

Money Laundering & Terrorism Financing Risks in the Precious Stones & Precious Metals Dealers Sector

The precious stones and precious metals dealers (PSMD) sector is exposed to inherent money laundering and terrorism financing (ML/TF) risks due to the characteristics of precious stones, precious metals, and precious products. The Precious Stones and Precious Metals (Prevention of Money Laundering and Terrorism Financing) Act 2019 was passed to establish a regulatory regime for the PSMD sector to strengthen safeguards against ML/TF. The Act will come into force on 10 April 2019.

What is money laundering and terrorism financing?

Money laundering is the act of obscuring the true origin of illicit funds and making them appear legitimate. Terrorism financing is the act of soliciting, collecting, or providing funds, from both legal and illicit sources, with the intention of supporting terrorist activities or organisations.

What are precious stones, precious metals or precious products ("PSMs")?

Precious stones include diamonds, sapphires, rubies, emeralds, jade and pearls.

Precious metals include gold, silver, platinum, iridium, osmium, palladium, rhodium, ruthenium and alloys with at least 2% in weight of any of the metals stated above.

Precious products are any finished product that derives 50% or more of its value from any precious stone or precious metal or both.

Why is the PSMD sector exposed to ML/TF?

PSMs are good stores of value, easily transported and concealed, and easily converted to cash. Criminals may purchase PSMs to hide the illicit sources or purposes of their funds. This exposes dealers to ML/TF risks.

How will the new regulatory regime help?

The new regime will build on existing measures to help regulated dealers identify potential instances of ML/TF and take appropriate action.

Which dealers are covered under the regime?

Regulated dealers include jewellers, bullion traders, jewellery wholesalers, jewellery retailers, secondhand goods dealers, and auctioneers.*

* Regulated dealing includes: (a) manufacturing, selling, offering for sale, importing for sale, possessing for sale, or purchasing for the purpose of resale any PSM; (b) selling or redeeming any token, certificate or other instrument backed by one or more PSMs that entitles the holder to the PSM or part of it; or (c) acting as an intermediary for (a) or (b). Pawnbrokers are excluded, as they are subject to anti-money laundering and countering the financing of terrorism regulations under the Pawnbrokers Act.