

Government of the Republic of the Union of Myanmar  
Ministry of Natural Resources and Environmental Conservation  
Myanmar Gems Enterprise



**Supervision Manual on Gems Dealers  
for Anti-Money Laundering and Countering the Financing  
of Terrorism (AML/CFT) Procedures**

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**Supervision Manual on Gems Dealers  
for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)  
Procedures**

**Introduction**

1. Gemstones are attractive for Money-Laundering and Financing of Terrorism due to their high value. It can easily be converted into money and transactions can be carried out secretly by its nature. According to the size of the gems, they can be easily transported from one country to another. Therefore gemstones are being an important role in anti-money laundering and countering the financing of terrorism (AML/CFT) procedures.

**Objective**

2. MGE to comply Anti Money-Laundering and Financing of Terrorism procedures by Gems dealers, to supervise systematically by Myanmar Gems Enterprise on those compliances and to reduce and eliminate AML/CFT in Gems Sector.

**Coverage Field**

3. This Supervision Manual coverage on the whole gems sector that has been conducting gems procedures and gems dealers who obtained gems license in accordance with The Myanmar Gem Law.

**Vocabularies and Meanings**

4. Vocabularies and Meanings includes in this supervision manual as follows-

- (a) **Money Laundering** means as per provision of Anti-Money Laundering Law section 3, sub-section (L).
- (b) **Financing of Terrorism** means the crime that provided as per FT Law section 41,42,43, subsection (a) and Law section 44.
- (c) **AML/CFT** means Anti-Money Laundering and Countering the Financing of Terrorism procedures.
- (d) **WMD** means weapons of mass destruction of countering the Financing of Proliferation procedures.
- (e) **FATF** means the financial action task force.
- (f) **APG** means Asia Pacific Group on Money Laundering - APG

- (g) **Financial Intelligence Unit (FIU)** means the unit formed under Anti-Money Laundering Law to investigate and take action on financial matters related to this law.
- (h) **Competent Authority** means Myanmar Gems Enterprise under the Ministry of Natural Resources and Environmental Conservation assigned by Anti-Money Laundering Central Body to supervise the reporting organization to ensure compliance with the requirements under Anti-Money Laundering Law section 3, sub-section (e).
- (i) **Reporting organization** means organization that have been designating as reporting organization for Designated Non - Financial Business and Profession – DNFBP according to Anti-Money Laundering Law section (3), sub-section (e) and (w). It also includes dealers who are conducting gems business obtained license from MGE in accordance with The Myanmar Gem Law.

## Law Framework

5. Gems dealers who obtained gems shop license under The Myanmar Gem Law as DNFBPs must comply the Anti-Money Laundering Law to reduce and eliminate money laundering and terrorism financing (ML/TF) in the gems sector as well as they must implement AML/CFT procedures in accordance with FATF's Standards.

6. Regarding AML/CFT procedures, obligations to comply by gem dealers are as follows-

- (a) Attending AML/CFT awareness.
- (b) Setting up AML/CFT policies ad procedures.
- (c) Designating compliance officer.
- (d) Delegating to CO.
- (e) Reporting Threshold Transaction Report (TTRs).
- (f) Reporting Suspicious Transaction Report (STRs).
- (g) Tax Payment.
- (h) Collecting Customers informations.
- (i) Record Keeping the transaction datas.

- (j) Record keeping of customer informations , transactions data and TTRs/STRs Report systematically.
- (k) Identifying the updated UN Sanction Lists and terrorism lists.
- (l) Conducting CDD properly.
- (m) Complete Implementing obligations as per AML Law section 18 according to the provisions of that law.
- (n) Implementation orders and instructions issued in accordance with The Myanmar Gem Law, Anti-Money Laundering Law and other existing Laws.

**The facts that must clearly understand in identifying risk are as follows-**

**7. The Procedures of Gems dealers Product,Service and Distribution Method:** Keeping precious gems and jewellery can be more safed than keeping large amount cash. Gems and Jewellery can be used instead of cash in conducting selling products and services. Converting gems and jewellery into money can be easier than converting other products into money. The greater the value of gems and jewellery, the higher the risk on money laundering. The smaller the size and weight of gems and jewellery, the easier it will be to store.

**8. Information related to gems business :** Involving (Dealing) gems business with large amount of money can be a risk on money laundering. Especially dealing gems and jewellery with cash can be more risky than other ways of non cash transaction. In addition , tansaction of 100 million kyats and above must be reported to FIU and sometims, transaction for Gems dealing can be made in several times. It can also be made to purchase products or to transfer money on behalf of others.

**9. Business information and information on the place of business of gems dealers:** The places of gem business such as high crime area, rural or urban area, closing to the border area and large amount of buying / selling around the business area are the facts to consider for the risk on Money Laundering. In addition, it is also considered to conduct gem business for showing off, selling onine, opening gem shops and buying/selling to nationals/foreigners in dosmetic/ abroad. And then it is also considered for providing materials and raw materials that are needed for gem business and providing methods.

## Identifying money laundering based on risk

10. The following procedures must be conduct-
- (a) Risk assessment -
    - (1) Procedure to conduct by gems dealers
    - (2) Procedure to conduct by competent authorities
  - (b) Conducting to reduce risk-
    - (1) Procedure to conduct by gems dealers
    - (2) Procedure to conduct by competent authorities
  - (c) Monitoring risk-
    - (1) Procedure to conduct by gems dealers
    - (2) Procedure to conduct by competent authorities

## Procedure to conduct by gems dealers regarding risk assessment

11 **Customer Due Diligence:**Gems dealers must due diligence the following facts of customers -

- (a) Name
- (b) ID No / Passport
- (c) Job
- (d) Address
- (e) Phone Number
- (f) Type and quantity of purchased Gems & Jewellery
- (g) Buying Method ( Face to Face or Online)
- (h) Buying personally or on behalf of others
- (i) Purchased amount
- (j) Quantity of purchase
- (k) Transaction method
- (l) Obtaining personally or delivering the purchased Gems & Jewellery

12. **Collecting Information:** It must be collected the following informations from other sources-

- (a) Open- Source informations
- (b) Press Report
- (c) Social Media's news
- (d) Investigation in the gems market
- (e) Publications of Department/ Organization
- (f) Audit Report
- (g) Informations from other sources such as national risk assessment

13. **Enhance Due Diligence:** According to CDD and collections of other informations, EDD will be conducted emphasis on the customers by the following facts-

- (a) Customer can raise to do Money Laundering.
- (b) Tansaction of 100 million kyats and above
- (c) Buying several time although there is no 100 million kyats and above.
- (d) Nationals who live in abroad
- (e) Political Exposed Person
- (f) Being residents of countries that are weak in implementing FATF recommendations
- (g) Being a person or company or association or organization that has conducted gems business only during a period even though there is no legal business.
- (h) Buying gems and jewellery on behalf of others.

14. **Classification of customer based on customer information from other information sources and analysis:** Type of customers shall be classified by the following facts-

- (a) Inherent risk customers
- (b) Location and dealing amount

15. **Analyzing risk by type of customers:** Risk of customers shall be analyzed by the following forms-

(a) Inherent risk customer

		PEPs			
		High	Medium	Low	Unknown
	Medium	High	Medium	Medium	High
	Low	Medium	Medium	Low	High
	Unknown	High	High	High	High

(b) Location and dealing amount

		Dealing amount			
		High	Medium	Low	Unknown
Location	High	High	High	Medium	High
	Medium	High	Medium	Medium	High
	Low	Medium	Medium	Low	High
	Unknown	High	High	High	High

16. **Record keeping of analyzed customers:** After analyzing risk of customers those informations shall be kept record systematically and depending on change of customer informations, risk shall be analyzed again.

17. **Defining risk level and assessment level:** Depending on risk of analyzed customers, risk level and assessment level shall be defined by the following forms-

(a) Risk level

		Inherent risk customers		
		High	Medium	Low
Location and dealing amount	High	High	High	Medium
	Medium	High	Medium	Medium
	Low	Medium	Medium	Low



**(b) Assessment level**

		Assessment level		
		Good	Average	Weak
Risk Level	High	Low	Medium	High
	Medium	Low	Low	Medium
	Low	Low	Low	Low

18. For assessing risk as per above procedures by gems dealers, it shall be conducted using customer due diligence form.(Annex)

**Procedure to conduct by competent authorities regarding risk assessment**

19. **Listing Offsite questionnaires:** Offsite questionnaires including the facts that can identify risk shall be listed for inspecting to identify customer risk and to comply AML/CFT procedures by gems dealers.

20. **Sending Offsite Questionnaires:** Those listed offsite questionnaires shall be send to gems dealers via regional inspection teams as per pre-planned plan in the specified period.

21. **Collecting answers on offsite questionnaires:** Answer from gems dealers that had sent questionnaires shall be retook via regional inspection teams.

22. **Preliminary verification on answering and taking information from other sources:** The retook answers were preliminary verified, identifying these answers and conducting the taking information from other source such as open-source information,press report,social media, investigation in the market,publishing of organization/department ,audit report , national risk assessment and so on-

- (a) Receiving data are sufficient and necessary to resent more questionnaires.
- (b) There are any issues of great problem by gems dealers for AML/CFT activities.
- (c) There are any issues that may occur of concern with gems sector.

23. **Choosing for onsite supervision:** Gems dealers who will be conducted onsite supervision using risk assessment tools on answers and preliminary verification prioritized. In addition, it shall be prioritized based on the following facts-

- (a) Products , Services and Distribution Methods

- (b) Informations related to the gems business
- (c) Information of gems dealers and datas of their place of business

24 **Onsite Supervision:** Gems dealers who will be conducting onsite supervision regarding onsite supervision shall be notified and carried out the following process with the relevant law enforcement agencies and financial intelligence unit (FIU)-

- (a) Identifying significant and anomalous facts or inconsistent facts on the response to offsite questionnaires.
- (b) Verifying the response to offsite questionnaires and the information obtained through other sources with the evidence during onsite inspections.
- (c) Interviewing gems dealers who response to clarify the accuracy of the suspicious case they found regrading the response to offsite questionnaires.
- (d) Due deligence the following facts-
  - Attending AML/CFT awareness and setting up AML/CFT policies procedures.
  - Collecting the customer's information.
  - Record keeping of transaction data.
  - Reporting TTRs to FIU.
  - Reporing STRs to FIU.
  - Record keeping of transactions data and TTRs/STRs report systematically.
  - Text Payment.
  - Identifying the updated UN Sanction Lists and terrorism lists.
  - Conducting CDD properly.
  - Banking system is used for purchasing.
  - Selling with Cash Memo by Myanmar Gems Enterprise.

25. After conducting onsite supervision, in this onsite report includes documents, information, in addition to record photos vulnerability identified and the circumstances under which appropriate actions will be taken against who do not comply with the instructions shall be maintained.

26. **Taking Action based on Supervision:** According to the report in sub-sanction (6), it is necessary to inform gems dealers who do not comply with AML/CFT procedures for non-compliance facts, or whether the corrective measures are satisfactory or not, or whether to take action, shall be done by the decision of the management committee meeting.

**Procedure to conduct by gems dealers regarding conducting to reduce risk**

27. Gems dealers shall comply continuously by attending AML/CFT awareness seminars held by FIU, Central Bank of Myanmar and MGE, complying with AML/CFT directives and identifying risk by conducting Customer Due Diligence.

**Procedure to conduct by competent authorities regarding conducting to reduce risk**

28. Competent authorities shall comply to reduce the risk on Money Laundering of gems dealers by opening awareness training in the specified periods regarding AML/CFT procedures and issuing the instructions for gems dealers to comply, distribution pamphlet regarding AML/CFT procedures and announcing on the websites in the appropriate time.

**Procedure to conduct by gems dealers regarding monitoring risk**

29. Gems dealers shall monitor risk by conducting customer due diligence properly.

**Procedure to conduct by competent authorities regarding monitoring risk**

30. Conducting offsite /onsite supervision procedures in accordance with FATF's standard and the exchange of information with FIU and relevant Law enforcement agencies regarding the supervision report for complying AML/CFT procedures, in accordance with the provisions of the Anti-Money Laundering Law and for monitoring risk by conducting customer due diligence properly are carried out with the instruction of Myanmar Gems Enterprise's Managing Director. Based on the information obtained from those information exchange, competent authorities shall monitor the risk of gems dealers continuously.

**Conclusion**

31. MGE shall supervise in accordance with this Supervision Manual to comply with the effectiveness implementation of AML/CFT procedures and financing of proliferation of weapons of mass destruction (WMD) as per the Annual Action plan of Myanmar's Progress Report submitted to the APJG, to comply offsite/onsite supervision procedures in accordance with FATF's standards, to comply easily AML/CFT procedures by gems

dealers and to supervise systematically offsite and onsite supervision in the specified period on those compliances to reduce and eliminate AML/CFT in Gems Sector.

**Myanmar Gems Enterprise**

Customer Due Diligence Form

**Customer information**

- Name - .....
- NRC No/ Passport No - .....
- Date of operation - .....
- Type of customers - .....  
(Natural or Legal)
- Company/Organization’s ID - .....

**Known Your Customer**

▪ **Natural person**

- Name - .....
- NRC No/ Passport No - .....
- Job - .....
- Address - .....  
.....
- Permanent Address - .....  
.....
- Phone Number - .....

▪ **Legal person**

- Company/Organization’s Name - .....
- Address - .....
- ID - .....
- Type of business - .....
- Owner/Shareholder/Director
  - Name - .....
  - Position - .....
  - Investment Amount - .....

**Type of Gems**

- Type of Buying/Selling gems products - .....
- Region - .....
- Endorsement record (If necessary) - .....

**Compliance on rules and regulations**

- **Compliance on AML/CFT procedures**
  - Test completed
  - PEP
- **Inspection for inclusion in sanction list**
  - Test completed
  - Included in sanction list

**Risk Assessment**

- **Risk Level**
  - Low
  - Medium
  - High
- **Reasons of defining risk level**
  - Sources of buying gems product
  - Transaction Methods
  - Geography features
  - Other

.....  
.....

**Transaction Data**

- Amount - .....
- Data
  - Buying Gems
  - Selling Gems
  - Other.....  
.....

**Documentation**

- **Natural Person**
  - Certification issued by Government Organization (NRC No/ Passport No / Driver's License)
  - Address proof (Meter Bill/Financial statement)
- **Legal Person**
  - ID
  - Annual Report
  - List of Owner/Shareholder/Director

**Monitoring on customers**

- **Specified period to review on customer**
  - once every three months
  - once a year
  - every time during business in process (if there is obvious change )
- **Continuous Verification**
  - Changing customer information
  - Continuous verification on customer risk

**Confirmation and reviewing**

▪ Applied by this compliance officer

▪ Sign - .....

▪ Name - .....

▪ Date - .....

▪ Date of last review - .....

▪ Plan for future review - .....

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