



**Financial Monitoring Unit (FMU)**

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**RED FLAG INDICATORS FOR JEWELERS &  
PRECIOUS METALS / STONES DEALERS**

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## **RED FLAG INDICATORS FOR JEWELERS & PRECIOUS METALS / STONES DEALERS**

Under Section 7(1) of AML Act 2010 which states that reporting entities including Jewelers & Precious Stones / Metals Dealers are also required to promptly report Suspicious Transaction Report (STR) for cash transactions (as per notified threshold for Jewelers & Precious Stones / Metals Dealers) conducted or attempted, at their counter or through such Jeweler & Precious Stones / Metals Dealer, if it knows, suspects or has reason to suspect that the transaction or a pattern of transactions of which the transaction:

(a) involves funds derived from illegal activities or is intended or conducted in order to hide or disguise proceeds of crime.

(b) is designed to evade any requirements of this section

(c) has no apparent lawful purpose after examining the available facts, including the background and possible purpose of the transaction; or

(d) involves financing of terrorism, including fund collected, provided, used or meant for, or otherwise linked or related to, terrorism, terrorist acts or organizations and individuals concerned with terrorism.

In order to identify a suspicion that could be indicative of Money Laundering (ML) or terrorism financing (TF), FMU has prepared the red flags indicators that are specially intended as an aid for the Jewelers & Precious Metals / Stones Dealers. These red flags may appear suspicious on their own; however, it may be considered that a single red flag would not be a clear indicator of potential ML / TF activity. However, a combination of these red flags, in addition to analysis of overall financial activity and client profile may indicate a potential ML / TF activity.

### **Red Flags for Client Behavior:**

- The client's economic profile does not align with the cost of the precious metals or stones.
- Where client's source of funds cannot be identified or is unclear.
- Client or transaction is from country or jurisdiction in relation to which the FATF has called for countermeasures or enhanced client due diligence measures or jurisdiction known to have inadequate measures to prevent money laundering and the financing of terrorism.

- Client linked to negative news or crime (named in a news report on a crime committed or under Law Enforcement investigation/inquiry).
- The client or any of its associated person / entity found positive match while screening against UN Security Council Resolutions (UNSCRs).
- Political exposed client who is linked to negative news / crime or any client who is family member or close associate of such political exposed person.
- The customer is suspected to be using forged, fraudulent or false identity documents for due diligence and record keeping purposes.
- The customer is unusually concerned with the reporting threshold or AML /CFT policies.
- 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.

**Red Flags for Transactional Patterns:**

- Any cash transactions which is exceeding the threshold notified for Jewelers & Precious Stones / Metals Dealers.
- Transactions that are not consistent with the usual profile of a customer or transactions that appear to be beyond the means of the customer based on his/her stated or known occupation or income.
- Transactions where customer does not consider the value, size and/or colour of the precious stone, precious metal, or precious product.
- Unusual payment methods, such as large amounts of cash, traveller's cheques, or cashier's cheques, prize bond.
- The customer pays for precious metals, precious stones or precious products with cheques, but it is noted on the cheque that the payment is for something else.
- Numerous transactions by a customer, especially over a short period of time, such that the amount of each transaction is not substantial but the cumulative total of which is substantial.
- 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
- b. Precious stones/metals product delivered to a third party, who is not the owner or payer of funds, without legitimate business purpose.

**Disclaimer:**

*These red flags are developed for guidance purpose and may appear suspicious on their own; however, it may be considered that a single red flag would not be a clear indicator of potential ML / TF activity. However, a combination of these red flags, in addition to analysis of overall financial activity and client profile may indicate a potential ML / TF activity. While every effort has been made to ensure the accuracy and check all relevant references/ resources, errors and omissions are possible and are expected. Financial Monitoring Unit (FMU), its officers and its stakeholders are not responsible for any mistakes and/or misinterpretation.*