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**IMPORTANT**


**Australian Government**  
 Attorney-General's Department

**Reforming Australia's anti-money laundering and counter-terrorism financing regime**

**Paper 3: Further information for dealers in precious metals and precious stones**

**May 2024**

Australia's Attorney General's Department has released a consultation paper for the jewellery industry outlining its anti-money laundering and counter-terrorism financing regime. | Source: AML Guru

# New money laundering laws: What do jewellers need to know?

Posted May 20, 2024 | By Jeweller Research

**Australia's Attorney General's Department has released a consultation paper for the jewellery industry outlining its anti-money laundering and counter-terrorism financing regime which will impact all sectors of the Australian jewellery industry.**

Five papers have been published, each addressing a specific industry of interest. These include real estate, professional services, digital currency exchanges, and dealers of precious metals and gemstones.

According to the department, "Each year billions of dollars of illicit funds are generated from illegal activities such as drug trafficking, tax evasion, people smuggling, cybercrime, arms trafficking and other illegal and corrupt practices.

"Money laundering is not a victimless crime. It is a critical facilitator of most serious crimes and undermines the rule of law globally."

In April 2023, the department announced it would conduct industry consultation on reforms to the regime.

The reforms aim to ensure that the department continues to effectively deter, detect, and disrupt money laundering and terrorism financing and meets international standards set by the Financial Action Task Force (FATF), the global financial crime watchdog.

The third paper specifically addresses the jewellery industry, asking the following question: *Why should certain high-risk services provided by dealers in precious metals and precious stones be regulated?*

It goes on to explain that the buying and selling of precious metals (other than bullion) and gemstones is not currently regulated under Australia's anti-money laundering (AML) and counter-terrorism financing (CTF) regime; however, it is recognised internationally as a

major avenue for money laundering activity.

Regulating dealers in precious metals and gemstones for AML/CTF purposes will enable these businesses to play an essential role in detecting and investigating money laundering and terrorism financing offences.

Regulation will allow risks to be identified and suspicious transactions and/or behaviours to be reported to authorities.

This would provide earlier opportunities for law enforcement to detect and disrupt criminal activities and prevent criminals from enjoying the proceeds of their offending.

### What is the issue?

There are many reasons why precious metals and precious gemstones are internationally recognised as vulnerable to money laundering and terrorism financing.

For example, precious metals and gemstones are readily purchased and sold anonymously using large sums of cash or digital assets.

They can also be purchased directly from the general public at below-market cost — from individuals who do not have to prove ownership of second-hand precious metals and gemstones presented for sale.

Precious metals and gemstones can be used as an alternative currency to make untraceable payments for illicit goods and services.

They can also be a reliable investment with a stable return.

These products can be easily moved domestically and offshore, as individual items may be small yet very high in value.

Precious metals and gemstones are difficult to trade and detect. They can be reshaped, altered, or hidden in common objects to avoid detection.

They are also undervalued or overvalued to disguise the movement of crime proceeds.

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### What is the proposed solution?

The department has proposed designating nine jewellery industry activities as services listed under the *Anti-Money Laundering and Counter Terrorism Financing Act (2006)*.

These include the following:

- Selling or offering the sale of any precious gemstone or precious metal
- Importing or possessing for sale, any precious gemstone or precious metal
- Manufacturing jewellery with precious metals and precious gemstones
- Producing precious gemstones or precious metals at mining operations
- Intermediate buying and brokering
- Cutting and polishing precious gemstones and metals
- Manufacturing any precious gemstone or precious metal
- Refining precious metals
- Buying and selling in the secondary and scrap markets

The first jewellery industry activity listed would apply to retail jewellers and watch dealers. The ninth activity listed would apply to pawnbrokers and antique jewellery dealers.

This will mean that businesses such as jewellery stores, watch retailers, and bench jewellers that provide 'designated services' would be regulated under the regime regardless of how they brand their business or identify themselves.

Under the Act, they would be known as 'reporting entities' and would have obligations to manage and mitigate the risk of money laundering and terrorism funding.

### How would this operate?

As an example of these changes in effect, a retail jewellery store may decide to implement an internal policy of not accepting payments of \$10,000 or more in cash or digital assets.

This would mean that the store would not be providing services that are regulated by the AML/CTF regime.

On the other hand, if a customer requests to pay for a \$25,000 engagement ring with Bitcoin, the jewellery store would only be able to accept this form of payment if it met all the requirements under the Act.

These include enrolling with AUSTRAC, an AML/CTF program, and customer due diligence measures.

If the proposed legislation is enacted, the jewellery industry will need to come to terms with its operation.

A 16-page document addressing the jewellery industry specifically outlines when the proposed changes would take effect and how they will affect businesses.

**Editor's note:** *Jeweller* will publish a second article explaining why and how the industry will need to enrol with AUSTRAC and develop and maintain an AML/CTF program tailored to the business.

The follow-up article will also detail high-profile examples of these money laundering and counter-terrorism financing laws in action.

**Further reading:** [Attorney General's Department - Further information for dealers in precious metals and precious stones](#)