

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 Ministry of Law will introduce a new Bill to establish a regulatory regime for the PSMD sector to strengthen safeguards against ML/TF.

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, and platinum.

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

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 any instrument backed by PSMs that entitles the holder to the PSM or part of it (e.g. certificates or tokens); 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.