

RED FLAG INDICATORS FOR PRECIOUS STONES AND METALS DEALERS (PSMDs)

General Comments

If a PSMD, in the course of business, knows or has reasonable grounds to suspect that any property is linked to drug dealing or criminal conduct (or generically refer to as “crime”), he is required to disclose his knowledge or suspicion to the Suspicious Transaction Reporting Office (STRO). Please refer to STRO’s website¹ on how to lodge a Suspicious Transaction Report (STR) with STRO.

The list of indicators given below is intended solely as an aid for PSMDs in identifying some of the circumstances that could be suspicious in nature or that could be indicative that money is being laundered (ML) or used for terrorism financing (TF) purposes. While each individual indicator may not be sufficient to suggest that ML/TF is taking place, a combination of such indicators may be indicative of a suspicious transaction.

The list is not exhaustive and may be updated due to changing circumstances and new methods of laundering money or financing terrorism. PSMDs are to refer to STRO’s website for the latest list of red flags.

Red Flag Indicators: Customers

Transaction Patterns

- i) Transactions that are not consistent with the usual profile of a customer:
 - (a) Transactions that appear to be beyond the means of the customer based on his/her stated or known occupation or income; or
 - (b) Transactions that appear to be more than the usual amount for a typical customer of your business.
- ii) Transactions where customer does not consider the value, size and/or colour of the precious stone, precious metal, or precious product.
- iii) Unusual payment methods, such as large amounts of cash, traveller’s cheques, or cashier’s cheques.
- iv) Large or frequent transactions that are in a foreign currency.
- v) Numerous transactions by a customer, especially over a short period of time, such that the amount of each transaction is not substantial (e.g. below the regulatory threshold for customer due diligence), but the cumulative total of which is substantial.
- vi) Use of third parties in transactions related to precious metals and precious stones, for example:
 - (a) Payments received from a third party, who is not the owner of the funds, without legitimate business purpose; or

¹ <http://www.cad.gov.sg/aml-cft/suspicious-transaction-reporting-office/suspicious-transaction-reporting>

- (b) Precious stones/metals product delivered to a third party, who is not the owner or payer of funds, without legitimate business purpose.

Note: Payments may be in the form of third party cheques or a third party credit card.

Customer Behaviour

- i) The customer enquires about refund policies and requests for large refunds subsequently.
- ii) The customer is suspected to be using forged, fraudulent or false identity documents for due diligence and record keeping purposes.
- iii) The customer is unusually concerned with the PSMD's AML/CFT policies.
- iv) The customer pays for precious metals, precious stones or precious products with cheques, but noted on the cheque that the payment is for something else.
- v) The customer attempts to maintain a high degree of secrecy with respect to the transaction, for example –
 - (a) To request that normal business records not to be kept; or
 - (b) The customer is unable or unwilling to provide information for due diligence and record keeping purposes.
- vi) The customer or the declared owner of the funds is traced to negative news or crime e.g. he is named in a news report on a crime committed, or detected when screened against UN Security Council Resolutions (UNSCRs).
- vii) The customer appears to be related to a country or entity that is associated with money laundering or terrorism activities or a person that has been designated as terrorists.

Red Flag Indicators: Suppliers

Transaction Patterns

- i) Transactions that are not consistent with the usual profile of a supplier:
 - (a) Over or under-invoicing, structured, complex, or multiple invoice requests, and high-dollar shipments that are over or underinsured; or
 - (b) Transactions which are excessive, given the amount or quality, or potential profit from the sale of precious metals and stones; or
 - (c) Consignment size or type of precious stone, precious metals or precious product being shipped appears inconsistent with the capacity of the exporter or importer, i.e. the shipment does not make economic sense.

- ii) Use of third parties in transactions related to precious metals and precious stones, for example:
 - (a) Funds paid to a third party who is not related to the supplier, without legitimate business purpose; or
 - (b) Precious stones, precious metals or precious products delivered from a third party who is not related to the supplier, without legitimate business purpose.

Supplier Behaviour

- i) The supplier is unable to provide information for due diligence and record keeping purposes.
- ii) The supplier is suspected to be using forged, fraudulent or false identity documents for due diligence and record keeping purposes.
- iii) The origins of the precious stone, precious metal or precious product appear to be fictitious.
- iv) The supplier is unusually concerned with the PSMD's AML/CFT policies.
- v) The supplier attempts to maintain a high degree of secrecy with respect to the transaction, for example –
 - (a) Request that normal business records not to be kept; or
 - (b) Unwillingness to identify beneficial owners or controlling interests, where this would be commercially expected; or
 - (c) Request for payments to be made through money services businesses or other non-bank financial institutions for no apparent legitimate business purposes.
- vi) (For diamonds only) Rough diamonds are not accompanied by a valid Kimberley Process (KP) certificate. For example:
 - (a) No KP certificate attached to the shipment of rough diamonds; or
 - (b) The KP certificate is or appears to be forged; or
 - (c) The KP certificate has a long validity period.
- vii) The supplier is traced to negative news or crime e.g. he is named in a news report on a crime committed, or detected when screened against UN Security Council Resolutions (UNSCRs).
- viii) The supplier appears to be related to a country or entity that is associated with money laundering or terrorism activities or a person that has been designated as terrorists.
- ix) The supplier transports precious stones or metals through a country that is associated with money laundering or terrorism activities for no apparent economic reason.