

Watch Out: Singapore's New Regulatory Regime for Precious Stones & Metals Transformation

Singapore regulators are determined to leave no stone unturned in their quest to instil a robust anti-money laundering (AML) regime in the country. The Ministry of Law announced on 17 July 2018 that it would be introducing a new AML and countering the financing of terrorism (CFT) regulatory regime for precious stones and metals dealers (PSMDs). Glen Chee, Director at DWF Compliance (Singapore), told the audience at the Hubbis Compliance in Asian Wealth Management Forum in Singapore what will happen and what steps the PSMDs must take.

[Link to Content Summary page](#)
[Link to Article on website](#)
[Link to Presentation](#)
[Link to Event Homepage](#)

CHEE BEGAN BY INTRODUCING DWF as an international law firm operating from 26 locations worldwide. Other than providing legal services, the firm offers ancillary services including compliance and connected services.

“We all know how important AML and CFT are for financial institutions,” he reported. “Now we are seeing the focus shift further to other business, including corporate secretarial companies, property



GLEN CHEE
DWF Compliance



developers and most recently anyone involved in the precious stones and metals businesses.”

New and old worlds collide

The critical threshold for transactions in these sectors is USD20000. Chee recounted how he had met with an elderly couple who own a local jewellery shop in Singapore who had explained to him that several times a year they had clients who made transactions above this level, and sometimes in cash. “I told them they now need a compliance officer, they need to screen the customers, they will need to conduct a risk assessment. This elderly couple were astonished, they just stared at me with blank faces. However, this is a new reality, none of us can run away from it.”

Chee explained that while the financial sector was so tightly regulated today, the non-financial sector - lawyers, accountants, jewellers, filing agents, auctioneers

and others - will sooner or later need to address the new compliance issues head-on.

Breathing space

He then explained that a PSMD is a precious stones and metals dealer, anyone who handles diamonds, sapphires, rubies, gold, and any other precious metal. “The Singapore Jewellers Association has some 2500 members roughly,” he reported, “and they know that within 2019 the government and regulators here are introducing new rules. Ok, the transition period will likely be about three years before serious enforcement emerges, but all of those involved should act now to prepare themselves.”

The first step is for all PSMDs to register with the Ministry of Law, just as any financial institution needs to apply for a license from the Monetary Authority of Singapore and just as all filing agents and corporate secretarial firms nowa-

days need to register with ACRA, the Accounting and Corporate Regulatory Authority.

“Each PSMD will need to register within six months after the implementation of this law, and each registration is valid for three years,” Chee explained. “And during the registration period, they will ask about your AML/CFT policies and procedures, how you might need to onboard a customer, how you can or will conduct due diligence, and so forth. In other words, it is not as simple as simply registering your name and business with them.”

Risk assessment

Chee attempted to demystify some of the areas of concern. “At this stage, we can assume that PSMDs will need to conduct due diligence if there is any actual or intended cash transaction of USD20,000 and above, or where there is might be a suspicion of AML or CFT transgressions. Moreover, take the

elderly couple I mentioned, can you imagine how much they need to learn about all this to comply? It is far from easy, especially for the older generations and for the smaller businesses.”

He explained that the major firms, the international jewellery brand names and major companies such as De Beers Group would have the resources locally and globally to comply appropriately. “But for smaller dealers here in Singapore,” he said, “it will indeed be a shock and a major challenge for them to look at this whole new concept of due diligence and risk assessment. Even some of the compliance officers in financial institutions struggle with EDD, or enhanced due diligence, as there are no specific prescribed guidelines for assessing the requirement and then handling the due diligence.”

As a first step, Chee noted that all cash transactions of USD20,000 and above must be registered on a register of sales’ transactions. Also, each PSMD will have to conduct a risk assessment to consider if they are at risk from dealing with such a customer.

Policies and procedures

“For example,” he observed, “a customer can be the supplier, so the PSMD should assess whether the supplier is bona fide and supplying stones or other items with a clear and genuine provenance. Again, it is not easy, but to cover this risk, every PSMD will need clear policies and procedures for their business, their employees and so forth, without which they risk being in breach. This means training, appropriate compliance management, possibly the appointment of a compliance officer and so forth.”

Chee also noted that foreign firms operating in Singapore are subject to the same rules. An international firm visiting Singapore for a jewellery fair will not be subject to the full set of rules and procedures but will also need to file any cash transaction above USD20,000.

Take off your blinkers

He closed his presentation by reiterating that no one should ignore the new world of regulation and compliance in Singapore and indeed globally. “We at DWF in Singapore are part of a global legal business,” he concluded, “and we connect expert services with innovative thinkers across diverse sectors around the world. Our clients and we recognise that the world is changing fast and the old rules no longer apply. We tackle these new challenges head-on with and for our clients. Join us on the journey.” ■

