

Dealers in Precious Metals and Stones (DPMS) Regulatory Regime



Customs and Excise Department
Dealers in Precious Metals and Stones Supervision Bureau

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Background

- ✓ To fulfill HK's international obligation as recommended by "FATF"
- ✓ To enhance the effectiveness in combating money laundering and terrorist financing
- ✓ Passage of the Anti-Money Laundering ("AML") and Counter-Terrorist Financing ("CTF") (Amendment) Bill 2022 on 7 Dec 2022
- ✓ A ***new Registration Regime*** on DPMS will take effect from ***1 April 2023***
- ✓ "Existing dealers" will be regarded as "deemed registrants" and they can continue precious metals and stones business during the 9-month transitional period

Registration Regime for DPMS

With effect from 1 April 2023, any person who is seeking to carry on a business of dealing in precious metals and stones in HK and engage in any transaction(s) (whether making or receiving a payment) with total value at or above HKD120,000 in HK is required to register with the Commissioner of Customs & Excise

Category A registrant:

- ***Any dealer who intends to engage in non-cash transaction(s) with total value at or above HKD120,000***
- ***Simple and straightforward***

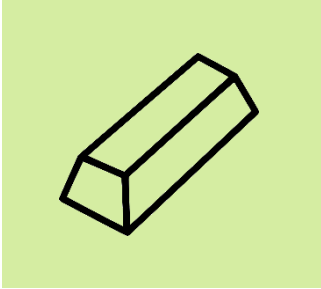
Specified
Transaction

Category B registrant:

- ***Any dealer who intends to engage in cash / non-cash transaction(s) with total value at or above HKD120,000***
- ***Subject to Anti-Money Laundering and Counter-Terrorist Financing supervision***

Specified Cash
Transaction

What to be regulated ?



Precious Metals:

Gold, silver, platinum, iridium, osmium, palladium, rhodium or ruthenium, in a manufactured or unmanufactured state



Precious Stones:

Diamond, sapphire, ruby, emerald, jade or pearl, whether natural or otherwise



Precious Product:

Any jewellery or watch made up of, containing or having attached to it, any precious metal or precious stone, or both



Precious-asset-backed instruments:

Any certificate or instrument backed by one or more precious metals, precious stones or precious products that entitles the holder to such assets (in entirety or in part)

but does not include any securities, a futures contract, any interest in a collective investment scheme, a structured product, an OTC derivative product as defined by the Securities and Futures Ordinance (Cap.571) or a virtual asset



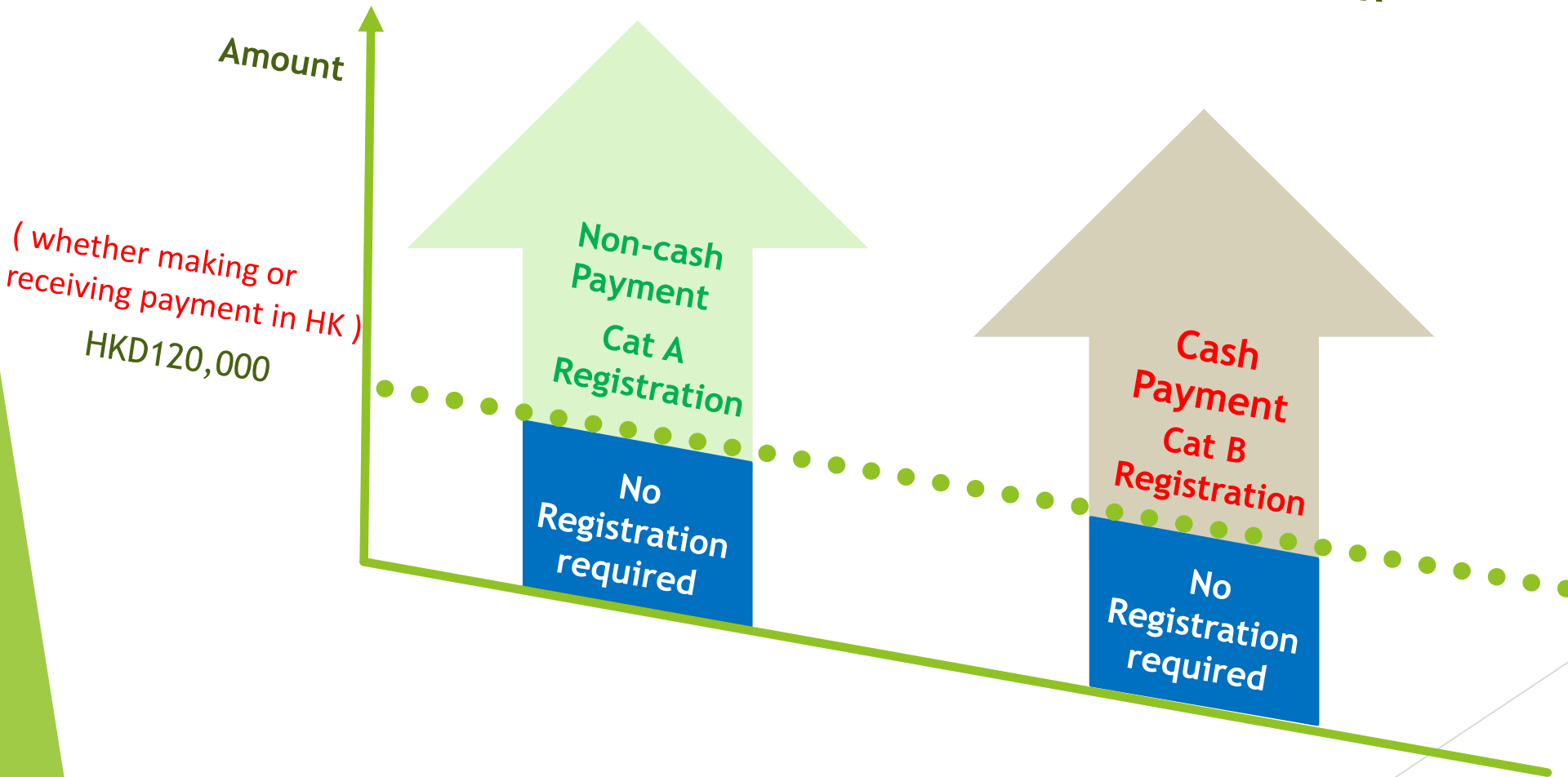
What is “Dealing in” Precious Metals and Stones ?

Any person who carries on any of the following activities by way of business:

- (a) trading in, importing or exporting precious metals, precious stones or precious products;
- (b) manufacturing, refining or carrying out any value-adding work on precious metals, precious stones or precious products;
- (c) issuing, redeeming or trading in precious-asset backed instruments;
- (d) acting as an intermediary in respect of any of the activities in paragraph (a), (b) or (c).

Registration Regime - Category A and Category B

Precious Metals and Stones transaction



Exemption / Disapplication

- Government, an authorized institution or a pawnbroker;
- The following financial institutions carry out PMS business as an ancillary business to their principal business: a licensed corporation, an insurer or a stored value facilities licensee, etc.; or
- A non-Hong Kong PMS dealer.

Requirements for Cat. A Registration

- ▶ Applicant must be a holder of a valid business registration certificate or a hawker licence and application must be accompanied by its copy
- ▶ Address of each premises that the applicant intends to be used as business premises (and branch, if any)
- ▶ Correspondence address
- ▶ Accompanied by a declaration that the business in precious metals and stones will be carried on for a lawful purpose

Category A Registration Application

1. Application

- submit the application through **the *Dealers in precious metals and stones Registration System (DRS)*** and upload the supporting documents
- submit the application form and supporting documents for Category A Registration in person or by post

2. Payment for application

- Payment through General Demand Note
- Online Payment (by credit card) through the ***DRS***

3. Document Verification

4. Notification of Application Result

5. Successful registrants can download the Certificate of Registration (and Branch Certificate, if any, from the DRS)

Requirements for Category B Registration

- ▶ Applicant must be a holder of a valid business registration certificate or a hawker licence and application must be accompanied by its copy
- ▶ Address of each premises that the applicant intends to be used as business premises (including branch)
- ▶ Correspondence address
- ▶ Each individual (sole proprietor company), partner(s) (for partnership company) , director(s) (for Corporation) or the ultimate owner(s) shall pass the Fit & Proper Test on whether :
 - convicted of money laundering or other relevant criminal convictions
 - failed to comply with the conditions imposed by the **Anti-Money Laundering (“AML”) and Counter-Terrorist Financing (“CTF”) Ordinance (Cap. 615) (“AMLO”)**
 - an undischarged bankruptcy, in liquidation or winding-up, etc.
- ▶ Information on business and AML/CTF measures

Category B Registration Application

1. Application

- submit the application through the DRS and upload the supporting documents
- submit the application form and supporting documents for Category B Registration in person or by post

2. Payment for application

- Through General Demand Note
- Online Payment (by credit card) through **DRS**

3. Verification of documents, collection of original Authorization Letters for Fit and Proper Test and interview (Interviewee must be the sole-proprietor, a partner, a director, an ultimate owner or a representative authorized by the Board of Directors)

4. Notification of assessment result

5. Successful applicant can download the Certificate of Registration and Branch Certificate from **DRS**

Obligations and Registration Conditions (Cat. A & Cat. B)

Display of Certificate

- Principal place of business
- Branches (conduct face-to-face transaction with customers)
- Temporary booths (conduct face-to-face transaction with customers)
- Website - QR code (direct linkage to the online Register)

9-month transitional period (1 April to 31 Dec 2023)

- ▶ The 9-month transitional period aims to provide the trade with sufficient time to undergo registration in accordance with the regulatory regimes
- ▶ During the period, existing dealers will be regarded as “deemed registrants” and can continue to carry out transaction with total value at or above HKD 120,000.
- ▶ If the existing dealers apply for registration during the 9-month transitional period, the application and related fee will be waived.
- ▶ For those non-existing dealers who have not been dealing in precious metals and stones before **1 April 2023**, they must apply for registration if they wish to start the precious metals and stones business and engage in any transaction(s) with **total value at or above HKD120,000** on or after 1 April 2023, or otherwise they may commit an offence.

Penalty for HK Precious Metals and Stones Dealers

- Any person, who is not a registrant, carries out transaction(s) with total value at or above HKD120,000 in Hong Kong
(maximum penalty:
HKD100,000 fine and 6 months' imprisonment)
- A registrant fails to display the certificate or to report change of particulars
(maximum penalty:
HKD50,000)

Non-Hong Kong Precious Metals and Stones Dealers

A non-HK Precious Metals and Stones Dealer refers to any person who fulfils all of the following conditions:

- ▶ (a) the person—
 - ▶ either—
 - ▶ (i) is an individual who **does not ordinarily reside** in Hong Kong and **does not have a place of business in Hong Kong**;
or
 - ▶ (ii) is a legal person, that is incorporated or established **outside Hong Kong** and is **not** a registered non-Hong Kong company as defined by section 2(1) of the Companies Ordinance (Cap. 622); and **does not have a place of business in Hong Kong**;
 - and**
- ▶ (b) the total number of days on which the person's PMS business is carried on in Hong Kong does not exceed **60 days** in a calendar year

Non-Hong Kong Precious Metals and Stones Dealers - Obligations

A non-HK DPMS must give a Cash Transaction Report (CTR) (which is a standardized form) to Customs, in respect of any **cash transaction with total value at or above HKD 120,000** carried out in Hong Kong, before the expiry of 1 day after the transaction or the earliest time when a specified individual leaves Hong Kong, whichever is earlier.

[Including: Information of the dealer and its representative; Travel information of the dealer or its representative; Information of the transaction; and Information of the counterparty and its representative]

- ▶ If the dealer is an individual, the report must be submitted by the dealer
- ▶ If the dealer is a legal person (e.g. company or corporation), the report must be submitted by the dealer's representative

Penalty on Non-HK Precious Metals and Stones Dealers

- Failing to file cash transaction report within the specified period
(maximum penalty:
HKD50,000 fine and 3 months' imprisonment)
- Providing a statement that is false or misleading in a material particular/omits a material particular
(maximum penalty:
HKD50,000 fine and 6 months' imprisonment)

Fees in relation to application for registration

Category A

Application Fee : HKD260

Annual Fee : HKD195

Category B

Application Fee : HKD 1,970 + HKD 650 (for each person who is subject
(Valid for 3 years) to the fit and proper test)

Renewal Fee : HKD 1,060 + HKD 650 (for each person who is subject
(Valid for 3 years) to the fit and proper test)

Existing dealers can make application to C&ED within the 9-month transitional period commencing from 1 April 2023 and their registration and related fee will be waived.

Contact Us

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