dr. Vieira responded, stating that he had not seen any specific congressional act on this matter. He explained that gold is treated as a collectible under Title 26, Section 408(m), which defines gold coins and gold in general as collectibles, but specifically exempts U.S.-minted gold and silver coins. However, he pointed out that while the law clearly states that U.S.-minted coins are nontaxable, the IRS does not treat these coins as such. Instead, the IRS treats them as gold bullion, which creates a semantic difference. Dr. Vieira emphasized that the IRS is regulating this in a way that is not aligned with the statute.

Mr. Quarles reflected on the discussion, noting that, based on the previous session, the issue seemed to revolve around the capital gains tax. He recalled that Dr. Vieira had argued that there could be a strong case that, despite the IRS's position, U.S.-minted gold coins might not be subject to capital gains tax. Mr. Quarles also referenced Jason Cozens' earlier comments, where Cozens mentioned that Glint could use any asset but chose gold.

Mr. Quarles then posed a question: Could the issue of capital gains taxation be circumvented by trading gold through Glint or a similar platform, specifically using U.S.-minted gold coins? He suggested the

possibility of trading fractional interests in these coins, which are exempt from taxation, rather than focusing on fractional interests in gold bullion, which is subject to capital gains tax.

Mr. Quarles acknowledged that there might not be an immediate answer to this idea but asked if it was a worthwhile question to explore further.

Dr. Vieira explained that the receipt of a \$50 gold coin is considered a taxable event. Using the example of an employee receiving this coin as payment, he outlined the key issue: whether the employee should report the value as \$50, the face value of the coin, or \$2,500, its market value, on their tax form. He then raised a second question: if the coin appreciates in value, say from \$2,500 to \$3,000, would the employee be subject to a capital gains tax on the \$500 increase upon exchanging the coin?

Dr. Vieira pointed out that no one considers capital gains or losses on Federal Reserve Notes as their value fluctuates, so the same should apply to other forms of U.S. money like gold coins. He argued that in both cases—the valuation of the coin for income tax purposes and the question of capital gains—the IRS is incorrect. He asserted that the IRS should not be able to impose capital gains taxes on long-term holdings of gold coins, nor assign a value higher than the \$50 face value set by Congress. Dr. Vieira suggested that the IRS's approach is designed to discourage the use of gold and silver coinage as an alternative to legal tender paper currency.

Representative Ivory acknowledged the challenge posed by the devaluation of currency, noting that as money continues to lose value, alternatives like Bitcoin and other cryptocurrencies are emerging to address the problem of eroding purchasing power. He emphasized the need for further discussions on this issue, especially given the warnings from Congress and international organizations like the IMF about the pressures on the U.S. dollar. Representative Ivory stressed the importance of ensuring that the state retains the ability to purchase goods and pay employees, highlighting that this is a significant issue as they prepare for upcoming legislative sessions. He then opened the floor for any additional questions from the committee.

Mr. Larry Parks mentioned that he wasn't sure if there had been a federal decision on the matter, but he recalled that after gold clauses were reauthorized by Congress in 1977, there was at least one case involving a long-term lease, possibly a 99-year lease. When the renewal of this lease came due after the reauthorization of gold clauses, there was a stipulation in the lease involving a gold clause. Parks believed that the gold clause had been upheld in a court action. He then asked Dr. Vieira if he remembered this case and whether it had any relevance to their current discussion.

Dr. Vieira explained that there were several cases in which the plaintiffs lost when attempting to enforce old gold clause contracts. However, there was one notable case involving the AAA renovation of a contract, which presented a unique situation. He mentioned that a group called the Gold Bondholders Association had tried to argue in court that once gold ownership and gold clause contracts were re-legitimized by Congress, old contracts containing gold clauses should be reinstated. In all but one case, the courts ruled that these contracts were not revived because Congress's statutes did not have retroactive effect. In the particular case where the gold clause was upheld, it was due to a renovation of the contract, where the parties had changed the terms of the old contract, effectively creating a new agreement. This modification triggered the gold clause as a new element after Congress had re-legitimized such clauses in 1977-1978. Dr. Vieira noted that this was a rare and specific scenario, and to benefit from such a ruling, the exact circumstances of the case would need to be replicated.

Mr. Freeman asked Dr. Vieira if he could comment on the *Bronson v. Rodes* case and its implications for the distinction between bullion and coin.

Dr. Vieira noted that the *Bronson v. Rodes* case is particularly interesting because it highlights that, in the long run, there is no substantial distinction between coinage and bullion. He explained that coinage simply carries the government's stamp, indicating the purity and weight of the gold in the coin, whereas

bullion requires an assay and scales to determine those factors. Historically, bullion did not always have its weight and purity stamped on it.

However, Dr. Vieira pointed out that in modern practice, there is little practical difference between bullion from reputable sources and coins minted by the government. Based on the *Bronson* case and several related rulings, he argued that bullion can be used just as effectively as coinage, provided it comes with a certification of weight and purity that holds credibility similar to that of government-issued coins.

Dr. Vieira concluded that, constitutionally, there should be no significant difference between using bullion and coinage. Additionally, he emphasized that this opens up the possibility of using smaller units, such as aliquots, down to a troy ounce or troy grain, in transactions. He stated there is no reason not to explore this option.

Representative Ivory emphasized that the committee should follow up on the points raised. He mentioned that there appears to be a potential path for a state, acting within its jurisdiction, to address some of the issues related to capital gains in an alternative payment system using gold, particularly under the impairment of contracts clause and the state's reserve powers. He acknowledged that this aligns with much of the work the committee has been tasked with and reiterated the desire to explore further.

b. Roundtable Discussion, Workgroup Members, World Gold Council, Utah Tax Commission, and Utah Department of Financial Institutions

Representative Ivory referenced discussions regarding how the state might facilitate an alternative payment system, referencing recent meetings with the Tax Commission. He invited Jason Gardner to say a few words.

Mr. Gardner explained that the system used to pay taxes in Utah was originally designed several years ago to handle Bitcoin transactions. Currently, taxpayers can pay their taxes in Bitcoin, using a model established by a service provider in collaboration with the Department of Finance. Through an online portal, individuals can make their payments, and while the initial payment may be in Bitcoin, the Tax Commission ultimately receives U.S. dollars after the currency is converted, as taxes are calculated in U.S. dollars.

Mr. Gardner clarified that Utah cannot operate parallel systems for tax calculations in different currencies, just as they would not accept payments in euros without first converting them. The portal simplifies the process for taxpayers, allowing them to use their assets without needing to physically exchange them for dollars beforehand. Everything happens behind the scenes, ensuring that the state receives U.S. dollars.

However, Mr. Gardner emphasized that the IRS would still recognize such transactions as subject to capital gains tax. Whether someone uses gold or another asset to pay taxes or make a purchase, the IRS treats it as a taxable event, based on the difference in value from the time the asset was acquired to when it was used. While the system may offer convenience, it does not eliminate the capital gains tax implications.

Representative Ivory noted that using highly appreciated gold to pay taxes would result in a liquidation, triggering a capital gains tax on the appreciated value. He compared it to someone liquidating stocks, bonds, or barrels of oil for the purpose of paying taxes, indicating the same tax implications would apply.

Representative Ivory asked if a mining company were paying a severance tax in gold directly extracted from the ground, would that transaction be subject to capital gains tax? He assumed that if the payment came directly from what the company excavated, the capital gains tax might not apply to that portion.

Mr. Gardner acknowledged the question as interesting, admitting uncertainty about how the IRS would treat capital gains on assets acquired without purchase. He explained that he wasn't sure whether capital gains would apply in such a situation.

Representative Ivory asked Brian Somers to provide his thoughts on the matter and to comment generally on whether there is any interest or appetite within the mining community or other sectors to pay taxes directly in commodities instead of converting them into dollars.

Mr. Somers expressed that he had the same question regarding how capital gains would be treated when dealing with a producer who is actually producing the gold. He explained that, in the case of some Utah producers, their operations are vertically integrated, meaning they manage the process from raw ore to finished gold—99.999% pure—within the same operation, without any external contracts. He emphasized the importance of determining how capital gains would be applied in this context.

Mr. Somers also pointed out another key consideration: if a producer wanted to pay a portion of their severance or other tax obligations with physical gold, delivering a physical product to the treasurer or a repository, how would that work from the perspective of the Tax Commission? While he appreciated the idea of using a portal similar to the one for Bitcoin transactions, which facilitates electronic payments, he questioned how it would be handled if a producer were interested in physically delivering gold as payment for taxes.

Mr. Gardner explained that the state does not have the capability to accept physical gold directly or the expertise to value it on the spot without incurring significant costs. He clarified that such transactions would need to go through a service like Brink's. In this scenario, the state would have an account with Brink's, and the producer would transfer a portion of their Brink's account to the state's account, thereby completing the transaction. He added that the state would need to be provided with a dollar value for the transaction so it could properly credit the taxpayer's account.

Mr. Gardner further elaborated that the value of the transaction would lie in keeping it in gold rather than liquidating it, with the gold being transferred as-is. If the gold were liquidated, the producer would lose the advantage of the transaction. However, he stressed that all taxes are currently calculated in dollars, not gold, meaning that creating a parallel tax system for every tax would be necessary to make such a process work, as the entire foundation of the state's tax system is dollar-based.

Representative Ivory expressed uncertainty about whether the payment of taxes in precious metals is addressed in the code. He noted that if the state were to open up the option of paying taxes in precious metals, it could be processed through a portal. Representative Ivory then asked Mr. Somers whether there is interest in the mining community regarding this possibility. He mentioned that groups like the Goldback advocates and others have long shown interest in paying taxes with precious metals, but wondered if the mining community sees this as something worth exploring.

Mr. Somers acknowledged that there is definitely curiosity within the mining community regarding the possibility of paying taxes in the commodity they produce. He explained that, particularly for those involved in producing gold, there could be interest if there were clear benefits to both the state and the producer in making tax payments directly with the commodity. However, Mr. Somers emphasized the need to work through the technical issues, such as how the process would function and whether there would be tangible benefits for producers. He also pointed out that if the state were to acquire physical gold for assets like the rainy day fund, buying directly from producers could eliminate the need for brokers and transaction fees, potentially allowing producers to offer a small discount in return. This could save the state money. Somers concluded by stating that while there is definite interest, practical details need to be worked out. He also noted the potential for future opportunities, such as using gold-backed reclamation bonds, which could benefit the mining industry by helping hedge against inflation.

Representative Ivory asked if Joseph Cavatoni from the World Gold Council to share some of the insights he had previously discussed, particularly regarding capital gains taxation.

Mr. Cavatoni noted that the discussion highlighted the complexities involved in the issue and affirmed that the direction they are pushing for is the right one. He addressed a question regarding whether a digital

version of gold could circumvent capital gains taxation, explaining that, based on his experience with various financial instruments, including gold, the IRS tends to look through such instruments. The IRS typically applies the same tax treatment as it would to the underlying asset, meaning capital gains would still apply regardless of the format or "wrapper" used. This is consistent with how the IRS treats exchange-traded funds holding gold, treating the equity as if it were gold itself.

Mr. Cavatoni also mentioned that gold producers are likely not subject to capital gains tax, as they are producing gold rather than investing in it. When producers sell their gold, they wouldn't be taxed on capital gains. He further suggested that, while implementing a structural solution to bypass capital gains might be challenging, there are other approaches worth considering. One idea he proposed was appealing for a de minimis amount, where a small dollar value could be carved out for tax-exempt transactions, allowing individuals to use a minimal amount of gold in payments without triggering capital gains tax calculations. He pointed out that this concept is being explored in the cryptocurrency world and could be applicable to gold or digital gold transactions as well.

Mr. Cavatoni emphasized that working with the IRS or legislators in Washington would be a long and challenging process. Therefore, he recommended pursuing more immediate steps that could help prove the concept, gain momentum, and demonstrate the viability of such an approach in the shorter term.

Representative Ivory asked how the de minimis issue he mentioned would play out in the context of establishing an alternate payment system for state employees and state procurement. He inquired how this concept would factor in as they prepare for such a system, especially in light of concerning trends related to the dollar's value.

Mr. Cavatoni responded by stating that the de minimis issue would likely play out in the system used to track payments. He suggested that it would need to be integrated into a system that allows for tracking and tracing those payments. He mentioned that Mr. Cozens from Glint may have insights on this, but emphasized that such a system would need to include mechanisms for calculating and controlling payment limits.

Mr. Cavatoni compared it to how an ATM sets a daily withdrawal limit, suggesting a similar structure where the system controls the de minimis amount. While he acknowledged that he hasn't seen such a system implemented, he believed it would be an interesting concept to explore further, with the possibility of coding it into the system approved for payments.

Representative Ivory brought up a discussion they had with Dr. Honig regarding the political potential for changes if there were a new administration. He asked if anyone had insights or thoughts on that possibility. He also mentioned that Judy Shelton had told him that President Trump once received gold bars as rent payment for one of his buildings, which gave him a keen awareness of the capital gains tax issue. Representative Ivory inquired whether this is something they have explored or considered in terms of political potential and how it might play out.

Mr. Cavatoni noted that they are closely monitoring the political landscape, though it remains unclear. He suggested that a future administration might be more open to considering alternatives beyond the dollar, but acknowledged that they have not done extensive work to explore whether there will be significant movement in that direction.

What they have been focusing on is advocating on Capitol Hill to raise awareness that the current capital gains tax on gold at the collectibles rate is inappropriate. Cavatoni explained that they have argued for gold and bullion to be taxed similarly to bonds or equities, as there is no reason to treat them like collectibles such as Persian rugs or artwork. He further elaborated that in the debate over what constitutes a collectible, a basic rule can be applied: if you cut something considered a collectible in half, it often loses value. In contrast, cutting a collectible coin would destroy its numismatic premium but not its intrinsic gold value. Based on this, Mr. Cavatoni and his team have been pushing for gold to be treated as

an investment, aligning it with other types of investments. However, they have not yet pushed the argument beyond this point.

Representative Ivory asked if the capital gains taxation on gold is primarily a regulatory issue rather than something dictated by Congress.

Mr. Cavatoni expressed that the situation is quite complicated. He referenced Section 408(m), noting that there has been ongoing debate about allowing precious metals—such as gold, silver, platinum, and palladium—to be invested in by mutual funds, something that the current regulations do not yet permit. While progress has been made toward approval, it remains a regulatory issue at this stage. He advised caution, suggesting it would be wise to avoid turning it into a political issue prematurely.

Mr. Freeman made four comments in quick succession. First, he argued that fighting the capital gains tax on gold is the morally right thing to do, asserting that it is immoral to tax money or the preservation of purchasing power. He emphasized that the state has a duty to uphold the morality of its citizens and that there is a constitutional basis for this stance. Second, Mr. Freeman explained that while Bitcoin is not legal tender in the U.S., the IRS acknowledges its functionality as currency, allowing it to be used for transactions like paying employees or purchasing goods. Gold, while not currently functioning as currency, could be made legal tender by a state. He suggested that there is a strong possibility that the IRS code, which has been prepared with central bank digital currencies in mind, could allow gold to be exempt from taxation under existing regulations. Third, Mr. Freeman pointed out that if the state of Utah implements this system and it becomes popular, it could prompt Congress to act, much like Congress is considering exempting tips from taxation due to their popularity. He noted that Bitcoin remains legal despite government preferences because of its widespread use. Therefore, moving forward with this system could generate the popularity needed for Congress to consider an exemption for gold. Finally, Mr. Freeman addressed concerns about tracking capital gains by noting that KPMG has the capability to track all transactions made using the Glint app. For \$35, users can receive an end-of-year capital gains report. He emphasized that, under current law, gains are only taxed if realized, and even then, only a portion of the gain—representing purchasing power maintenance—would be taxed. This system, he argued, addresses concerns raised by Dr. Vieira.

4. Roundtable Discussion: Explore Potential Regulatory Considerations for Precious Metals Currency Platforms

Representative Ivory noted that many states are exploring the potential popularity and momentum that could push Congress to act. He mentioned that 15 states were represented at a recent conference on the topic. Ivory then transitioned to the final agenda item, which involved considering the implementation of a functional gold-based alternate payment system like Glint. He asked what key factors should be considered, including security and audit concerns, and what range of options might be available if the state were to pursue such a platform.

Mr. Cozens thanked Representative Ivory and the group for the invitation to speak. As the founder and CEO of Glint, the first company in the world to make gold transactional in real-time for electronic payments, Mr. Cozens acknowledged that he frequently hears similar questions from various states interested in this concept. He emphasized that implementing a gold-based payment system is not just about technology, security, or vaulting, but deeply about caring for and protecting clients. He pointed out that these considerations are already codified into existing U.S. regulations. Mr. Cozens highlighted that Glint is fully operational and compliant with all relevant rules, thanks in part to its licensing relationship with its issuing bank, which allows the company to issue Mastercard products. This relationship ensures that both Glint and any supplier to the state would meet a broad range of regulatory requirements, all of which are focused on safeguarding customers.

Mr. Cozens further stressed that while security and auditing are important, transparency and fairness to customers are equally critical. He explained that there are existing regulations designed to address these concerns and ensure that customers are not misled.

Mr. Cozens also introduced Mark Follows, Glint's chief compliance officer, who has been instrumental in ensuring the company meets all regulatory standards. Cozen noted that Glint has been enabling transactional gold in the U.S. since 2019, with approximately 70 percent of its customers residing in the country. Mr. Cozen asked Mr. Follows to provide the team with more insight into the regulatory aspects he was referring to.

Mr. Follows explained that compliance is a vast and complex area, covering various aspects of risk management. He noted that some areas of compliance, such as anti-money laundering rules, are considered "evergreen," meaning they are ongoing and essential. However, he emphasized that modern compliance, especially in the U.S., increasingly focuses on security and trust, which encompasses several areas.

Mr. Follows explained that the regulations Glint operates under are not just about protecting customer information, card data, or the gold stored in vaults. They also focus on safeguarding individuals from potential harm caused by financial services firms, ensuring protection from nefarious practices. He highlighted the importance of regulations like the Unfair and Deceptive Acts and Practices (UDAAP) and Regulation E, which is part of the Electronic Fund Transfer Act passed in 1978. These rules govern payment card operations and include measures like protecting seniors from financial abuse. He pointed out that Glint, with a large U.S. customer base, operates within this comprehensive regulatory environment. Compliance covers a wide range of areas, including marketing activities, but the company's approach centers on good stewardship and putting customers at the heart of its operations.

Mr. Follows emphasized that compliance extends beyond audits, reconciliations, and system controls. It also involves how Glint communicates with customers and maintains transparency. He mentioned that many financial firms have faced issues like hidden charges, excessive fees, and hidden foreign exchange margins, which continue to be global problems. He concluded by stating that Glint is committed to addressing these concerns through a comprehensive and responsible approach to compliance.

Representative Ivory raised two significant concerns that he frequently encounters when discussing the potential of engaging an alternate payment system backed by precious metals. He noted that, given the possibility of worsening dollar value and financial conditions, the main question is about security. Specifically, if the gold is stored in Switzerland or another location, how could the state ensure its security? Additionally, he mentioned concerns about continuity, as companies come and go, and asked how the state could ensure that such a system would remain functional if something happened to the company managing it. He asked if Mr. Cozens if he would like to address these concerns.

Mr. Cozens reflected on his background in architecture, noting that it helped him develop a skill for listening to customer needs and crafting solutions accordingly. He explained that while Glint currently uses a vault in Switzerland and has teams and infrastructure distributed globally, the priority is to understand the specific needs of the state. For Utah, he acknowledged that the ideal solution would likely involve a more localized approach.

Mr. Cozens pointed out that Utah is fortunate to have a world-class vaulting facility operated by Brink's, one of the most trusted custodians of precious metals worldwide, located not far from where the group was meeting. He also mentioned that even the source of gold could be secured locally, as gold production is available within Utah. He emphasized that whether Glint or another provider is used, the necessary technology infrastructure—servers, operations, and staff—could all be based in Utah, which he believed would be the best approach moving forward.

Mr. Follows acknowledged that it is a truism that all private companies are subject to various risks at any given time. However, he explained that Glint has mechanisms in place to address potential challenges. These mechanisms include contingency plans to react to any negative developments in a way that prioritizes the customer's interests. He emphasized that customers own the gold directly, not Glint. The

company simply maintains a ledger of ownership, ensuring that customers maintain full ownership of their gold.

Mr. Follows stressed that Glint's primary objective is always to ensure that customers are made whole, even in the event of continuity issues. As part of being a responsible company, Glint anticipates potential problems and implements measures to address them proactively.

Rep. Ken Ivory addressed the group, asking if there were any questions regarding the potential implementation of a payment system like the one discussed or another similar system. He inquired about the types of security measures, escrow arrangements, technology, and other considerations that would need to be taken into account if the state were to pursue such an option.

Mr. Headlee acknowledged that he didn't have a definitive answer to the question raised but appreciated the discussion and focus of the task force so far. He highlighted the importance of making a genuine commitment as a state if Utah were to pursue a gold-based payment system or any alternative asset structure, rather than treating it superficially. He stressed that such a move should not appear as simply gaming the system but as a legitimate shift.

Mr. Headlee also urged the task force to explore the potential downsides of such a commitment. While he recognized the economic concerns around inflation, spending, and debt, he questioned what would happen if the state fully committed to this direction. He wondered if this could put citizens who don't open gold-based accounts or don't pay in gold at a disadvantage. He also raised concerns about whether paying taxes in traditional currency, which is already devaluing, could exacerbate obligations for those citizens.

Mr. Headlee expressed the need to consider whether the state could balance two systems—one based on gold and one on traditional currency—or if a full commitment would be necessary. He questioned what impact such a shift would have on the state's fractional reserve banking system. As a representative of the Utah Bankers Association, he noted that if the state incentivized citizens to use gold-based accounts, it could negatively affect bank deposits, reducing banks' ability to lend and grow the economy.

Mr. Headlee emphasized that economic growth is a crucial part of addressing the issues of debt and deficit and that Utah's rapid growth compared to other states gives it an advantage. However, this advantage could be undermined if citizens are penalized for not moving their money into gold-based accounts, which could limit banks' ability to lend and create jobs.

Representative Ivory acknowledged the points raised as excellent and expressed interest in discussing them further offline. He mentioned having previously discussed some of these questions with Mr. Cozens and invited him to address the potential downsides of a precious metals-based system. Representative Ivory asked whether such a system might create inequality or penalize individuals who choose not to use it. He also inquired about the impact on the banking system, both positive and negative, and whether it could impair or limit lending and traditional banking practices, as well as its effect on economic growth. Ivory concluded by noting that these are all important questions to consider.

Mr. Cozens emphasized that the idea of a gold-based payment system is about providing an additional choice alongside the U.S. dollar, not replacing it. He acknowledged that while inflation is currently under control and technological advancements like artificial intelligence might help address the nation's debt, having an alternative currency option could offer security if economic conditions worsen.

Mr. Cozens explained that Glint customers typically use the platform as a secondary option, putting only a portion of their funds into it, and stressed that the system isn't designed to undermine the dollar, but to support the economy. Cozen also highlighted the need for Glint and similar systems to collaborate with banks, noting that Glint works with a bank to issue cards that allow users to spend U.S. dollars. He suggested that banks could integrate such systems into their apps through open banking models, which is

already happening in Europe. He cited data showing a significant number of Americans view gold as an important investment, and suggested that integrating gold-backed options into banking could keep funds from leaving traditional banks. He proposed that the state could support this system by ensuring the rights of citizens to use gold as money, potentially eliminating capital gains taxes on such transactions.

Mr. Cozens also raised the idea of collateralized gold lending, where banks could lend money against gold holdings. He concluded by suggesting further discussions with banks to explore these possibilities, recommending an offline meeting to dive deeper into these issues and report back in the future.

Rep. Ivory praised Mr. Headlee for the Utah Bankers Association's involvement in the discussion, noting that many states avoid these conversations. He referenced past instances like California's use of scrip during economic struggles and raised concerns about the declining value of the U.S. dollar, as discussed with Dr. Hoenig. Representative Ivory expressed interest in continuing discussions offline, emphasizing the need to explore potential downsides before the September meeting.

Ms. DiCaro reminded the group that the bill covers both state investment and public monetary policy, with legislative recommendations due by October. She asked for an update on the investment side of the bill and requested that the workgroup discuss legislative proposals for October.

Representative Ivory discussed the progress made in meetings with brokers and others regarding the performance of gold, noting that the key takeaway was that "gold is gold" as long as it's authenticated and sold at the best price. He emphasized the importance of educating legislators about the mechanics of managing gold assets, particularly in avoiding misconceptions about liquidation processes. He mentioned that discussions are ongoing about strategies like dollar-cost averaging and addressing certain legislative issues, such as how costs are accounted for in the state's budget.

Representative Ivory also highlighted the importance of involving the governor's office in these discussions and ensuring a clear understanding before moving forward. He noted that today was the first meeting with the speaker and senate president and suggested further coordination with the governor's team. He concluded by mentioning plans to organize an offline meeting about legislation and a potential tour of the Brink's vault for legislators.

5. Other Items/Adjournment

Representative Ivory noted that this issue is a priority for him, and he would have legislative items for the group to discuss at an upcoming meeting. He thanked everyone for their contributions and concluded the meeting.