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FinCENnews

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(703) 905-3770

Dealers in Precious Metals, Stones or Jewels Required to Establish Anti-Money Laundering Programs

Under an [interim final rule](#) announced today by the Financial Crimes Enforcement Network (FinCEN), dealers in precious metals, stones or jewels are required to establish anti-money laundering programs. At a minimum, dealers must establish an anti-money laundering program that comprises the following four elements:

- Policies, procedures and internal controls, based on the dealer's assessment of the money laundering and terrorist financing risk associated with its business;
- A compliance officer who is responsible for ensuring that the program is implemented effectively;
- Ongoing training of appropriate persons concerning their responsibilities under the program; and
- Independent testing to monitor and maintain an adequate program.

FinCEN is issuing this regulation to better protect those that deal in jewels, precious metals and precious stones from potential abuse by criminals and terrorists. "The characteristics of jewels, precious metals and precious stones that make them valuable also make them potentially vulnerable to those seeking to launder money," said William J. Fox, Director of FinCEN. "This regulation is a key step in ensuring that the Bank Secrecy Act is applied appropriately to these businesses."

Generally, most retailers in this industry are not required to establish anti-money laundering programs. The interim final rule applies to "dealers" that have purchased *and* sold at least \$50,000 worth of "covered goods" during the preceding year. The dollar threshold is intended to ensure that the rule only applies to persons engaged in the business of buying and selling a significant amount of these items, rather than small businesses, occasional dealers and persons dealing in such items for hobby purposes.

"Covered goods" include jewels, precious metals, and precious stones, and finished goods (including but not limited to, jewelry, numismatic items, and antiques) that derive 50 percent or more of their value from jewels, precious metals or precious stones contained in or attached to

such finished goods. Dealers that determine, based on their activities during calendar year 2005 that they are required to establish an anti-money laundering program, will have until January 1, 2006 to do so.

The interim final rule will be final and binding. The rule is being issued as an interim final rule in order to solicit additional public comment on four specific issues. In so doing, FinCEN will have the flexibility to further tailor the regulation to money laundering risks in the industry, if appropriate. The interim final rule also contains a series of [Frequently Asked Questions](#) that are designed to assist dealers in determining whether they are subject to the rule and, if so, in establishing their anti-money laundering programs. FinCEN will continue to issue additional guidance for this industry, and will continue to work with the Internal Revenue Service, which has been delegated the authority to examine dealers for compliance with the interim final rule, to provide outreach and training about the requirements of the Bank Secrecy Act and other anti-money laundering issues.

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