

**Guidance on Reporting by
Dealers in Precious Metals and
Precious Stones**



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Acronyms

Term	Definition
AML	Anti-Money Laundering
CFT	Countering the Financing of Terrorism
CDD	Customer Due Diligence
CPF	Combating Proliferation Financing
CKYCR	Central Know Your Customer Registry
CRS	Common Reporting Standards
DNFBP	Designated Non-Financial Business and Profession
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FIU-IND	Financial Intelligence Unit – India
KYC	Know Your Customer
ML/TF/PF	Money Laundering, Terrorism Financing and Proliferation Financing
OFAC	Office of Foreign Assets Control (US)
OVD	Officially Valid Document
PEPs	Politically Exposed Persons
PMLA	Prevention of Money Laundering Act 2002
PMLR	Prevention of Money-laundering (Maintenance of Records) Rules 2005
RBA	Risk-Based Approach



Introduction

1. Background

The Department of Revenue vide notification F.No. P-12011/14/2020-ES Cell-DOR dated December 28, 2020, has notified dealers in precious metals, precious stones (hereinafter referred to as 'Dealers' for the purpose of these guidelines), as persons carrying on designated businesses or professions – if they engage in any cash transactions with a customer equal to or above INR ten lakh, carried out in a single operation or in several operations that appear to be linked.

The present guidance is intended to lay down the steps to be undertaken by dealers to discourage and prevent the misuse of their business for money laundering, terrorist financing or proliferation financing activities.

The strategy to combat money laundering, terrorist financing and proliferation financing is envisaged to be threefold.

- i. **Education** of industry partners regarding their obligations and duties.
- ii. **Awareness** regarding the various ways to collaborate with FIU-India and how this relationship can be leveraged for combating of money laundering, terrorist financing and proliferation financing.
- iii. **Preventive measures** in the form of implementation of effective KYC, CDD and EDD measures, detection of suspect transactions (e.g., monitoring and information sharing on misuse of the industry by bad actors inimical to national interests) etc. to aid in removal of the perceived stigma associated with the industry on account of the activities of a few illicit actors.

2. Purpose of this guidance

The Directorate General of Audit, Regulator on behalf of CBIC has issued AML & CFT guidelines for dealers in Precious Metal & Precious Stones 2023 on 25.01.2023, which were updated vide guidelines dated 17.02.2023 & 04.05.2023.

The purpose of this guidance is to

- a. Guide dealers to assess their risks and apply a risk-based approach in meeting their AML/ CFT/ CPF obligations.
- b. Establishing a mechanism between Dealers and FIU-India for information sharing and reporting to prevent misuse of the sector for money laundering, terrorist financing and proliferation financing.
- c. To aid education and awareness of the sector to assist them in understanding their AML/CFT/CPF obligations to the country and how critical their role is in the nation's fight against money laundering, terrorism financing and proliferation financing.



3. Scope

The guidance apply to dealers and explain how they should implement the AML/CFT/CPF obligations effectively.

4. General Obligations

4.1. Mechanism for information sharing between Industry Councils and Associations and FIU-India

The mechanism for sharing of information regarding the misuse or attempts to misuse the sector for the purpose of money laundering, terrorist financing and proliferation financing envisages on-boarding of dealers onto the platform created for the purpose of disseminating information and guidance by FIU-India to dealers, as well as to enable dealers to report any suspicious transaction or any other reportable transaction, when detected, to FIU-India. Operational details of the proposed mechanism are in Annexure II.

4.2. Policies and Procedures to Combat Money Laundering, Counter Terrorist Financing and Combat Proliferation Financing: (AML/CFT/CPF Program)

In order to combat the menace of money-laundering, terror financing, proliferation financing and help in detecting possible attempts of money laundering, financing of terrorism or proliferation financing, every dealer must have a robust AML/CFT/CPF program in place, which must include the points below.

4.3. Internal policies, procedures, and controls signed off by the Board/ Top Management of the Dealer

Every Dealer shall establish appropriate policies and procedures for the prevention of ML, TF, and PF, and ensure their effective implementation. In this regard,

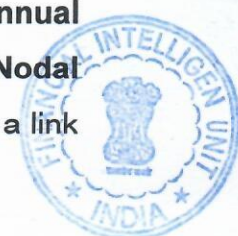
4.3.1 The Industry Councils and Associations should educate their members regarding the risks posed by ML/TF/PF activities and ensure that the spirit of this guidance and internal policies and procedures are understood by all members

4.3.2 The dealers should undertake Client Due Diligence (CDD) to the extent that it is sensitive to the risk of ML, TF and PF depending on the type of client, business relationship or transaction;

4.4. Appointment of a Nodal Officer for the purpose of interaction and information sharing with FIU-India

4.4.1 Appointment:

Every dealer **having gross annual turnover more than Rs. 500 Crore** in previous financial year (e.g. FY 2022-23) must appoint a '**Nodal Officer**' for the purpose of interaction and information sharing with FIU-India. For the **dealers having gross annual turnover less than Rs. 500 Crore** in previous financial year (e.g. FY 2022-23), '**Nodal Officer**' will be appointed by Industry Council and Association and would serve as a link



between the dealers, Industry Council and Association and FIU-India for co-ordination and dissemination of information. The **Nodal Officer** would be on boarded onto the platform referred to in 4.1 above. The contact details of the Nodal Officer should be communicated to FIU-IND within 7 (seven) days of appointment/ changes.

4.4.2 Role of Nodal Officer

The **Nodal Officer** would serve as a link between the dealers, Industry Councils and Associations, on one hand, and FIU-India, on the other hand for co-ordination and dissemination of information. The Nodal Officer would have access to FINGate mobile application as defined in *Annexure II* under 'Access to FINGate mobile application'.

4.5. Training of Dealers

Appropriate training shall be provided to dealers by FIU-India in partnership with Industry Councils and Associations regarding the following -

- Adequate screening procedures when hiring employees.
- Information guides on the safeguards during merchant/ supplier on boarding, KYC, CDD, Sanctions screening, customer identification and detection and reporting of suspicious transactions
- Customisation of training requirements to specific business types including but not limited to bullion dealers, diamond bourses, wholesalers, retailers, multi-chain and multi-brand stores, local jewellers etc.

4.6. Client due Diligence (CDD) Norms

Industry Councils and Associations are encouraged to educate and spread awareness among their members regarding the importance of client due-diligence.

4.6.1 Members may be advised regarding the obligation to identify their customers and their beneficial owners, which is essential for the prevention of misuse of their services for ML/TF/PF purposes.

4.6.2 Due to their vast experience in dealing with customers, dealers may be encouraged to frame internal procedures to identify their clients/ beneficial owner and obtain information regarding nature of business with the aim of preventing misuse of the sector for ML/TF/PF purposes.

4.7. Enhanced Due Diligence (EDD) Norms

Dealers should examine, as far as reasonably possible, the background and purpose of all **complex, unusually large transactions, and all unusual patterns of transactions, which have no apparent economic or lawful purpose**. This is particularly applicable to B2B dealers, bullion traders, diamond bourses etc. where the risks of money laundering, terrorist financing or proliferation financing are higher. Such dealers should be required to conduct enhanced due diligence, consistent with the risks identified. In particular, they should increase the degree and nature of monitoring of the business



relationship, in order to determine whether those transactions or activities appear unusual or suspicious.

4.7.1 Dealers may apply EDD measures to business relationships and transactions with natural and legal persons from higher risk jurisdictions specifically with countries designated as tax-havens and those on the FATF grey and black lists.

4.7.2 Dealers must implement EDD procedures when entering into business relationships with Politically Exposed Persons (“PEPs”).

4.8. Sanctions screening

Industry Councils and Associations are advised to actively raise awareness among all their members especially B2B dealers, bullion traders, diamond bourses etc. regarding sanctions screening to be carried out against customers (current and prospective) as well as suppliers etc., both at the time of on boarding as well as when transactions are initiated. Dealers must ensure prompt application of the directives when issued by the competent authorities for implementing United Nations Security Council Resolutions relating to the suppression and combating of terrorism, terrorist financing and proliferation of weapons of mass destruction and its financing, and other related directives, as well as compliance with all other applicable laws, regulatory requirements and guidelines in relation to economic sanctions.

Dealers must also ensure prompt application of the directives when issued by the competent authorities relating to the individuals designated as ‘terrorist’ under Section 35(1)(a) of the UAPA, 1967 and directives when issued by the competent authorities under WMD Act, 2005.

5. Reporting Obligations of Dealers

The Financial Intelligence Unit-India (FIU-IND) has been set up by the Government of India to coordinate and strengthen collection and sharing of financial intelligence through effective national, regional, and global network in respect of money laundering, terrorist financing and proliferation financing.

Industry Councils and Associations are advised to encourage their members, where they have reasonable grounds to suspect that funds are the proceeds of crime or are related to ML, TF and PF, to report their suspicions promptly to FIU-India. Special attention should be paid to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. It is to be noted that as per Department of Revenue Notification (F.No. P-12011/14/2020-ES Cell-DOR) dated December 28, 2020, dealers in precious metals, precious stones, have been notified, as persons carrying on designated businesses or professions – if they engage in any cash transactions with a customer equal to or above INR ten lakh, carried out in a single operation or in several operations that appear to be linked, and as such, needs to register themselves with the Director, FIU-IND, at the first instance of such transactions.



In view of the same, the background of such transactions, including all documents/ office records/ memorandums pertaining to such transactions, as far as possible, should be examined by the 'Principal Officer' and shared with FIU-India within 7 days of forming such a suspicion in order to prevent unnecessary delay in preventing such criminal activity. The process of enrolment as 'Reporting Entity' and appointment of 'Principal Officer' is provided in Annexure II under 'Access to FINGate Portal'.

6. Sharing of information with Financial Intelligence Unit-India

- a. Information regarding reportable cash transactions, counterfeit currency notes, NPO transactions and suspicious transactions may be shared with the Director, Financial Intelligence Unit-India (FIU-IND). An indicative list of red flag indicators to enable detection and reporting of suspicious transactions by Dealers is enclosed with this Guidance as Annexure I.
- b. Format for reporting Transactions: The format for reporting transactions, including suspicious transactions made or attempted, as required under Rule 7(2) of PMLR, would be as prescribed by FIU-IND.

7. Risk Based Assessment

Precious stones, jewellery and gold are an intrinsic part of the socio-cultural fabric of India. Further, since the number of dealers undertaking related activities is extremely large and ranges from small family-owned business to multi-brand, multi-chain and B2B business, there is no one-size-fits-all approach that would suffice.

In order to leverage their expertise in the sector, Industry Associations and Councils are advised to undertake a risk-based approach, to help their members to understand their risk exposure and ways to mitigate their money laundering and terrorist financing risk based on three main categories Country/geographic risk, customer/counter-party risk, and product/service risk.



Annexure I

Red Flag Indicators for dealers in precious metals and stones

- Customer behaviour is suspicious or inconsistent
- Customer seeks to make purchases in foreign currency or cards.
- Customer makes/ attempts to break down the purchase by paying for it through different unrelated accounts through NEFT, RTGS, and UPI.
- Transaction(s) involving Fake Indian Currency Notes (FICN)
- Sudden spike in amounts in gold purchase scheme accounts.
- Gold purchase scheme accounts receiving cash payments aggregating to ₹10 lakh or above in a single or several operations that appear to be linked
- Gold purchase scheme accounts receiving individual cash payments from different locations
- Accounts maintained for gold purchase schemes receiving individual payments through foreign remittances.
- Customers match with sanctions lists (UNSCR, UAPA, other criminal lists, FIU-IND Alert list)



Annexure II

Information Sharing Mechanism: Dealers and FIU-India

In order to enable effective sharing of information regarding the misuse or attempts to misuse the sector for purposes of laundering proceeds of crime, terrorist financing and proliferation financing with FIU-IND, the following mechanism has been designed.

The proposed mechanism is divided under three main heads.

- i. Enrolment at FINGate 2.0 Portal
- ii. Access to FINGate mobile application
- iii. Submission of STRs and other reports at FINGate Portal

Enrolment with FIU-India

1. Dealers/Associations can initiate enrolment by providing basics details on FINGate 2.0 portal (<https://www.fingate.gov.in>). The Dealers/Associations' representatives have to provide details of the entity and primary user such as PAN, GSTIN, passport etc in the FINGate portal along with the other details (if available) and upload a self-declaration form in the prescribed format on the portal. A unique FIUREID (FIU registration ID) will be issued to the registered entity for identification purposes. The user manual and resources related to registration and filing of various reports are available at FIU INDIA website (<https://fiuindia.gov.in/files/misc/finnet2.html>). The enrolment process video can be found at [https://fiuindia.gov.in/videos/RE Registration Process.mp4](https://fiuindia.gov.in/videos/RE%20Registration%20Process.mp4). In case of any issues during enrolment or accessing and using the application, the user can reach out to the helpdesk team of FIU IND as per following details:

2. Requirement for enrolment with FIU-India

For Individual Dealer: Dealer has to provide

- i. Letter from dealer for nomination of Primary User
- ii. Self-certified copy of Registration details of entity
- iii. Self-certified copy of KYC details of Primary User
- iv. Self-certified 'FIU described Self-declaration form' available on the portal.

For Association/ Council: Representative of the Association/ council has to provide

- i. Letter from Association/ council for nomination of Primary User
- ii. Self-certified copy of Registration details of Association/ council
- iii. Self-certified copy of KYC details of Primary User nominated
- iv. Self-certified 'FIU described Self-declaration form' available on the portal.

3. In case of any issues during enrolment or accessing and using the application, please reach out to helpdesk team of FIU IND as per following details:

Email ID- helpdesk-re@fiuindia.gov.in

Contact number: 1800-889-0238 (Timing 9.30 am to 6.00 pm on all days except holidays)



Access to FINGate mobile application

- 1 All entities who complete the registration on FINGATE 2.0 portal would be able to download the mobile application after they login on the portal. Also the link to download the app would be sent to the respective email ids once the registration is completed. All communications related to notifications, alerts, guidelines, MIS reports and secure messaging would be available on the mobile app for the users.
- 2 This mobile-app would be utilized for various activities such as outreach programs, notifications, sharing of guidelines etc.

Submission of reports to FINGate Portal

It is to be noted that reporting of all prescribed reports viz. suspicious transactions reports, Cash Transaction reports and other reports can be done only through the FINGate Portal as per the prescribed format only. They can submit the report by giving basic entity details and on submission of the report, the 'Primary User' role will get changed to 'Principal Officer'. This FIUREID will subsequently be used for all future reporting to FIU-India.



