

PUBLIC CONSULTATION ON PROPOSED CASH TRANSACTION REPORTING REGIME FOR PRECIOUS STONES AND METALS DEALERS (“PSMDs”)

The Ministry of Home Affairs (MHA), Ministry of Finance (MOF) and the Monetary Authority of Singapore (MAS) are seeking feedback on the proposed framework for a cash transaction reporting regime for precious stones and metals dealers (PSMDs).

Money Laundering and Terrorist Financing Risks in Precious Stones and Metals

2. Precious stones and metals, such as gold, have high commercial value relative to their size and mass, and can be bought and sold easily. Given that payments made using precious stones and metals are also not easily traceable, these commodities could be used for illicit activities such as money laundering and terrorist financing. In addition, precious stones, such as diamonds, can escape detection by metal detectors and thus cross national borders more easily.

3. Based on international typologies¹ and our own law enforcement experience, money laundering through the use of precious stones and metals can take place in various ways. Funds generated from an illegal activity can be used to purchase a precious stone or metal, after which the precious stone or metal is on-sold in exchange for “clean” cash or used as payment for goods and services. Of course, a precious stone or metal could itself be a stolen good.

4. The money laundering and terrorist financing risks posed by precious stones and metals are increased when they are paid for in cash. Some of these risks were also noted as part of Singapore’s National Risk Assessment report published on 10 January 2014². Cash transactions allow the users to remain anonymous, unlike transactions that are processed through the banking system that would be easier for law enforcement agencies to trace if necessary. To mitigate the risk arising from cash transactions, the authorities consider it prudent to have details and records of customers who have undertaken large cash transactions so that these transactions can be traced, if necessary.

Risk Mitigation Measures in Other Jurisdictions

5. To mitigate the risks of money laundering and terrorist financing through precious stones and metals, several jurisdictions have subjected PSMDs to cash transaction reporting. Some examples are

Jurisdiction	Threshold for Reporting
Canada	CAD10,000
Netherlands	€25,000

¹ The Financial Action Task Force issued a report on money laundering and terrorist financing through trade in diamonds in October 2013: <http://www.fatf-gafi.org/media/fatf/documents/reports/ML-TF-through-trade-in-diamonds.pdf>

² Singapore’s National Risk Assessment press release: http://www.mha.gov.sg/news_details.aspx?nid=MzA3Nw%3D%3D-dllky22HZAc%3D

United States	US\$10,000
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Cash Transaction Reporting Regime

6. The Government is therefore proposing to amend the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Chapter 65A) to require PSMDs to establish the identity of the customer (and beneficial owners, when they are known to be different from the customer) and record the customer's identifying information before carrying out any cash transaction between S\$20,000 to S\$30,000 (or its equivalent in a foreign currency) or more for the sale of precious stones or metals. This is consistent with the threshold for physical currency or bearer negotiable instruments carried in or out of Singapore.

7. PSMDs shall file a cash transaction report by completing the prescribed forms and submit the reports to the Suspicious Transaction Reporting Office of the Commercial Affairs Department. The supporting documentation and records for the reports shall be kept for a period of five years from the date of filing. These proposals are consistent with the international standards set by the Financial Action Task Force to combat money laundering and terrorist financing. The information required in a cash transaction report can be found in **Annex A**. PSMDs will also be required to aggregate multiple cash transactions that appear to be linked (e.g. done with the same customer) on a given day to determine if the threshold has been crossed. PSMDs will also be required to verify the customer's identity using reliable and independent sources (e.g. passport or NRIC). Non-cash transactions (e.g. credit cards) above the threshold are excluded from the reporting requirements.

8. We propose to define a PSMD as follows:

	Proposed Scope	Additional details
Dealer	Any person who manufactures, imports for sale, lets for hire, sells, or offers or possesses for sale any precious stones or precious metals as a business.	
Precious Stone	Diamonds, sapphires, rubies, emeralds, jade (nephrite and jadeite)	<u>Included in scope</u> Any finished good that derives 50% or more of its value from precious metals or precious stones contained in or attached to such finished goods
Precious Metal	Gold, silver, platinum, iridium, osmium, palladium, rhodium, ruthenium. An alloy with at least 2% of precious metal in weight.	[Note: This may also capture

	Proposed Scope	Additional details
		<p>items such as watches, antiques and other collectibles of value, etc.]</p> <p><u>Excluded from scope</u></p> <ul style="list-style-type: none"> • Precious stones or precious metals incorporated into machinery or equipment to be used for industrial purposes. • Sterile surgical suture materials, dental fillings or other like goods.

Feedback Sought

9. We seek the public's views on the proposed definitions and framework for a cash transaction reporting regime for PSMDs. You are invited to send your feedback to us by **23 May 2014** to the following email address: reach@reach.gov.sg. Please identify yourself and the organisation you represent (if any) when submitting your feedback. We reserve the right to quote or publish your feedback unless you state explicitly that you would like it to remain confidential.

Thank you.