

**PAWN SHOP, BUY-SELL  
AND SECOND-HAND BUSINESSES  
LEGISLATION DISCUSSION PAPER**

**May 2006**

# **PAWN SHOP, BUY-SELL AND SECOND-HAND BUSINESSES LEGISLATION DISCUSSION PAPER**

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## **Introduction**

In 2004 the population of Nova Scotia was 936,960 and the number of property-related crimes in Nova Scotia was 36,482 – these numbers, provided by Statistics Canada, include break and enters, thefts from motor vehicles and shoplifting but do not include robberies. This trend continues year to year. The property loss to Nova Scotia citizens each year is a multi-million dollar figure.

The police in the province are asking for better legislation to regulate pawnbroker businesses. Pawnbrokers and similar businesses provide a legitimate service, however they often obtain their merchandise from unregulated or unknown sources. This can provide an opportunity for criminals to dispose of stolen items by converting them to cash. In turn, customers may be unknowingly purchasing stolen goods.

In response to the requests to look at this legislation, the Department of Justice established a committee which included police officers, a member of the Public Prosecution Service and other provincial employees, to make recommendations in this regard.

This Paper contains the recommendations supported by that committee. It is being circulated to the public, businesses, municipalities and police, so that anyone with an interest can provide their input for consideration along with the committee's recommendations.

## **Background**

In the past, in order to track goods in pawn shops, a few municipalities in Nova Scotia required that pawnbroker businesses report their transactions in written form to the police.

Advances in technology, particularly the internet, now provide a more convenient means to collect, store and transmit information. A computerized automated reporting system is an internet-based networking system that delivers instant organization and tracking of all property that passes through a business. Such a system allows a business to submit information about customer transactions electronically to the police via the internet. Once data is received, investigators can access and analyze the information instantaneously. A computerized automated reporting system is being used in some municipalities in Alberta, Saskatchewan and Ontario, and also in several states in the USA, to manage transaction data flowing to police stations from pawn shops.

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Two cities in Saskatchewan ran pilot projects using automated reporting of pawn transactions, which preceded legislation in that Province. These pilot projects provided examples of cases that were solved as a result of the ability of an automated system to convey information immediately, and also indicated that businesses using the system found it to be an effective tool (source: The Star Phoenix (Saskatoon) March 16, 2004, byline Dan Kinvig). Statistics on pilot projects in Toronto and York, Ontario indicated substantial increases in property recovered and charges laid compared to paper based systems (source: 2003 year end (Stats) (1), Special Investigation Services, City of Toronto, January 22, 2004).

As of 2005, new technology is available in Nova Scotia allowing R.C.M.P. and municipal police agencies to share information contained within their automated records management systems. This technology will allow police from one jurisdiction to compare crime statistics with other agencies in the province. If pawn shops and similar businesses begin submitting information about property coming into their stores, this could be a vital link towards investigating property related crime. Police would be able to compare pawned property against records of stolen property contained in their databases.

There are companies that provide automated systems for the purpose of recording data from pawn shops and similar businesses, however the pawn businesses must have the necessary computer equipment to use with the system. In Saskatchewan, where such a system is in place in some municipalities, the cost of the system is passed on to the person who pawns the items in the form of a small user fee (approximately \$1 per transaction regardless of the number of items involved). The fee is collected by the pawn shops as part of the pawn transaction, and a percentage of the fee is submitted to the company that supplies them with the program. The business may keep part of the transaction fee to put towards its own costs. It must be recognized however that the system may require an up-front cost for the businesses. There is no cost to the police for its use of the system.

**Saskatchewan's Legislation:**

In Saskatchewan, automated reporting is regulated under recent legislation; some municipalities in Ontario and Alberta have adopted by-laws requiring it. A detailed description of Saskatchewan's legislation is provided below as a possible model for legislation.

In Saskatchewan, businesses that operate as pawn shops fall under the new legislation once the municipality's Chief of Police gives 90 days notice that it applies. The municipality may then require affected businesses to obtain a municipal license.

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Pawn transactions are defined as the depositing of an article which may be redeemed or re-purchased. Other businesses that engage in the practice of “buy-sell” arrangements are included as well. In these arrangements, the business buys the item from the customer but offers a period of time in which the customer has an exclusive opportunity to re-purchase the item for a specified amount.

The Saskatchewan legislation requires the reporting of pawn or buy-sell transactions concerning most items.

In most places, including Saskatchewan, the following items need not be reported:

- paper, cardboard
- cookware, glassware and utensils
- furniture
- books and other printed materials
- postage stamps
- appliances
- footwear and clothing, except leather and fur jackets and coats
- motor vehicles or
- goods bought at auctions or estate, trustee, receiver or sheriff’s sales.

Saskatchewan’s statute and regulations include requirements for customer identification, article description, a receipt, clear serial numbers on serial numbered goods, immediate automated reporting of transactions, or once a day if there are no transactions, and authority for the police to establish procedures in the case of system malfunctions. Persons selling goods to the businesses must provide identification including a picture and signature, and for example one or more of the following:

- valid driver’s license issued by a Canadian province or territory or by a state in the United States
- passport issued by the government of origin
- Certificate of Indian Status card issued by the Government of Canada
- Certificate of Canadian Citizenship card issued by the Government of Canada
- Conditional Release card issued by Correctional Services of Canada.

Information to be reported includes:

- a full and complete description, including, if applicable, the manufacturer, year, model and serial number of any goods pawned or received, or any identifiable marks or title on an article
- with respect to jewellery, the type, weight, karat, any engraving, the number and type of gemstones and whether the item is typically worn by a man or a woman

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- the price paid or credit extended for the goods
- the date and hour of receipt of the goods, and a receipt number of the transaction
- the name, residence or street address, telephone number and date of birth of the person from whom the goods were received
- confirmation of the identity, including name, residential address, picture, and signature, of the person from whom the goods were purchased or received, by way of two pieces of identification including a complete description of the identification and name of the authority who issued it
- the name of the pawnbroker conducting the transaction and
- any other information required to be provided by regulation.

A pawnbroker is prohibited from purchasing or receiving any goods where the serial number or other identifiable marking has been tampered with or removed.

The Saskatchewan Act makes it clear that customers' personal information, and the items to which they are linked, will be made available to police officers for investigative purposes, however it also provides that the information is to be protected according to privacy principles.

Under the Act, the police are given all necessary enforcement and investigatory powers, and the Minister responsible is given authority to pass necessary regulations. Contravention of the Act is an offence with fines ranging from \$5000 to \$15,000 for individuals and from \$15,000 to \$50,000 for corporations.

**Committee Recommendations:**

The Committee recommends that the use of an automated reporting system for some pawn, second-hand and buy-sell transactions be required by province-wide legislation in Nova Scotia. It suggests the legislation be similar to the legislation recently adopted by Saskatchewan subject to the suggestions provided below.

The Committee suggests that a specific list of the items that must be reported electronically might be more workable for businesses than requiring every item to be reported. They would also like the option to add more to the list by government regulations, if need be. This specific list would be made up of items that are easily identifiable or with serial numbers, such as:

- bicycles
- computers and computer related accessories, games, software and hardware
- electronic equipment

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- jewellery
- medals
- musical instruments
- photographic equipment
- power tools, motorized lawn equipment and snow blowers
- stereos
- television sets and
- watches.

Goods, including those listed above, that are bought at auctions or estate, trustee, receiver or sheriff's sales, or that are antiques, would not need to be reported.

Automobiles would not be included because legislation already exists for the regulation of transactions involving automobiles.

In Saskatchewan, businesses that operate as pawn shops (including buy-sell businesses) fall under the new legislation once the Chief of Police for a municipality gives 90 days notice that it applies. The Committee recommends similar provisions for Nova Scotia, but also wants to see mandatory application of the legislation in all municipalities once there is sufficient time for police and businesses to prepare. The Committee feels that application in some parts of the Province and not others will encourage criminals to take their goods to the non-regulated businesses and so this will not deal with the problem effectively. An early opt-in provision would allow municipalities and police forces that are prepared to start requiring electronic reporting to do so, while others are preparing.

In addition to pawn shops and buy-sell businesses, there are businesses that conduct second-hand purchases from customers that may also involve goods that are at risk of theft. Second-hand purchases differ from pawn and buy-sell transactions in that the customer does not have a right to redeem or re-purchase the goods during a certain time period. Second-hand businesses are not covered by the Saskatchewan legislation at present, but could be brought in by regulation. The Committee thinks that these businesses should be reporting certain transactions as well, otherwise they are the obvious places to take items if pawn shops and buy-sell businesses will be required to report electronically. Therefore, the Committee recommends that second-hand businesses be included if legislation is adopted in Nova Scotia, if they buy and sell the items identified below. This would not include businesses that deal only in antiques and collectibles.

Saskatchewan's legislation includes municipal licensing. Licensing provides enforcement officials with information on the location and number of businesses involved. Licensing can be a useful enforcement tool because removing a license for failure to comply with the law can be

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more convenient than continuing to prosecute. Removal of licenses for violations of the legislation is not provided in Saskatchewan's legislation but the Committee suggests it be included. Individuals who repetitively contravene sections of the legislation should be subject to suspensions and revocations depending on the severity of their non-compliance. As well, the legislation should prohibit the issuance of licenses to individuals who have criminal records related to property crime offences.

**Possible Concerns or Drawbacks:**

The Committee recognizes that the transition from the present no reporting of pawn transactions to mandatory reporting using an automated system is a big step. Customer concerns will include privacy issues and the fee on the service. Pawn shops will have concerns about the expense and time involved; also that it may discourage business or cause customer complaints. Some businesses may not voluntarily comply which will mean new enforcement responsibilities for the police. Licensing will also be an additional administrative responsibility and cost.

**Possible Benefits:**

The Committee notes that the public has an interest in knowing that when they purchase items from these businesses that they are not buying stolen property. They also have an interest in locating stolen items. Pawn businesses may be interested in improving the image of their businesses and in protecting themselves from being used to fence stolen goods. The computer system that would be used for reporting can also provide inventory information for the business. Other businesses have an interest too in this type of legislation, as sales of stolen items may take away legitimate sales opportunities and, if the legislation is effective, insurance claims for property crime may drop. The police will benefit from an additional investigative tool, and both the police and the public would benefit if such a system is a deterrent to property crime.

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<b>Your Comments Are Welcome</b>		<b>YES</b>	<b>NO</b>
▶ <b>Do you agree with the proposal for legislation requiring automated reporting for some pawn, buy-sell and second-hand transactions?</b>			
▶ <b>Do you think it should cover:</b> <b>Just PAWN SHOPS, BUY-SELL BUSINESSES?</b> (See definitions: pawn shops, buy-sell businesses p. 3, second-hand businesses p. 5)			
<b>Also SECOND-HAND BUSINESSES?</b>			
<b>Comments:</b>			
▶ <b>Do you agree it should apply automatically in all municipalities after a certain date?</b>			
<b>Comments:</b>			
▶ <b>Do you agree with the list of items that should be reported?</b> (See p.5)			
▶ <b>What are your concerns?</b>			
▶ <b>What are your suggestions?</b>			
<b>Submitted by:</b>			
<b>Representing:</b> (business, organization, municipality, if applicable)			

**Please return this form or send your comments by AUGUST 15, 2006 to:**

**Pawn Shop, Buy-Sell and Second-Hand Businesses Legislation Review  
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