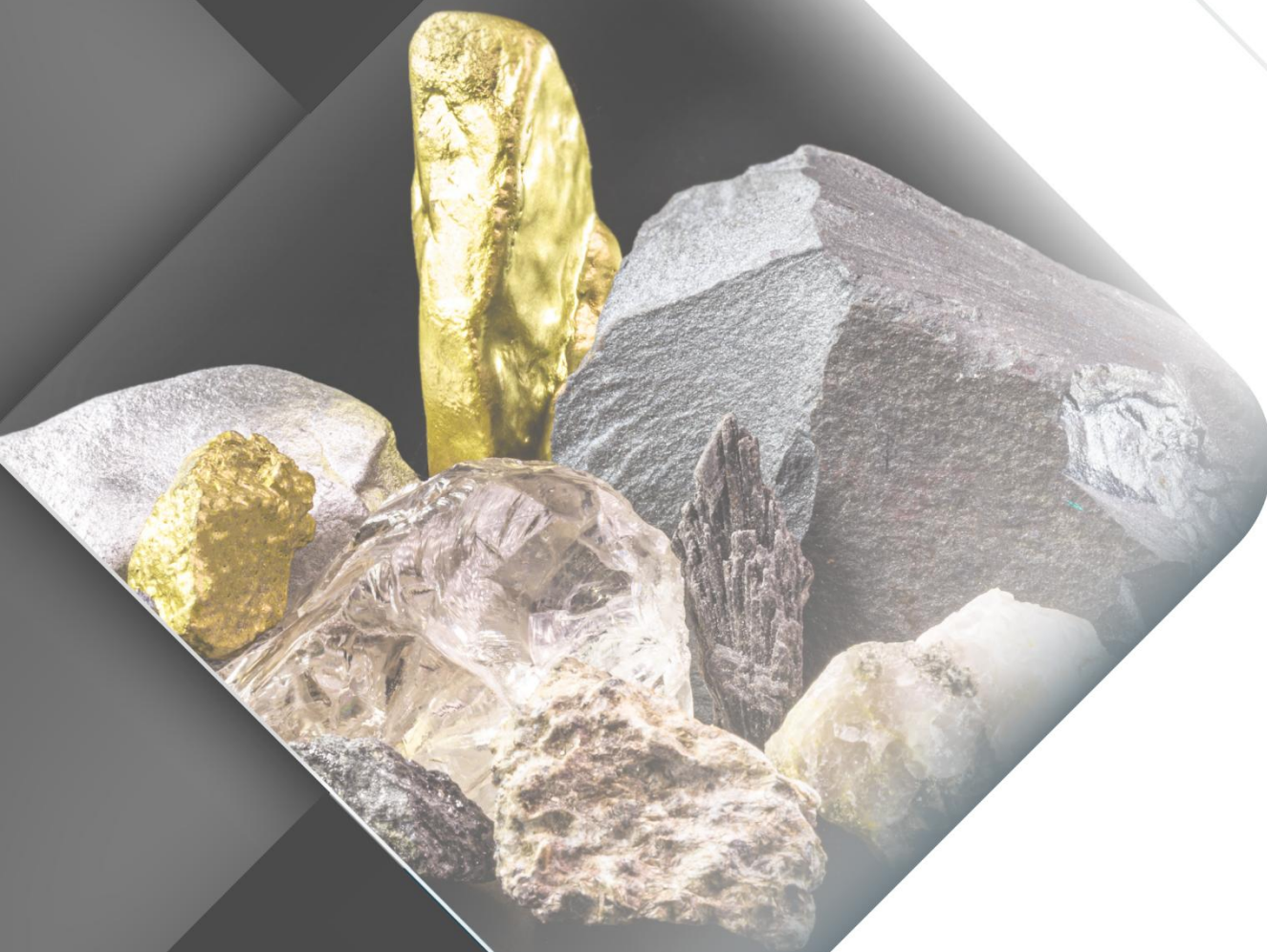




Misuse of Precious Metals & Stones in Financial Crime

An Updated Strategic Analysis Report
September 2025



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LIST OF ACRONYMS

AML	Anti-Money Laundering
CAHRA	Conflict-Affected and High-Risk Areas
CBI	Cross-Border Inbound
CFT	Combatting the Financing of Terrorism
CIF	Cost, Insurance and Freight
CBUAE	Central Bank of the UAE
DMI	Domestic Inbound
DNFBPs	Designated Non-Financial Businesses and Professions
DPMS	Dealers in Precious Metals and Stones
DPMSR	Dealers in Precious Metals and Stones Report
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FIs	Financial Institutions
goAML	The Financial Intelligence Unit Reporting System
GDS	Goods Bought or Sold
ICP	Federal Authority for Identity, Citizenship, Customs and Port Security
KYC	Know Your Customer
LEA	Law Enforcement Authority
LPs	Legal Persons
ML	Money Laundering
MOET	Ministry of Economy and Tourism
NPs	Natural Persons
NRA	National Risk Assessment
OAT	Own Account Transfer
PEP(s)	Politically Exposed Person(s)
PMS	Precious Metals and Stones
RE	Reporting Entity
RFR	Reason for Reporting
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TF	Terrorism Financing
UAE	United Arab Emirates
UAEFIU	The Financial Intelligence Unit of the UAE

1. EXECUTIVE SUMMARY

Trade in precious metals and stones (PMS) is a key component of the UAE economy and diversification agenda, contributing to the country's global standing as a leading trade hub. The UAE's total foreign trade in precious stones, metals, and their articles increased considerably from AED 497 billion in 2021 to nearly double in 2024, reaching over AED 959 billion.

As of June 30, 2025, there were 8,191 dealers in precious metals and stones (DPMS) registered with the UAE Financial Intelligence Unit (UAEFIU) reporting system (goAML), ranging from large refiners and wholesalers to retailers, representing an 81% increase over June 2022, when 4,521 DPMS were registered.

With such international exposure and trade volume, the PMS sector is vulnerable to criminal misuse. Consequently, it has been assessed as having a medium to high risk of money laundering (UAE National Risk Assessment, 2024). Precious metals and stones are also associated with other illicit activities, including terrorist financing, smuggling, trading in conflict gold, as well as corruption and bribery along the industry supply chain.

In this report, the UAEFIU updates its previously identified typologies issued in October 2022, relevant to the misuse of dealers in precious metals and stones (DPMS) in illicit activities. The trade, customs, and remittance data were examined to understand the sector's trade, business flows, and associated cash volume over the past four-year review period. More importantly, a variety of data points were utilized to identify the sector's potential risks and vulnerabilities that could be misused in financial crime. These data included the review of 1,448,825 dealers in precious metals and stones reports (DPMSRs) filed by DPMS between July 1, 2021, and June 30, 2025, concerning cash transactions exceeding the regulatory threshold (AED 55,000), and a sample of nearly 700 suspicious transaction reports (STRs) and suspicious activity reports (SARs) relevant to the sector. These were in addition to cases disseminated to/referred from law enforcement authorities (LEAs) and intelligence reports exchanged with counterpart FIUs. This enabled the identification of the most frequent techniques and patterns employed by criminals in misusing the sector, including gold smuggling, the establishment of front and shell entities, complex corporate structures, trade-based money laundering, and the involvement of PMS in terrorist financing activities.

While the UAEFIU previously addressed the risk of conflict-affected and high-risk gold potentially entering the country in its 2022 DPMS report, this analysis suggests that this risk remains, albeit with a lower frequency, based on the observed decline in STRs/SARs volumes relevant to this typology. This can be attributed to the strict measures introduced by financial institutions over the past three years on DPMS accounts, following a risk-based approach. More notably, the issue of the 'Responsible Sourcing Due Diligence Framework' at the federal level established the measures adopted by refiners and other DPMS regarding responsible gold sourcing. Still, a broader, comprehensive assessment at

the sectoral level, using additional data, is required to evaluate this residual risk, especially since a low percentage of overall reporting is observed.

The findings underscored the risk associated with the sector's reliance on a high volume of cash, which could disrupt the traceability of criminal money trails, suggesting the need for further monitoring and control measures. In particular, when cash was associated with a frequently reported concern by reporting entities about an unknown source of fund and customers' failure to provide valid supporting documents, required for the reporting entities' due diligence procedure. Furthermore, the analysis highlighted the involvement of money mules, third parties, and intermediaries in reported suspicions related to the potential misuse of the sector for illicit activities, as well as the connection to organized crime groups.

Finally, the data showed improved engagement of DPMS registered with the UAEFIU reporting system. Nevertheless, a low percentage of actively reporting entities is alarming, particularly in terms of reporting suspicious activities and transactions through SARs/STRs. In addition, this analysis also illustrated some inadequate due diligence and a lack of reporting quality, requiring further actions by the supervisory authority in its risk-based supervision and UAEFIU outreach sessions.

The UAEFIU developed approximately 60 risk indicators to guide reporting entities in monitoring, detecting, and reporting suspicious transactions and activities related to sector misuse in financial crime. Moreover, the report concludes by suggesting measures to address the identified risks for the consideration of competent authorities and reporting entities.

FIU

2. INTRODUCTION

Trade in precious metals and stones (PMS) remains a critical component of the UAE's diverse economy and its global standing as a leading trade hub. The country's total foreign trade in PMS and its articles reached over AED 959 billion in 2024.¹ Nevertheless, PMS, including gold, diamonds, and other metals and gemstones, are highly attractive to criminals due to their value density and portability (high value-to-weight ratio), global market liquidity and stability, fungibility (once they are refined or cut, commodities lose physical indicators of origin), and cash-intensive trade. Thus, the sector is vulnerable to criminal activities and ideal for moving, storing, and concealing the origin of illicit funds, especially gold, which remains the most significant in scale.²

Precious metals and stones can be misused by criminal networks engaged in money laundering through smuggling and trade-based money laundering (TBML). For example, purchasing PMS using illicit cash or payment through informal transfer systems (placement), smuggling or transfer through multiple jurisdiction transshipments, invoice under/over-valuation, and false certification (layering). PMS are subsequently sold to refiners, jewelry retailers, or through reputable trading hubs (integration). They can also be misused in terrorist financing, whereby armed groups control production and trade routes or used as alternative settlement methods. These are in addition to other illicit activities such as trading in conflict gold, sanctions evasion, as well as corruption and bribery along the supply chain.³

The UAEFIU published its first strategic analysis report on the possible misuse of Dealers in Precious Metals and Stones (DPMS) sector in October 2022, covering the period from January 2021 to June 2022.⁴ The report established key money laundering (ML)/terrorist financing (TF) typologies and risks, following the UAE's first National Risk Assessment (NRA, 2019), which assessed the DPMS sector as high-risk for money laundering.

Since then, various measures have been enforced to tackle the associated ML/TF risks, including introducing the 'Responsible Sourcing Due Diligence Framework' in 2022, followed by the **Ministerial Decree No. 68 of 2024** regarding gold refineries' adherence to the Policy of Due Diligence Regulations for Responsible Sourcing of Gold, which mandates refineries and other DPMS entities operating in the UAE, including those in commercial free zones, to comply with the responsible gold sourcing

¹ Further details are provided in Section 5.1 of this report.

² FATF-APG (2015) Money Laundering and Terrorist Financing Risks and Vulnerabilities Associated with Gold. Available at: <https://www.fatf-gafi.org/en/publications/Methodsandtrends/ML-tf-risks-and-vulnerabilities-gold.html>

³ Ibid; FATF (2018) Guidance for a Risk-Based Approach for Dealers in Precious Metals and Stones. Available at: <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatfguidanceontherisk-basedapproachfordealersinpreciousmetalsandstones.html> ; IMF (2014) Implementing AML/CFT Measures in the Precious Minerals Sector. Available at: <https://www.imf.org/external/pubs/ft/tnm/2014/tnm1401a.pdf>; OECD (2016) Due Diligence Guidance for Responsible supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Available at: https://www.oecd.org/en/publications/2016/04/oecd-due-diligence-guidance-for-responsible-supply-chains-of-minerals-from-conflict-affected-and-high-risk-areas_g1g65996.html

⁴ UAEFIU (2022) Dealers in Precious Metals and Stones. Available at: <https://www.uaefiu.gov.ae/en/more/knowledge-centre/publications/trends-typology-reports/dealers-in-precious-metals-and-stones/>

procedures.⁵ These regulations underlined different policies and procedures consistent with the Organization for Economic Co-operation and Development (OECD) standards in identifying and mitigating the risk of importing gold from conflict-affected and high-risk areas, including the “establishment of a strong management system, identification and assessment of risk in the supply chain, designing and implementation of a strategy to respond to identified risks, carrying out independent third-party reviews of the refiner’s due diligence practices”.⁶

In addition to the regulatory measures, the Ministry of Economy and Tourism (MOET) has been actively conducting various inspection visits, resulting in significant fines and license suspensions on DPMS entities that do not comply with the Anti-Money Laundering (AML)/ Combatting the Financing of Terrorism (CFT) measures. From **January 2021 to December 2024**, the MOET issued 836 warnings, 109 suspensions, and 1,900 fines, totaling 2,871 sanctions imposed on 1,013 companies, with an aggregate **monetary penalty amounting to AED 146,350,000**.⁷ These measures included the suspension of 32 gold refineries that represented approximately 5% of the national refining capacity in 2024 after uncovering 256 AML-related violations.⁸

These supervisory measures have been enforced together with close monitoring and tighter AML/CFT controls by financial institutions on DPMS accounts,⁹ alongside the Central Bank of the UAE (CBUAE)’s active role in overseeing AML/CFT compliance within the financial sector, which intersects with the DPMS sector.¹⁰ These control and enforcement measures have led to the DPMS sector being assessed as having **a medium to high risk** of money laundering, according to the second NRA (2024), taking into consideration the sector’s inherent risks.

This report updates previously identified typologies relevant to the misuse of the DPMS sector and identifies emerging trends. It provides a comprehensive outlook of the sector trade and business flow, while underlying how the sector remains vulnerable to criminal misuse. Moreover, it highlights DPMS compliance gaps that require further monitoring and risk-based supervision. It also updates the previously developed risk indicators to assist reporting entities in detecting, monitoring, and reporting transactional patterns and activities potentially linked to the abuse of PMS in financial crime.

⁵ Ministerial Decree No. (68) of 2024 Regarding Gold Refineries’ adherence to the Policy of Due Diligence Regulations for Responsible Sourcing of Gold. Available at: [https://www.moet.gov.ae/documents/20121/376320/Ministerial+Decree+No.+\(68\)+of+2024.pdf/b349cc52-534c-cffc-8c71-ad55d5c9c334?t=1717189374321](https://www.moet.gov.ae/documents/20121/376320/Ministerial+Decree+No.+(68)+of+2024.pdf/b349cc52-534c-cffc-8c71-ad55d5c9c334?t=1717189374321)

⁶ MOET (2022) Due Diligence Regulations for Responsible Sourcing of Gold. Available at: <https://www.moet.gov.ae/en/diligence-regulations-for-responsible-sourcing-of-gold>

⁷ Data obtained by the UAEFIU from the MOET.

⁸ Gulf News (2024, August 08) ‘UAE suspends 32 gold refineries in money-laundering crackdown’. Available at: <https://gulfnews.com/business/markets/uae-suspends-32-gold-refineries-in-money-laundering-crackdown-1.1723129712305>

⁹ Based on several one-to-one meetings conducted during this project timeframe, between major financial institutions, where these measures have been reviewed and discussed in-depth.

¹⁰ CBUAE Rulebook (2021) Guidance for Licensed Financial Institutions Providing Services to the Real Estate and the Precious Metals and Stones Sectors. This Guidance sets out robust requirements for financial institutions, including enhanced due diligence, identifying and assessing the risks associated, and other measures when providing services or transactions to DPMS. Available at: <https://rulebook.centralbank.ae/en/rulebook/guidance-licensed-financial-institutions-providing-services-real-estate-and-precious>

3. OBJECTIVES

As part of the Strategic Analysis Plan and in line with the UAEFIU's efforts to address and identify patterns and typologies of financial crime, the UAEFIU is delivering its second report on precious metals and stones for the following purposes:

- To revisit the identified typologies in the UAEFIU report published in 2022 related to the misuse of the precious metals and stones sector in financial crimes, and evaluate the progress in mitigating previously identified risks in light of regulatory developments and measures;
- To identify any emerging patterns and ML/TF risks associated with the misuse of DPMS (unwittingly) and explore DPMS's potential (witting) involvement in facilitating illicit activities;
- To evaluate the level of DPMS's compliance with the UAEFIU reporting system and assess the quality of suspicious reports submitted by DPMS;
- Update the previous list of risk indicators;
- Promote current awareness among the UAEFIU's stakeholders of the sector's risks.

4. METHODOLOGY

This report utilizes quantitative data for the period from **1 July 2021 to 30 June 2025**, to provide descriptive analysis for the purpose of understanding the PMS sector development and segments. It also examines a sample of quantitative and qualitative data of suspicious reports submitted by DPMS and other reporting entities, as well as competent authorities, from **1 July 2023 to 30 June 2025**, to update previously identified typologies and identify any emerging patterns relevant to the misuse of PMS in financial crime. The outcome of this report is based on the following data sources:

1. Trade data relevant to the PMS sector obtained from the Ministry of Economy and Tourism (MOET).
2. Suspicious transaction reports (STRs) and suspicious activity reports (SARs) available with the UAEFIU's reporting system (goAML), reported by DPMS and other reporting entities.
3. STRs and SARs received from the Ministry of Economy and Tourism and the Federal Authority for Identity, Citizenship, and Port Security (MOET and ICP) concerning DPMS or other concerns pertaining to the PMS sector.
4. Threshold reports received from DPMS entities, known as dealers in precious metals and stones reports (DPMSRs).

5. Remittance data available with the CBUAE's remittance reporting system (RRS), particularly transactions linked to DPMS, including associated jurisdictions, currencies, and stated purposes.¹¹
6. Cash declaration data and seizures relevant to PMS/DPMS.
7. Cases disseminated by the UAEFIU to law enforcement authorities (LEAs) related to the sector.
8. Cases initiated by the concerned competent authorities through the UAEFIU's Integrated Enquiry Management System (IEMS), including relevant freeze requests.¹²
9. Intelligence reports exchanged with counterpart financial intelligence units (FIUs).
10. Open-source data and screening results.

In addition, the UAEFIU conducted a series of one-to-one meetings and roundtable discussions with competent authorities (MOET and ICP), major DPMS (retailers and refineries), and financial institutions (FIs). These engagements aimed at gaining deeper insights into the sector's segments and observed ML/TF risks, regulatory development, and measures implemented to mitigate money laundering risks associated with the misuse of the DPMS sector.

5. OVERVIEW OF THE DATA UTILIZED IN THIS REPORT

This section offers an overview of the descriptive analysis based on available data with the UAEFIU's databases and obtainable from its stakeholders from 1 July 2021 to 30 June 2025. The analysis encompassed an overview of the sector's importance to the UAE economy, size of DPMS, threshold reports received from the DPMS sector (DPMSRs), and related suspicious reports (STRs/SARs) reported through goAML. The latter section (6) will entail ML/TF patterns identified from these data points, covering the period 1 July 2023 to 30 June 2025.

5.1. SECTOR IMPORTANCE AND CONTRIBUTION TO THE UAE ECONOMY

Global PMS trade, particularly gold, increased significantly over the past years compared to other commodities, as investors sought it as a safer asset during periods of economic uncertainty and inflation.¹³ The UAE is one of the major global trade hubs, given its geographic location that connects major gold markets in Asia, Africa, and Europe, making it a central player in the global gold trade. According to DMCC (2024), the UAE surpassed the United Kingdom in 2023 to become the second-largest gold trade hub. Some estimates indicate that as much as 20–30% of all gold traded globally

¹¹ The UAE Remittance Reporting System (UAERRS) is a platform to report details of all remittances conducted on a daily basis through money service businesses (MSBs) and registered hawala service providers.

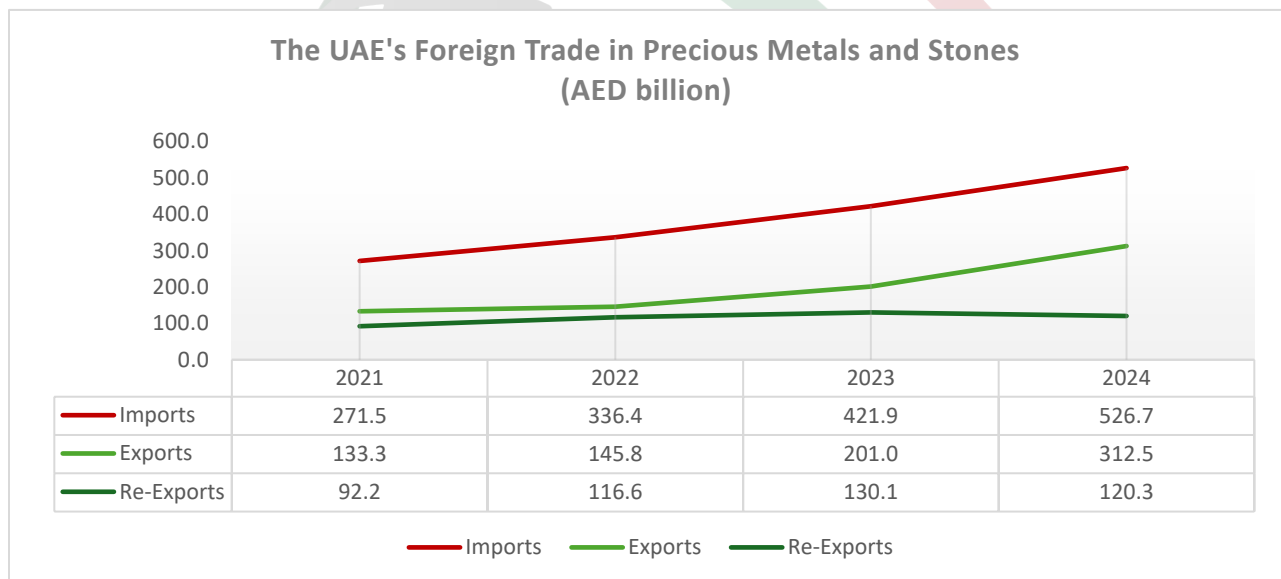
¹² The Integrated Enquiry Management System (IEMS) is established and owned by the UAEFIU to facilitate communication and the processing of various requests between domestic competent authorities, regulated financial institutions, and the UAEFIU.

¹³ DMCC (2024) The Future of Trade: Decoupled and Reconfigured. Available at: <https://www.futureoftrade.com/>

passes through Dubai, underscoring its central role as the region's gold trading center and placing it as one of the world's top three gold trading hubs alongside Switzerland and London.¹⁴ In addition, the gold souks (markets) and the tax refund scheme for tourists in the UAE attract millions of visitors each year, which further boosts the gold sector.¹⁵

Beyond its international profile, the PMS sector is integral to the UAE's domestic economic diversification agenda, with the country's total foreign trade in PMS and its articles reaching over **AED 959 billion in 2024**, reflecting a ~27% increase on the previous year (Chart 1).¹⁶

Chart 1: The UAE's Foreign trade in PMS from 2021–2024



The UAE's total non-oil foreign trade grew significantly from AED 1.9 trillion to AED 2.2 trillion, AED 2.6 trillion, and AED 2.9 trillion, respectively, from 2021–2024, indicating that the PMS sector contributed approximately **32% of the country's total trade in 2024**.¹⁷ According to the MOET data, top traded items over the period 2021–2024 included gold (including gold plated with platinum), unwrought or in semi-manufactured as the top traded item based on value. Trade in gold was followed by diamonds, articles of jewellery, and parts thereof, of precious metals.¹⁸ Among the top

¹⁴ IGWT Report (2024) Dubai, the Golden Oasis driving the UAE Gold Market's Growth. Available at: <https://ingoldwetrust.report/nuggets/dubai-the-golden-oasis-driving-the-uae-gold-markets-growth/?lang=en>; and IGWT report (2025) The big Long. Available at: <https://ingoldwetrust.report/in-gold-we-trust-report/?lang=en>

¹⁵ Ibid; and DMCC (2024).

¹⁶ UAE Stat (no date) Foreign Trade Data: Precious Metals and Stones. Data for the years 2021–2023 is available at: <https://uaestat.fcsc.gov.ae/>. The previous reference is available to the public, while the UAEFIU utilized raw data obtained from MOET for the period 2021–2024, which is consistent with the UAE Stat published data.

¹⁷ Ministry of Economy & Tourism (no date) International Trade Map (Interactive tool). Available at: <https://www.moet.gov.ae/en/international-trade-map>. The previous reference is available to the public, while the UAEFIU utilized raw data obtained from MOET for the period 2021–2024, which is consistent with the data published on its website dashboard.

¹⁸ Ibid.

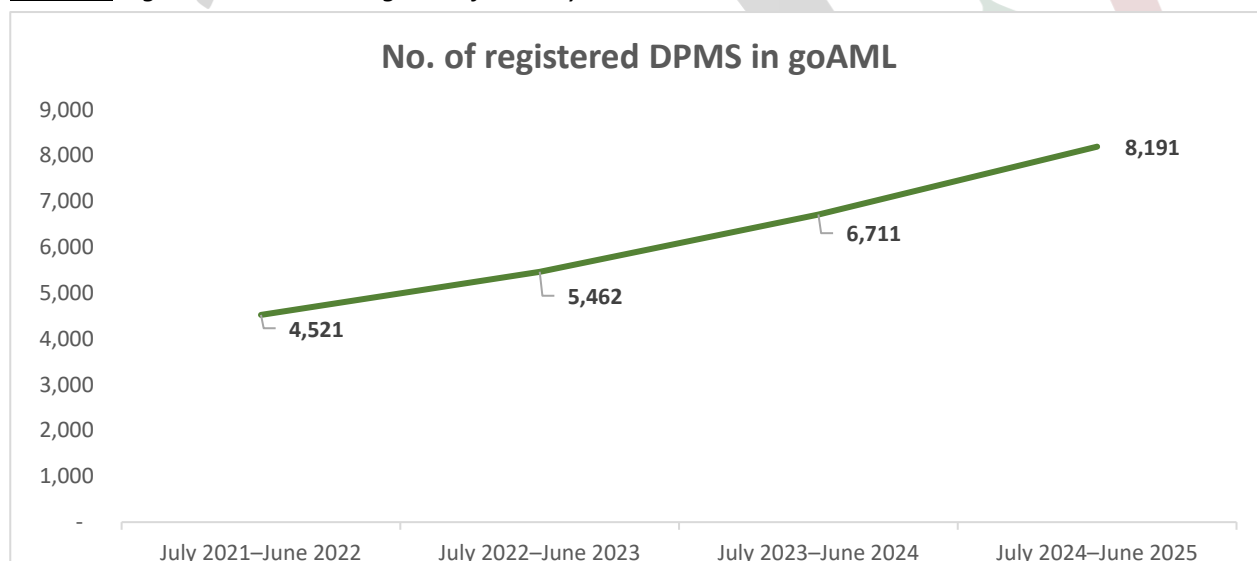
trading partners to the UAE's PMS trade over the four-year period 2021–2024, India was ranked as the top partner in overall trade, followed by Türkiye, Switzerland, and China, Hong Kong.¹⁹

In conclusion, the precious metals and stones sector is not only a key contributor to the UAE's GDP and foreign trade but also a cornerstone of the UAE's broader vision for economic diversification. Its continued development underscores the UAE's role as a bridge between producing and consuming markets. To empower its global reputation as a trusted trade hub, the UAE adapted the OECD standards for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (CAHRA) at the federal level and introduced the Ministerial Decree No. 68 of 2024 that reinforces regulation and responsible sourcing, increasing confidence in the UAE's gold sector.

5.2. DPMS SIZE AND RECEIVED THRESHOLD REPORTS

The DPMS sector has shown sustained growth in the number of DPMS registered with the UAEFIU reporting system (goAML) over the past four years. **As of 30 June 2025, 8,191 DPMS were registered**, representing around 81% increase over June 2022, when 4,521 DPMS were registered (as indicated in Chart 2).

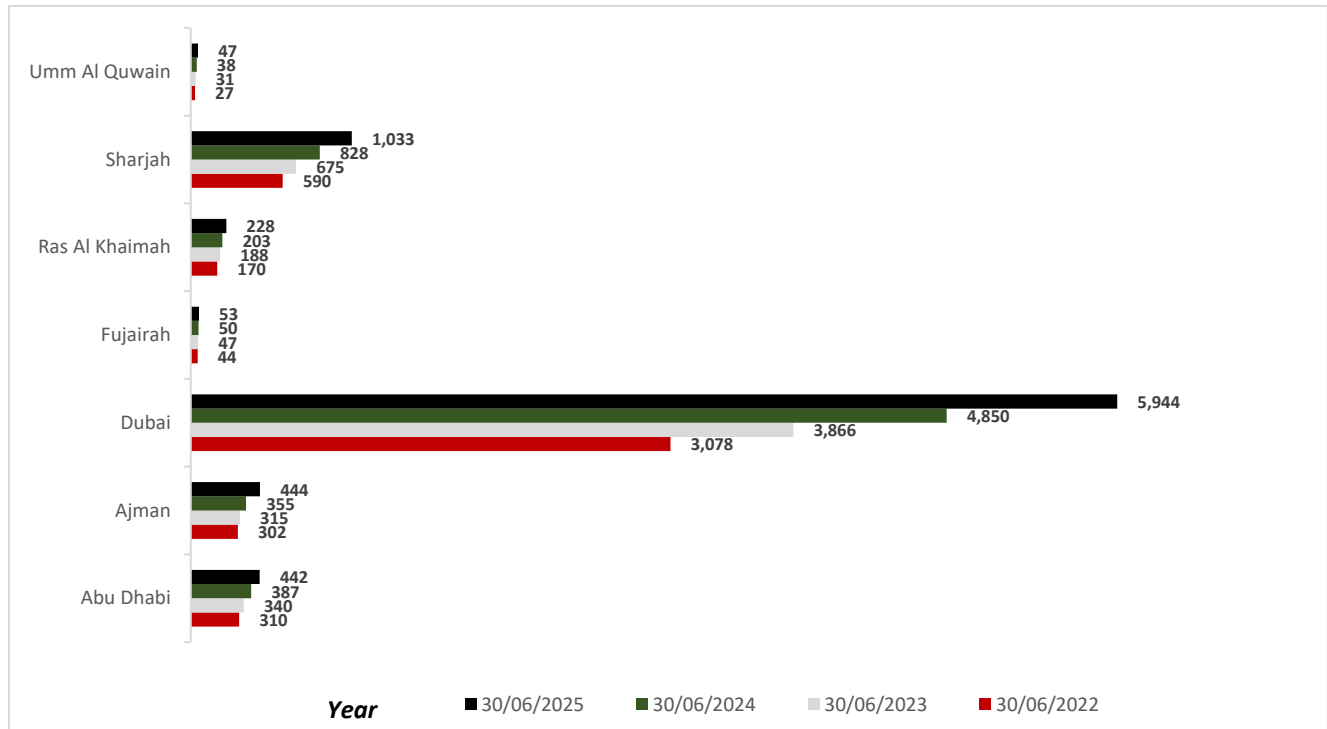
Chart 2: Registered DPMS with goAML from July 2021 to June 2025



The majority of DPMS are licensed by different registrars in Dubai, representing 73% of all registered DPMS with goAML. Sharjah follows with 13%, while Abu Dhabi and Ajman each have 5%, and the remaining are in Ras Al Khaimah, Fujairah, and Umm Al Quwain (as shown in Chart 3).

¹⁹ Ibid.

Chart 3: Registered DPMS with goAML by Emirate



The DPMS sector in the UAE has an inherent risk of high-volume cash flows, which may be misused by illicit actors for money laundering or financing of terrorist activities, thereby obscuring the origin of funds and disrupting their trace. Nevertheless, DPMS are obliged to report to the UAEFIU using a specific report type (DPMSR) whenever they conduct a single cash transaction or seemingly related multiple cash transactions with a value equivalent to or higher than AED 55,000 (Ministry of Economy, Circular Number: 08/AML/2021).

DPMS reported a **total of 1,448,825 DPMSRs** from July 1, 2021, to June 30, 2025. The volume of reports increased steadily over this period, with an approximate 21% increase from July 2024 to June 2025 than July 2021 to June 2022. Similarly, the total reported value of involved items in said DPMSRs increased by approximately 73% in July 2024 to June 2025, compared to July 2021 to June 2022.

Despite the increase in the number of received DPMSRs, the analysis revealed a **decline in the DPMS actively reporting DPMSRs**,²⁰ with an active compliance rate of almost one-third of the registered DPMS in terms of reporting cash transactions exceeding the regulatory threshold. As shown in Chart 4, 38% of registered DPMS were actively reporting in the first year (as of 30 June 2022), while this proportion dropped to 35%, then 33% in the subsequent years, and **reached 29% by 30 June 2025**.

²⁰ For the purpose of this analysis, 'actively reporting' refers to instances where at least one report has been received from a DPMS.

Chart 4: Registered DPMS vs. actively reporting DPMSRs, during July 2021–June 2025

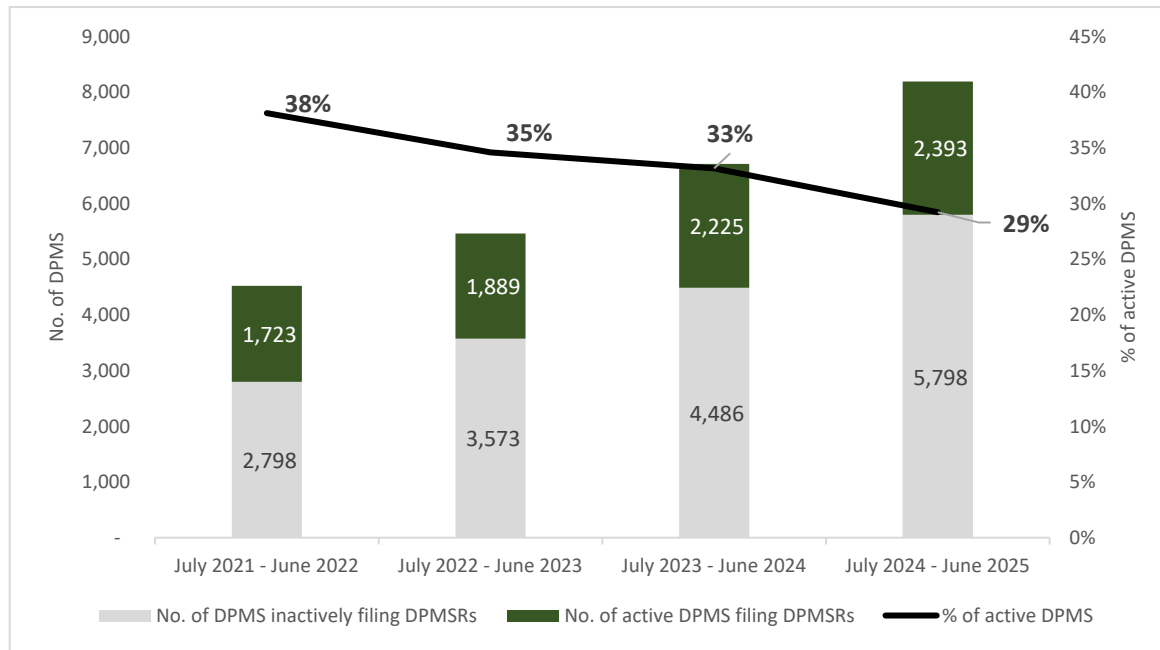


Table 1 below presents a detailed breakdown of the top five PMS items reported in DPMSRs over the four-year period, categorized by volume. As shown, ‘gold’ is the predominant item involved in DPMSRs, followed by ‘diamond’, ‘jewelry’, ‘silver’, and ‘luxury watches’.

Table 1: Volume of DPMSRs during July 2021 to June 2025 by involved item

Involved Item	No. of DPMSRs			
	1 July 2021 - 30 June 2022	1 July 2022 - 30 June 2023	1 July 2023 - 30 June 2024	1 July 2024 - 30 June 2025
Gold	237,719	270,211	286,318	290,729
Diamond	65,114	70,551	71,593	66,588
Jewelry	18,086	20,260	23,074	26,049
Silver	733	807	2,607	2,384
Luxury watch	3,745	5,648	5,604	5,449

It is worth mentioning, however, that analysis of DPMSRs data over this period underlined **5,006 DPMSRs** wherein **incorrect “involved items”** were filed on goAML, representing 0.20% of the overall reported DPMSRs’ value. This included items that are not relevant to PMS, such as gasoline, cigarettes, apartments, furniture, and vegetables, among others. While this amount is relatively small, **reporting entities are urged to ensure the accuracy of their data in the reports due to its impact on data reliability and report validity.**

Table 2 illustrates the top ten reported currencies in reported DPMSRs. The UAE Dirham (AED) was the predominant currency, equivalent to 86% of the overall value during this period. The AED was followed by the United States Dollar (USD), Indian Rupee (INR), and Turkish Lira (TRY), suggesting transactions conducted by tourists and foreign non-resident customers. Similarly, the analysis underlined multiple instances of 'missing' or 'empty entries' in the 'currency' field associated with the reported DPMSRs' transactions. In particular, 52,843 DPMSRs were found to contain unpopulated currency data, representing 2% of the total reported value of DPMSRs.²¹ Therefore, **reporting entities are urged once again to complete all required fields in the reporting system and ensure its accuracy.**

Table 2: Volume and Value of DPMSRs during July 2021 to June 2025 by involved currency

Currency	No. of DPMSRs			
	1 July 2021 - 30 June 2022	1 July 2022 - 30 June 2023	1 July 2023 - 30 June 2024	1 July 2024 - 30 June 2025
AED	239,140	273,980	293,618	288,649
USD	74,074	81,696	80,545	90,194
INR	1	45	71	19
TRY	-	138	-	-
SAR	203	317	460	1,016
QAR	29	52	98	111
CAD	1	2	-	2
CNY	4	36	20	-
RUB	-	5	1	-
EUR	732	620	944	587

The analysis also identified the most frequent nationalities of individual purchasers involved in the examined DPMSRs, with Indian nationals consistently accounting for the highest share of reported transactions, representing 30% of the total DPMSRs' value, followed by Bangladesh and Pakistan nationals. Of note, this is consistent with the UAE population composition, wherein the Indian population constitutes the largest expatriate community in the country. Following Indians, the other largest foreign nationalities in the UAE include Pakistanis and Bangladeshis.²²

Still, a considerable share of reports reflected 'unknown' nationality of involved persons, representing 14% of all DPMSRs. **Customer identification data, such as nationality and identity information, is**

²¹ Although some reporting entities did not specify the foreign currency involved in these DPMSRs' transactions, the transaction's AED value was reported and utilized in this analysis.

²² The Official Portal of the UAE Government (no date) Facts Sheet. Available at: <https://u.ae/en/about-the-uae/fact-sheet>

essential in filing any report to the UAEFIU reporting system. Reporting entities are encouraged to ensure compliance with this requirement.

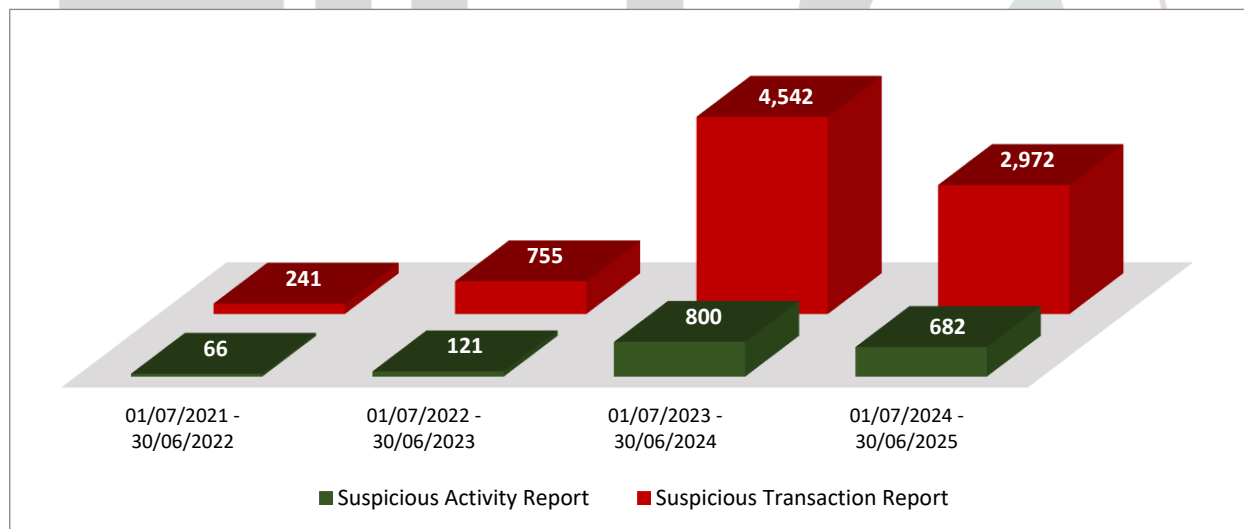
Notably, legal persons incorporated in the UAE represented the largest share in the reported DPMSRs, with 180,016 DPMSRs, followed by Hong Kong with 14,618 reports, and the United States accounted for around 14,122 reports. China and the United Kingdom recorded comparatively lower values. It is worth highlighting that these countries are among the UAE's top strategic partners trading in PMS.

Overall, nearly one-third of the received DPMSRs contained missing information in the 'involved persons' and 'involved entities' tabs, specifically regarding nationality, place of incorporation, or business activity. As a result, the nationality or jurisdiction of incorporation of certain NPs and LPs could not be accurately determined and were not reflected in the preceding illustrations. More alarming is that some reporting entities selected 'unknown' for nationality or place of incorporation, suggesting a lack of reporting accuracy or weaknesses in KYC controls and procedures.

5.3. SUSPICIOUS REPORTS FILED BY DPMS

The UAEFIU received a total of **7,698 suspicious reports** (6,659 STRs and 1,039 SARs) from DPMS over the four-year period (**1 July 2021 to 30 June 2025**). As indicated in Chart 5, reporting volumes gradually increased in the first two years, followed by a sharp rise in the following year, likely driven by awareness sessions and the supervisory role. However, the number of reports declined thereafter by 32%, despite the increase in the number of registered DPMS stated earlier in this report.

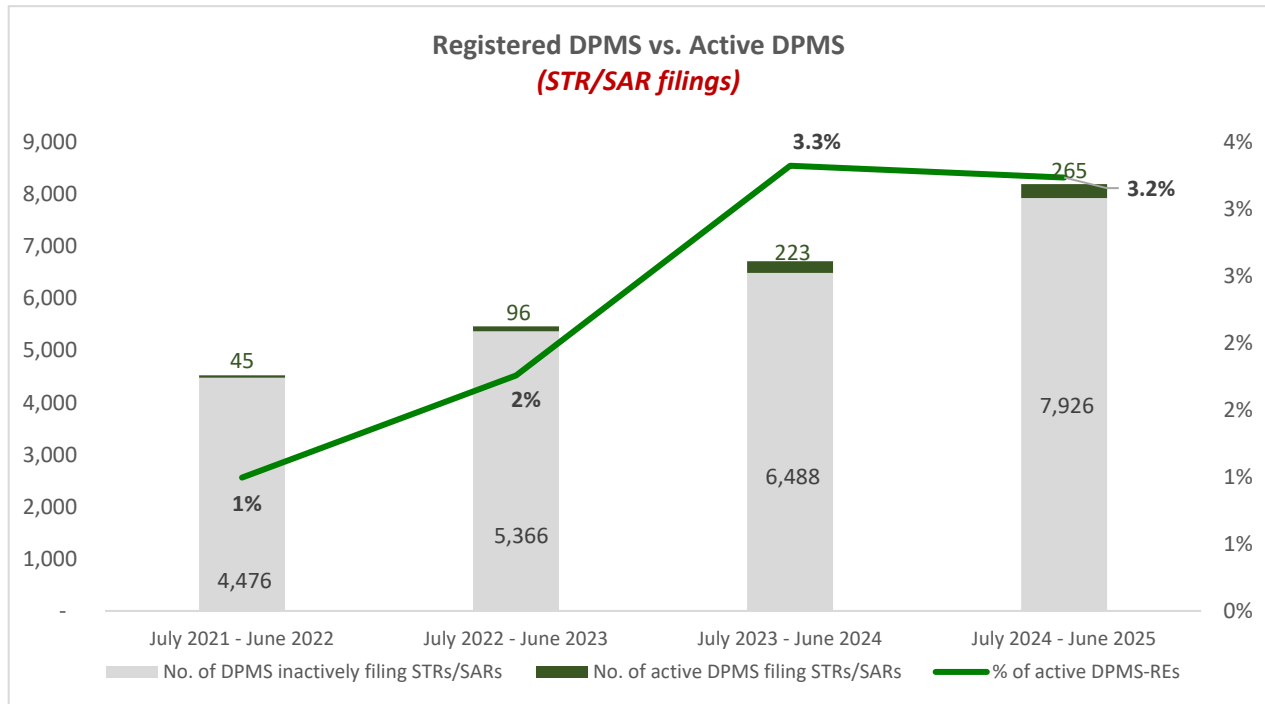
Chart 5: *Suspicious reports received from DPMS during July 2021 to June 2025*



Furthermore, the percentage of actively reporting DPMS of suspicious reports (STR/SAR) increased from 1% to 3.2% (as shown in Chart 6), but this only represents **~3% of registered DPMS**. Moreover, 79% of all suspicious reports were submitted by 10 DPMS, suggesting significant underreporting

across the remainder of the sector. Therefore, **the decline in received suspicious reports and lack of reporting by most DPMS registered with goAML is recognized in this report as a critical area for improvement, which requires the need for further outreach sessions.**

Chart 6: Registered DPMS vs. Actively filing suspicious reports during July 2021 to June 2025



As indicated in the methodology section, the strategic analysis team analyzed a sample of 484 suspicious reports (**225 STRs and 259 SARs**), representing approximately **7%** of the total STRs and SARs received from registered DPMS over the past two years (**1 July 2023 – 30 June 2025**) to identify ML/TF patterns and trends. Of the 484 STRs/SARs, 87% were valid with different levels of reliability, while the remaining 13% were deemed invalid for different reasons, including the following:

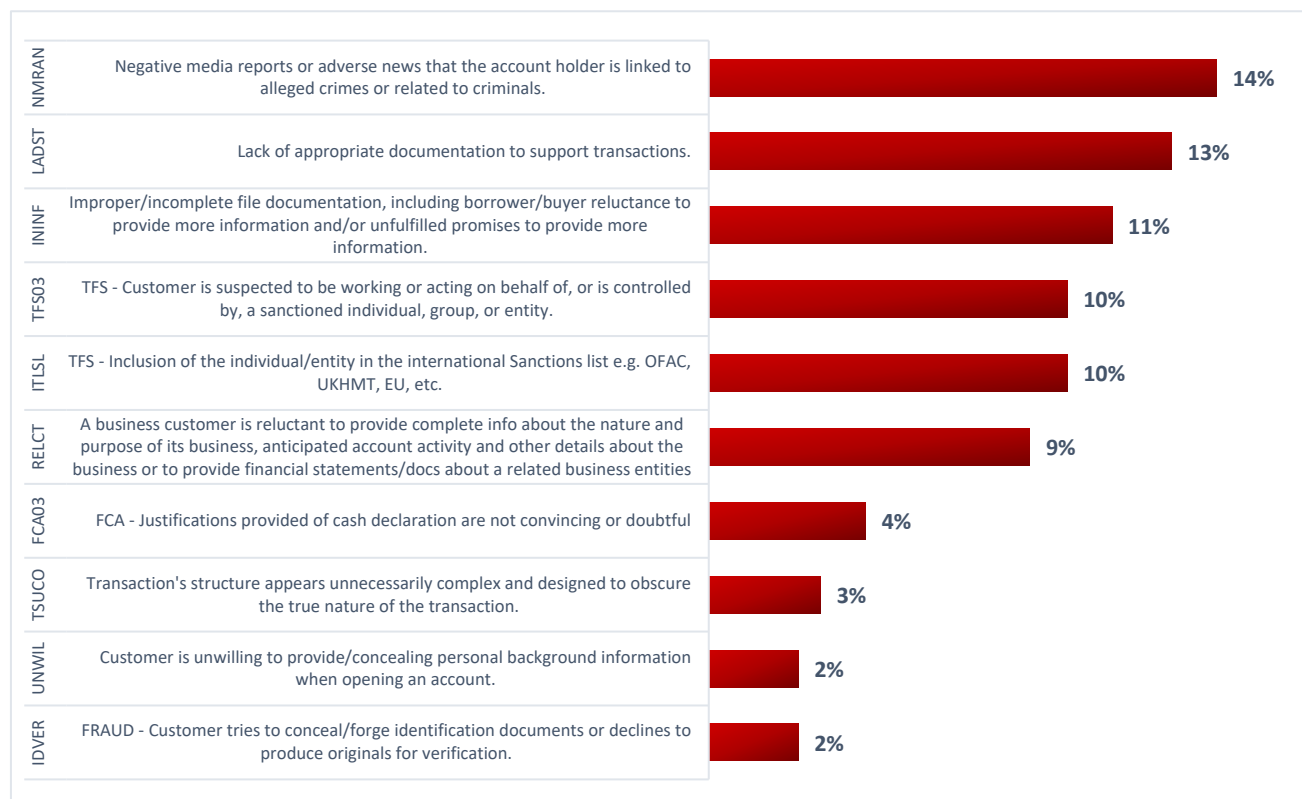
- Insufficient grounds for suspicion based on the incident narration and reported concern;²³
- Incorrect submission as a suspicious report instead of a threshold report (DPMSR);²⁴
- An initial positive match by a screening tool (many of which were common names), which was later affirmed by the UAEFIU to be a false positive;
- Inadequate context, featuring poor or incomplete narrative (some limited to as few as three to six words).

²³ For example, a DPMS filed an STR against a person who purchased PMS items in cash while on a tourist visa (no additional concern or suspicion noted). Another example is that a DPMS filed a SAR against its customer merely because its nationality was classified as high-risk.

²⁴ In some cases, 'double reporting' was also observed, wherein the exact incident was reported as both an STR/SAR and a DPMSR simultaneously, without any additional information.

As shown in Chart 7, the most frequently selected reasons for reporting (RFRs) by DPMS in examined STR/SAR were because of negative media on the DPMS client and incomplete or a lack of appropriate documents.

Chart 7: Top reasons for reporting in the examined sample of STRs/SARs during July 2023 to June 2025



Consistent with the chosen RFRs, the analysis underlined the primary concerns triggering DPMS's filing of the examined STRs/SARs, in which 46% of the examined reports were because of an unknown source of funds and failure in providing sufficient supporting documentation during onboarding or when conducting a transaction. These are in addition to concerns stemming from unusual transactional activity (e.g., third-party payments, unusually high-value cash transactions). In other cases, subjects were reported as reluctant or non-cooperative in completing know your customer (KYC) or enhanced due diligence (EDD) forms. Chart 8 illustrates major concerns in the sample of STRs/SARs received from DPMS during the review period, whereas Chart 9 illustrates the top PMS items involved. According to the volume of analyzed reports, unspecified gold²⁵ ranked 1, being involved in 21% of the total sample, followed by gold bars/ doré (19%), gold jewelries (15%), and luxury watches (7%).

²⁵ 'Unspecified' means that neither the DPMS nor the available supporting documents were able to assist in determining the item specification.

Chart 8: *Top triggers for reporting in the examined sample of STRs/SARs during July 2023 to June 2025*

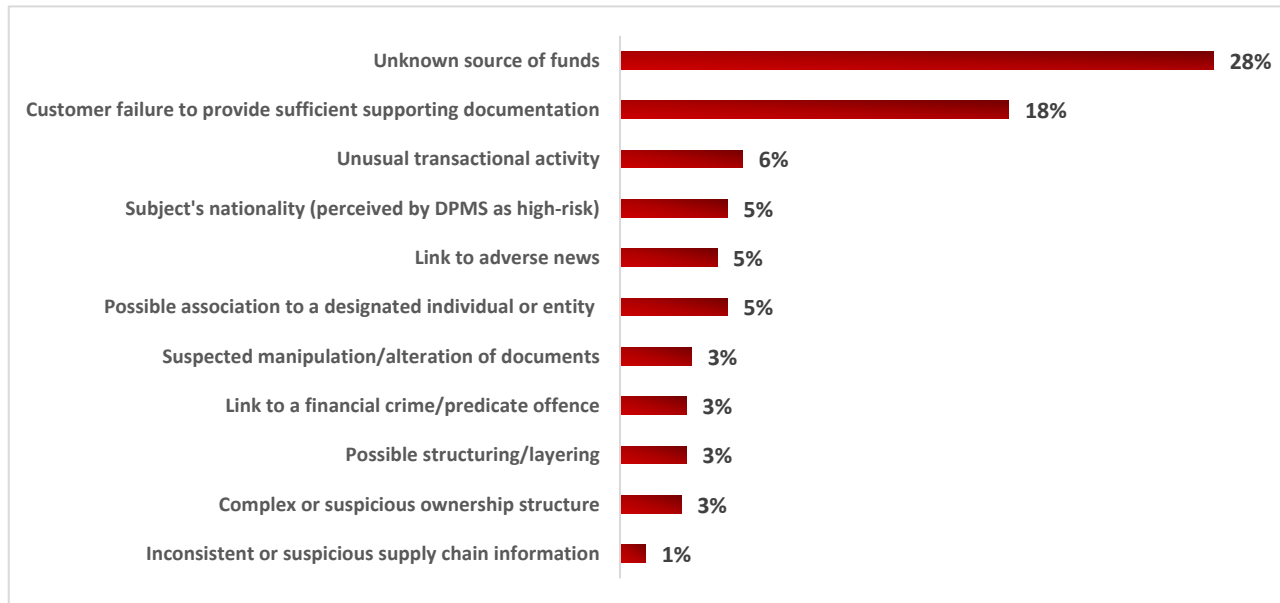
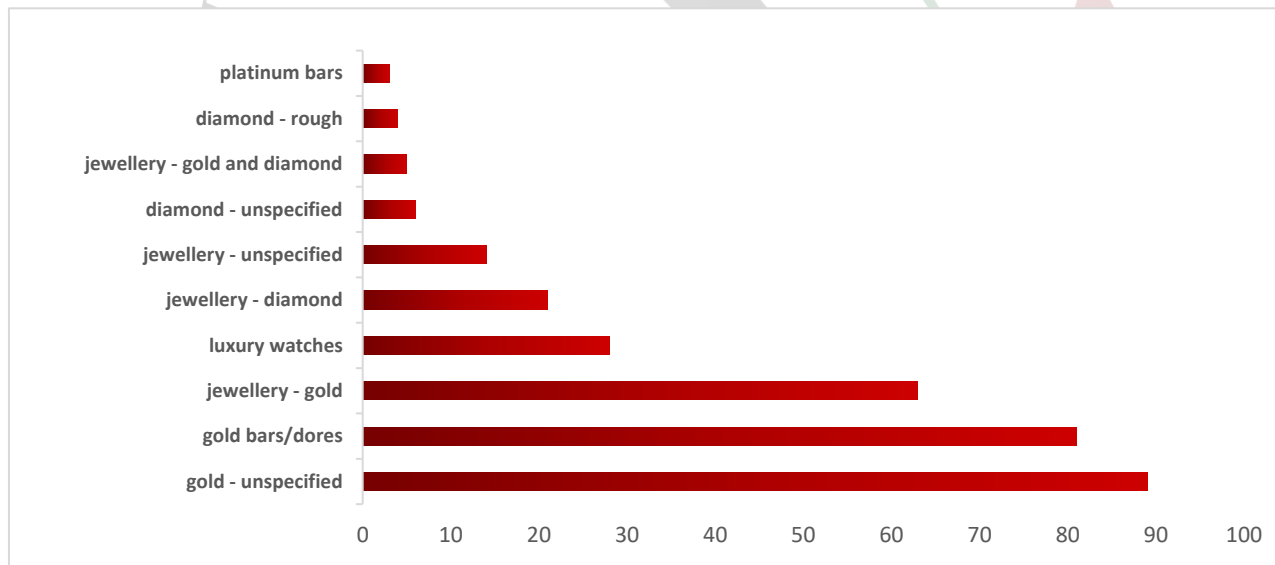


Chart 9: *Top involved PMS items by volume of STRs/SARs (received from DPMS) during the review period*



Furthermore, the UAEFIU conducted screening of the subject NPs and LPs, showing that 11% were linked to foreign sanction regimes, 3% were associated with financial crimes, and another 3% were identified as foreign politically exposed persons. Additionally, links to terrorism financing accounted for 2%, while 1% were connected to organized crime. The remaining 80% of subjects yielded no matches.

5.4. EXAMINATION OF OTHER STRS/SARS RELATED TO THE SECTOR

Similar to the same methodological approach followed in the last section, the UAEFIU analyzed an **additional 207 suspicious reports** (comprising 174 STRs and 33 SARs) received from other reporting entities and competent authorities over the two-year period. Chart 10 illustrates the number of STRs/SARs received over the examined period, showing a **27% increase** in 2024-2025 compared to previous year.

Chart 10: STRs/SARs received from reporting entities and competent authorities concerning PMS

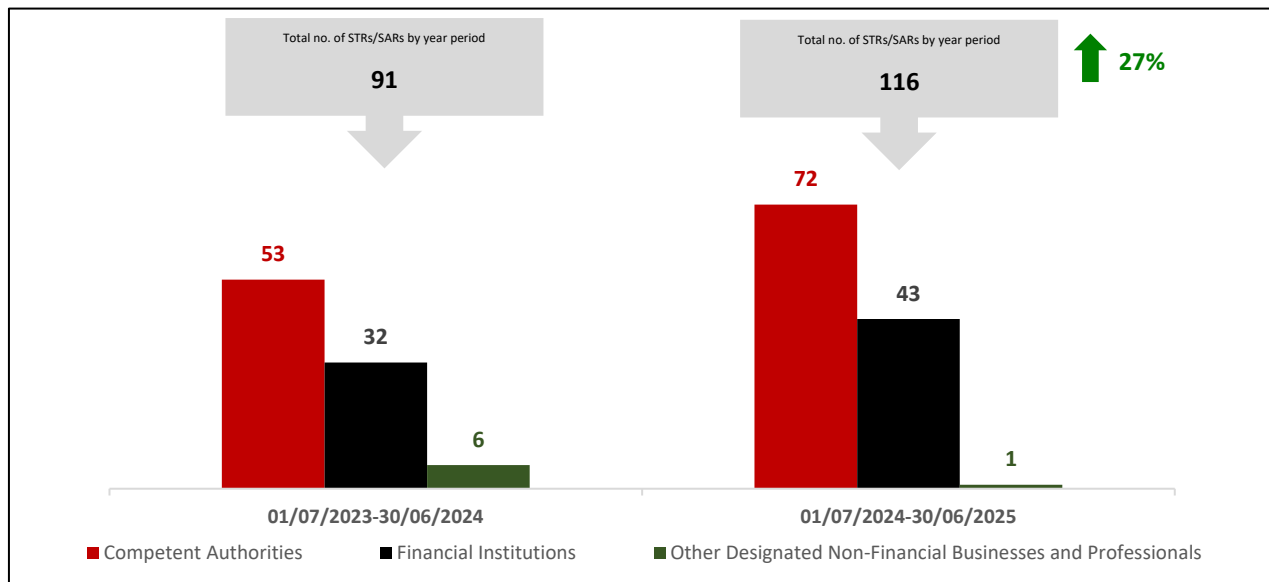
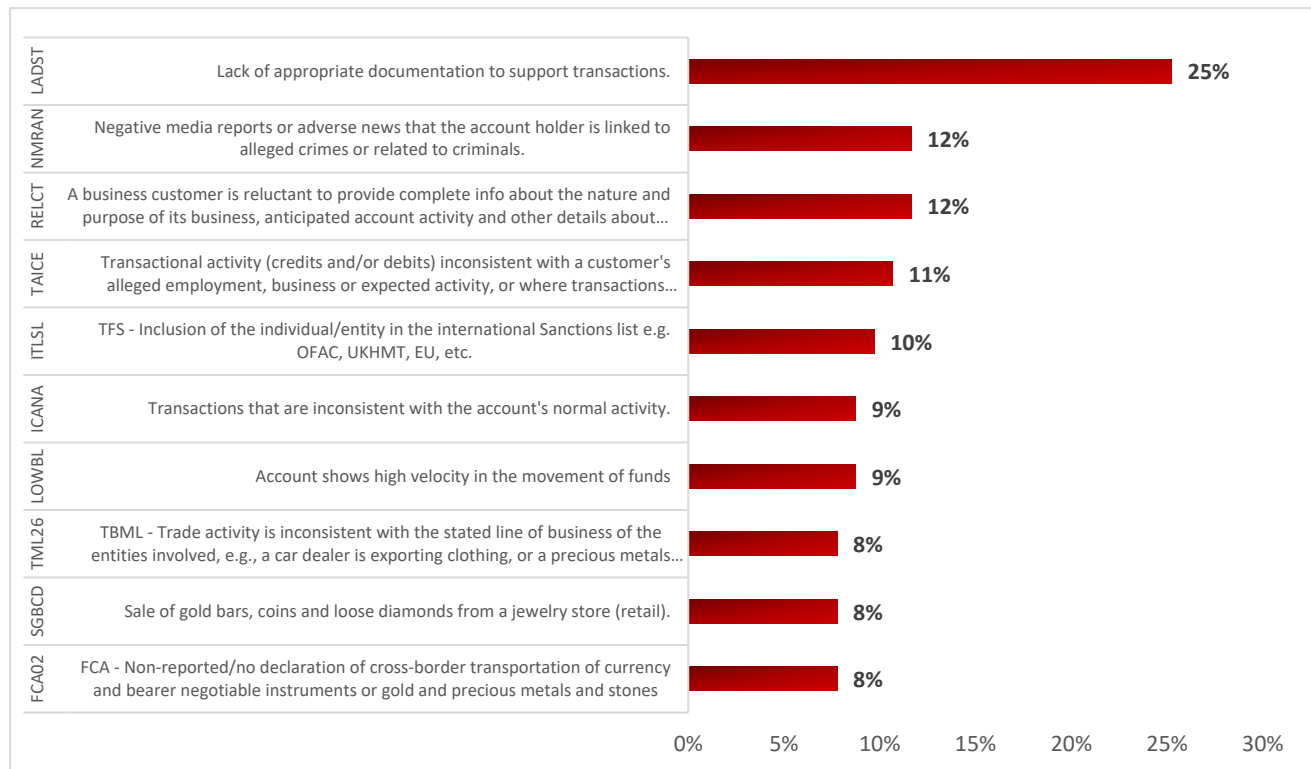


Chart 11 illustrates the ten most commonly selected reasons for reporting (RFRs) by FIs and other DNFBPs in relation to suspicious reports submitted concerning the PMS sector during the review period. Moreover, the analysis highlighted several key concerns. The most prominent was the potential use of front/shell entities, with entities exhibiting significant deviations from declared turnover and engaging in cross-sectoral trading activities (e.g., building and construction materials, auto spare parts and components, dry fruits, garments, electronics and tobacco).

Chart 11: *Top 10 reported reasons for reporting by FIs and other DNFBPs*



Overall, the number of STRs/SARs received from reporting entities (other than DPMS) concerning the sector has declined substantially over the past two years compared to earlier periods. Based on the one-to-one meetings conducted with major financial institutions concerning this matter, it was inferred that different restrictive measures were taken by financial institutions to monitor DPMS accounts. Conventionally, increased control measures do not necessarily lead to a lower volume of STRs/SARs, given the sector risk landscape and dynamic nature. Nevertheless, it is understood from financial institutions that the number of their DPMS customers has been significantly reduced to only involve major and reputable DPMS in the market, which might have led to this decrease in reporting. This implies that financial institutions are following a risk-based approach based on selective acceptance and a proportional response of intense measures to monitor the sector's high risk (including EDD). Therefore, the decision of financial institutions to keep the exposure on a small scale is interpreted as a conscious risk management strategy. Nevertheless, further assessment of the medium-long-term impact of these policies is required, as it could drive the business towards the unregulated sector or reliance on third parties, as highlighted later in this report (Section 7.2). It is highly recommended that financial institutions periodically review the impact of their policies to ensure business flow and oversight over DPMS activities.

6. IDENTIFIED TYPOLOGIES AND PATTERNS

This section presents the findings of the analysis conducted for this report, highlighting market trends and identified patterns and typologies of how precious metals and stones are misused in financial crime. This analysis aims to provide reporting entities, supervisory authorities, and other stakeholders with a deeper understanding of ongoing and potential financial crime risks and areas where enhanced vigilance and monitoring are required.

6.1. *CONFLICT-AFFECTED AND HIGH-RISK GOLD*

Precious metals and stones, especially gold and diamonds, originating from conflict zones are historically used as currency to finance conflict and associated with illicit resale, smuggling, and money laundering schemes to disguise their origin.²⁶ The UAEFIU previously addressed the risk of conflict gold potentially entering the country and being misused in the DPMS sector in its DPMS report published in 2022. While the analysis suggests that this risk remains, the frequency of suspected incidents relevant to conflict gold sharply decreased, based on the examined relevant STRs/SARs volume. This could be due to the strict measures introduced over the past three years, including those taken by financial institutions on DPMS transactions, and more notably, the publication of due diligence regulations at the federal level that established the measures adopted by refiners with regard to responsible gold sourcing. Still, a broader, comprehensive assessment at the sectoral level, using additional data, is required to evaluate this residual risk at the national level.

Nonetheless, observations from the analysis underlined the risk of conflict gold flowing into the UAE's PMS sector directly or indirectly via neighboring countries. This concern was frequently noted on the basis of positive screening matches and adverse media. In addition, subject entities often demonstrated patterns of changing ownership structures and the use of proxies or apparent frontmen appearing across corporate networks. Ultimately, this concern was often observed with the following typologies.

6.2. *GOLD SMUGGLING*

Gold smuggling was a frequently identified concern in the reviewed suspicious reports, whether by reporting entities or customs data. It was also observed to often intersect with other illicit schemes. A few cases raised concerns about smuggled gold being first transferred to a third jurisdiction for refinement before being re-exported to the UAE, where it was sold to local suppliers. Proceeds from such activities were often suspected of being laundered on behalf of criminal groups, and in some instances, potentially directed towards the financing of terrorist organizations. Moreover, a smaller number of reports involving NPs were triggered by adverse media, screening results, or by detection

²⁶ OECD (2016) Due Diligence Guidance for Responsible supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

of individuals physically transporting precious metals (primarily gold) who were later found to be linked to UAE DPMS entities, with the source of the gold remaining unclear.

6.3. USE OF FRONT AND SHELL ENTITIES

The analysis affirmed that shell companies continue to present a risk in financial crime. Front companies were deemed to pose a more prevalent threat in relation to the PMS sector misuse, often engaging in what appears to be legitimate import and export of precious metals. Many entities were found to be interconnected through management, authorized signatories, or employees, or shared addresses with multiple other entities. In several scenarios, the reported entities' manager, shareholder, or controller was identified as having direct relations with a sanctioned individual (e.g., family member). Moreover, the known designated individual employed front men, proxies, and couriers to conceal their involvement in various businesses.

Overall, the analysis indicated that the frequently reported subjects in relation to the PMS sector shared similar characteristics, such as a mismatch between declared business activity and actual turnover, missing shipment documents, and circular fund movements, including large credits and debits with the entities' own accounts across multiple UAE banks. These are in addition to frequent transfers among related DPMS entities, often with the same or associated owners. Many entities also exhibited limited or no operational expenses, raising further concerns about their legitimacy.

Reports further indicated concerns such as incomplete KYC/CDD, frequent ownership and business name changes, and sudden attempts to reactivate dormant accounts. Multiple suspicious reports were filed by DPMS against common, frequent subjects, compounding a concern. In addition, reports from financial institutions also indicated unjustified remittances, third-party cheques, and subsequent large cash withdrawals, further suggesting structured efforts to obscure the origin and movement of funds.

6.4. TRADE-BASED MONEY LAUNDERING (TBML)

While the analysis of pertinent suspicious reports explicitly identified the underlying objectives or methods of TBML, the examination of multiple incidents elucidated the typical techniques employed in TBML to obscure the origin of PMS. These techniques may enable the facilitation of money laundering or the circumvention of international standards and regulatory frameworks governing conflict zones. In these cases, document fraud was pervasive and frequently coincided with the incorporation of illicit value into financial and trade systems.

Different suspicious reports were against entities that submitted falsified certificates of origin, (e.g., documents that failed verification with the ICGLR),²⁷ or provided incomplete or fabricated trade documentation (e.g., shipping documents). These irregularities, coupled with a reluctance to provide accurate supporting documents, suggested possible abuse of international trade mechanisms to disguise the origin and value of gold.

Other examples were reported concerning sourcing practices, as well as potential links to TBML risks. TBML techniques included tampering with shipment details, altering hallmarks, suspicious shipment of recycled gold sent without proper documentation, and discrepancies in stated purity levels. Open-source information further connected some of these entities to foreign-based DPMS previously exposed for fraudulent gold export practices, such as over-invoicing and misdeclaration of exports to the UAE.

Other reports highlighted similar concerns, including undervaluation of commodities through misdescribed purity, inconsistent sourcing declarations, and the use of circular trade structures. Entities involved in these cases also displayed some red flags, such as irregular discounts against benchmark gold prices, sudden changes in the supply chain narrative, and fabricated refinery letters.

6.5. PMS INVOLVEMENT IN TERRORISM FINANCING

Different suspicious reports suggested the relationship between DPMS (local and foreign) and terrorist groups based on open source and screening results, including entities designated by foreign sanction regimes. These DPMS and their affiliates were reported to be facilitating high-value precious metals and diamond transactions on behalf of designated individuals and terror financiers alleged to have exploited DPMS networks operating across multiple jurisdictions, including the UAE. These entities demonstrated characteristics of potential shell entities or those operating in unrelated lines of business, rapid fund flows, intermingling of personal and company accounts, and the use of associates or relatives in ownership structures.

²⁷ The International Conference on the Great Lakes Region (ICGLR) Certificate confirms a mineral shipment is conflict-free and meets the ICGLR's ethical sourcing standards, ensuring it's free from illegal influence and responsibly traced from mine to market. Source: <https://icglrcertification.com/>

7. INVOLVED SUBJECT PROFILE

7.1. NATURAL PERSONS WITH NO CLEAR SOURCE OF FUNDS

Suspicious reports consistently highlighted individuals purchasing high-value PMS items such as luxury watches, gold and diamond jewelry, and bullion using large cash payments without a clearly identified source of funds. Many of these individuals were reported multiple times by different reporting entities, as well as in requests for information from competent authorities, showing concerns of a recruitment pattern.

The analysis also indicated the substantial involvement of NPs in the analyzed STRs/SARs, who were mainly UAE residents and held management positions, business ownership, or mid-level employment. This frequent involvement of individuals, including cash and gold couriers, is especially by DPMS entities potentially linked to various financial crimes, such as smuggling, tax evasion, drug trafficking, and money laundering. More complex schemes involved groups of couriers declaring large sums of cash while traveling to the UAE or departing for other countries. Flight patterns and common destinations suggested coordination, with the individuals and related DPMS entities suspected of participating in larger money laundering networks.

The analysis also identified instances of individuals engaged in precious metals transactions deliberately evading KYC requirements. Reported individuals frequently declined to provide standard due diligence documentation, including proof of source of funds. A common tactic observed was the abrupt cancellation of transactions once due diligence checks were initiated, suggesting a deliberate attempt to avoid scrutiny.

Structuring to avoid detection thresholds was another recurring method observed. Individuals were identified breaking down large transactions into smaller amounts to avoid detection, reporting thresholds, or regulatory scrutiny. Common structures include the use of multiple invoices, cash payments, multiple credit cards, and a rapid succession of purchases, often across different stores or branches of the same DPMS within narrow timeframes.

7.2. THIRD PARTIES AND INTERMEDIARIES

The analysis highlighted repeated concerns regarding the use of third parties and intermediaries to disguise the origin of funds and complicate traceability in precious metals transactions. In several reports, customers were observed making payments through unrelated third parties, including cash, cheque, and credit card transactions, where the declared buyer was not the actual source of funds. For example, a customer initially paid in cash via a third party who was claimed to be the true beneficiary of jewelry purchases. When pressed by the reporting entity for source of funds

documentation, the customer attempted to switch the transaction to a credit card belonging to yet another third party, further obscuring the financial trail.

A more systemic pattern emerged among certain groups or nationalities of non-residents, using third-party card payments, reinforcing the likelihood of a coordinated network exploiting intermediaries to purchase assorted precious metals and stones. Other suspicious reports highlighted significant cash payments split over sequential days, while the source of funds was unknown. These behaviors underline a systemic abuse of intermediaries and complex payment mechanisms to evade detection, facilitate layering, and obscure the ultimate beneficial owners behind high-value precious metal transactions.

Other reports described similar practice in larger-scale transactions. For instance, a DPMS was noted for paying through another DPMS and other legal persons' intermediaries. These arrangements effectively distanced the actual transacting parties and introduced additional opacity into the payment chain. Individuals were also identified acting on behalf of DPMS entities to conduct foreign exchange transactions or high-value purchases, often refusing to provide due diligence documentation or offering unverifiable justifications for the source of funds. In other cases, payments were structured through cheques or credit cards issued by third parties, further complicating traceability.

7.3. *POLITICALLY EXPOSED PERSONS (PEPS)*

The analysis highlighted the involvement of foreign PEPs, often identified during screening. These cases were typically linked to possible shell or front companies, complex ownership structures, and opaque account mandates with PEPs being, directly or indirectly, connected.

Some reviewed reports were generally concerning high-value transactions with PMS, while attempting to evade KYC procedures or providing unverifiable explanations for the origin of wealth. As noted across other reports, PEPs relied on third parties and intermediaries to act on their behalf, frequently selling high-value goods such as watches or jewelry without clear ownership or fund provenance.

7.4. *ORGANIZED CRIME GROUPS (OCGS)*

The analysis revealed a wide group of interconnected entities, primarily engaged in gold trading but also spanning other business activities, which potentially facilitate illicit schemes, including illicit gold trading, drug trafficking, and money laundering. These are in addition to terrorist financing and sanction evasion. Based on transactional and behavioral patterns, together with open source, it was

inferred that complex gold trading was used in said schemes to potentially conceal or move illicit proceeds.

Many of the reported subjects in STRs/SARs were found to be owned or controlled by common individuals who maintained several bank accounts and have been reported in multiple suspicious reports and gold transactions (DPMSRs). Open source, along with suspicious reports, underlined the link between these subjects or their affiliates in the UAE and parties associated with serious allegations abroad, including those subjects to financial misconduct and adverse media, or parties listed in foreign sanction lists. The employment of front and shell entities, proxies, and unnecessarily complex structures were some of the commonly applied methods.

Ultimately, the analysis revealed repeated scenarios of financial flows wherein substantial inward remittances, mainly domestic but also international, were received from various interconnected entities (DPMS and others). These funds were often followed by outward transfers to other/linked counterparties, with some transfers showing layered funds through domestic business accounts before being remitted to foreign destinations. Moreover, internal transfers between associated entities were frequent, with funds circulating across a network of companies in similar or connected business lines to trading in precious metals and stones. The scale of the used schemes and the involved cross-border nature, among other factors, showed known characteristics commonly associated with OCGs operating within the international gold supply chain.

8. DEVELOPED RISK INDICATORS

The UAEFIU developed a set of risk indicators to assist its stakeholders, including reporting entities, in detecting, monitoring, and reporting transactional patterns and activities potentially linked to the abuse of PMS. Reporting entities, including DPMS and financial institutions, are expected to integrate these indicators into their risk-based frameworks when assessing customer activity, business relationships, and transactions.

These indicators do not explicitly confirm an illicit activity. However, the presence of one or more indicators should prompt enhanced scrutiny, further due diligence, and, where appropriate, the filing of an STR or SAR to the UAEFIU. Competent authorities may also apply these indicators in their risk-based supervision and investigation. The indicators are presented in the following two sections, but they should be read together with the UAEFIU risk indicators published previously in 2022 and other publicly relevant reports, including FATF reports.

8.1. RISK INDICATORS FOR DEALERS IN PRECIOUS METALS AND STONES (DPMS)

Customer Due Diligence:

1. Refusal to provide identification and information required for KYC/CDD.
2. Reluctance or inability to demonstrate funding sources.
3. Reluctance or inability to provide details of the supply chain.
4. Submission of forged, altered trade documentation (e.g., certificates of origin, refinery stamps, fake invoices, or trade documents).
5. Absence of credible supporting documentation (e.g., customs declaration, shipping and transportation documents, origin of precious metals and stones).
6. Frequent changes in ownership/management without commercial rationale.
7. Beneficial owners or their associates identified as/linked to PEPs, or sanctioned individuals or entities.
8. Trading with entities based in conflict zones, jurisdictions subject to foreign sanction regimes, or high-risk geographies.

Trade activities and transactions (also applicable to financial institutions monitoring):

9. A supplier is sourcing or transiting gold through jurisdictions identified as high-risk for origin, transit, or integrity of the supply chain.
10. Clients dealing in mixed consignments with inconsistent or unverifiable certification.
11. High-value stones without recognized gemological certificates.
12. Description of the type of gold bar is not mentioned in the Tax Invoice.
13. Frequent shipments to or via known transshipment hubs without a clear economic rationale.
14. Declared low-grade precious metals and stones later sold as high-grade.
15. Repeated changes in the stated country of origin across documentation.
16. Payments involving multiple third parties or offshore entities with no clear link to trade.
17. Large or frequent cash transactions inconsistent with the customer's profile.
18. Customer insists on conducting high-value transactions in cash, especially when alternative payment methods (e.g., bank transfer) would be more practical.
19. Structuring transactions below reporting thresholds through multiple visits or split invoices.
20. Payments made using multiple credit/debit cards, under different (third-party) names.

21. Requests for duplicate or multiple invoices for the same items, or refunds after cash purchases.
22. Trade transactions priced significantly above or below market benchmarks.
23. Declared trade volumes or values inconsistent with the customer's business size or profile.
24. Use of unusual or informal methods for transporting high-value goods.

Behavioral activity:

25. Sudden withdrawal from a trade deal or cash transaction when enhanced checks are requested.
26. Customers appear to act under the direction of third parties, with limited decision-making independence.
27. Individuals representing multiple DPMS entities with potential illicit affiliations.
28. Pressure from customers to bypass, expedite, or weaken compliance checks.
29. A customer asks to change the payment method from cash to a card payment under a third-party name after being asked for the source of funds.
30. Repeated splitting of payments/invoices to stay below reporting thresholds.
31. A nonresident individual buys gold bars or jewelry in cash over multiple sequential days for a significant aggregate amount, but the source of funds is unknown or undeclared at customs.
32. A non-resident customer (or a group of individuals) visits the same store, but different branches, to make a cash purchase below the reporting threshold on sequential days.

8.2. RISK INDICATORS FOR FINANCIAL INSTITUTIONS (FIS)

Customer's profile and behavior:

1. A natural or legal person conducts high-value PMS-related transactions inconsistent with declared financial capacity.
2. A customer with overly complex ownership structures designed to obscure beneficial ownership.
3. Refusal or failure to provide required beneficial owner details and source of funds documentation.
4. A customer engaged in the PMS trade alongside unrelated business activities or non-complementary goods.

5. A customer operating solely from free zones or 'flexi-desk' offices while declaring large trade volumes.
6. A customer conducts frequent or large foreign currency exchange transactions without a clear business or economic rationale.
7. An individual sets up several DPMS entities simultaneously and opens multiple bank accounts for each, without a legitimate business purpose, potentially to obscure the source and movement of funds.
8. A customer changes the origin of gold to local gold after being questioned and requested to provide the supporting documents of the gold source.

Counterparty profile and activity:

9. Counterparties engaged with the customer in different industries with no logical business rationale.
10. A counterparty found to be the subject of adverse media, sanctions associations, PEPs, or their associates.
11. Dealer in precious metals and stones transacting with counterparties in high-risk jurisdictions with no presence in the public domain search.
12. Rapid or circular movement of funds between related entities and counterparties of concern, previously reported in STRs/SARs.
13. A company whose primary business activity is unrelated to PMS, but is involved in significant precious metals transactions.

Account and transactional activity:

14. Customers newly active in gold with limited business history, operating at volumes out of profile.
15. Payments routed through third parties or multiple offshore entities with no clear commercial purpose.
16. Incoming/outgoing payments involving unrelated third parties not associated with the declared PMS trade.
17. High account turnover with minimal retained balances, indicative of pass-through accounts.
18. Sudden, large-value deposits/withdrawals not supported by the client's profile or business activity.

19. Deposits or transfers into the customer account from foreign entities, followed by immediate onward transfers of comparable amounts to another jurisdiction.
20. Dormant accounts suddenly activated and showing high-value PMS-related activities.
21. Unusual volume of foreign exchange transactions by the customer, lacking a legitimate business purpose.
22. Frequent intra-group transfers without a clear economic rationale, or regularly transferring funds between own accounts within different FIs without reasonable justification (circulation of funds).

Trade activity:

23. Refiners or dealers unable to evidence OECD due-diligence steps for CAHRAs; reliance on unverifiable mine-of-origin letters.
24. Invoices inconsistent with market values or lacking validation (e.g., refinery or customs stamps).
25. Trade volumes or declared turnover disproportionate to the entity's operational footprint.
26. Declaration of PMS as a funding source without supporting documentation.
27. Unusual advance payments or pre-financing of PMS trades without clear commercial justification.

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9. CASE STUDIES

Case Example 1: *The use of possible cash couriers*

The UAEFIU received a Suspicious Transaction Report (**STR**) concerning **Company A**, a sole establishment registered on the mainland and owned by a foreign national. Although licensed for ‘electronics trading’, the entity’s financial behavior indicated possible engagement in PMS trading, which raised significant concerns. Company A was linked to a significant volume of **cash declarations** made by individuals acting on its behalf between 2022 and 2023; these funds originated from **Country A** (a jurisdiction known for gold refining).

The UAEFIU’s analysis revealed that the company’s activities did not align with typical commercial behavior and that significant cash declarations were submitted by individuals from different countries (in Europe and Asia), many of whom were associated with companies suspected of being shell entities. Several of these individuals also appeared in other reports (DPMSRs), where they were linked to large cash purchases of gold on behalf of Company A. Moreover, multiple of those cash couriers have previous records of high volume of declarations on behalf of DPMS and exchange houses. Despite the substantial declared cash inflows, there were no matching bank deposits, import records, or evidence of legitimate business transactions to explain such activities, raising suspicions that cash might have been used to trade in gold in the UAE for unidentified counterparts abroad.

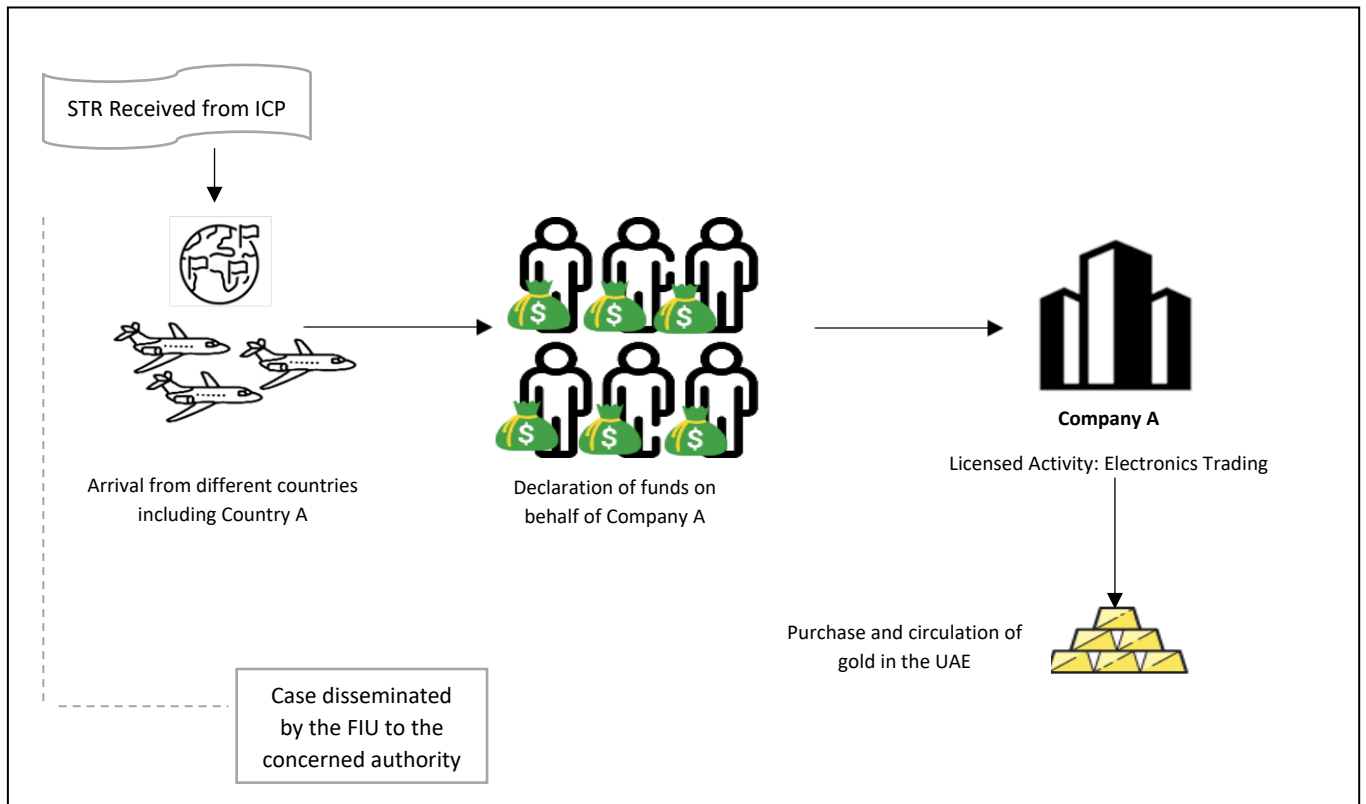
Further review identified a main declarer, along with his/her spouse, who had been involved in repeated cash declarations for Company A. Their behavior suggested structuring, with transactions broken into multiple smaller declarations, and reliance on personal couriers to transport cash across borders. The absence of business-related financial flows reinforced suspicions that Company A was being used as a front to disguise the source and purpose of funds. Evidence also indicated that the primary declarer(s) had previously operated another company, further suggesting that legal entities were being established to facilitate these activities.

The overall pattern was consistent with techniques used to launder illicit proceeds through the PMS sector, including the use of front companies, money mules, and cross-border courier networks designed to bypass regulated banking channels.

Risk indicators:

- Repeated declarations of large cash amounts without a legitimate economic rationale.
- Reliance on personal couriers from high-risk jurisdictions associated with the PMS sector.
- Use of multiple individuals suspected of acting as money mules
- All declared funds directed toward the same trading company.
- Absence of visible banking activity or legitimate inflows to the company’s accounts.

- Indicators that the company was created and operated primarily as a front.



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Case Example 2: Possible layering through a complex corporate structure

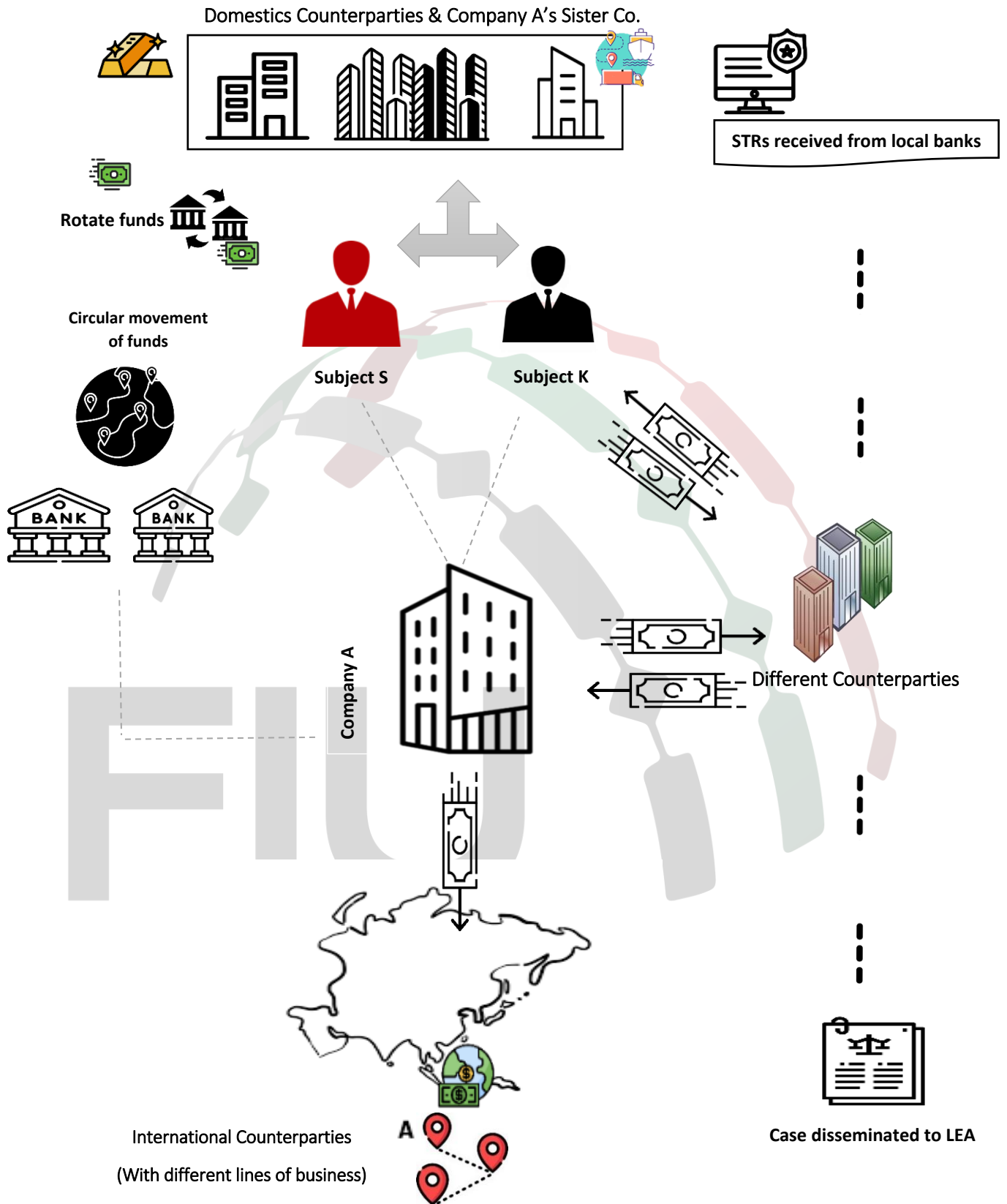
The UAEFIU received **multiple STRs and SARs** from several local banks regarding **Company A**, registered in the mainland as a 'limited liability company' owned by **Subject K and Subject S**, both UAE residents and nationals of **Country X in Asia**. Company A was licensed for a wide range of activities, including trading in petrochemicals, lubricants and grease, diesel fuel, crude oil abroad, plastics and nylon raw materials, and asphalt. In addition, Subjects K and S controlled a wider group of related entities, some of which are incorporated in free zone jurisdictions, engaged primarily in **petrochemicals and gold trading**.

Suspicious reports highlighted that Company A and its owners were receiving funds from a large number of counterparties and subsequently transferring substantial sums to the owners' personal accounts held with other banks, and to international counterparties located in Asia, as well as to domestic counterparties within the UAE. These transfers were routed across multiple financial institutions, often involving beneficiaries engaged in unrelated lines of business. The pattern of circular fund flows and intra-group transfers strongly suggested layering efforts. Account turnover for Company A and related entities significantly exceeded the declared turnover, with no evident economic rationale to explain the scale or velocity of transactions.

The analysis further revealed several irregularities in the documents furnished by the subjects, specifically delivery notes, a failure to provide requested documents, valid stamped or signed contracts, and goods transportation and storage documentation. Responses to banks' queries were unsatisfactory, and the customer's explanations did not substantiate the origin, purpose, or end use of the funds, suggesting that Company A's accounts were likely being used as conduit or funnel accounts, circulating funds between sister companies and unrelated third parties. The sheer volume, rapidity, and complexity of these movements obscured the true source and destination of funds, raising strong suspicions of structured layering activity.

Red flags identified:

- Subjects engaged in high-risk industries and unrelated business activities (petrochemicals and precious metals trading).
- Dealings with multiple counterparties, many of which were already flagged in other suspicious reports received by the UAEFIU.
- Circular and rapid movement of funds among entities within the same group, with unclear relationships between the subject, group companies, and counterparties.
- Repeated deviations between declared turnover and actual account activity.
- Ownership of multiple entities with similar trading activities, lacking an economic rationale.



10. CONCLUSION AND RECOMMENDATIONS

This report revisited previously identified techniques and mechanisms employed by criminals to hide and launder their illicit proceeds through the precious metals and stones sector. The analysis demonstrated how the PMS sector can be exploited by criminals to obscure beneficial ownership information and distance themselves from illicit funds. These methods included gold smuggling, layering of funds, establishment of front and shell entities, manipulation of trade documents and invoices, and the use of third parties.

The analysis also revealed a high level of fund movement, particularly in cash transactions within the sector. While many of these cash flows are associated with legitimate trade, many were linked to sanction evasion, gold smuggling, and multiple STRs/SARs, as well as negative media.

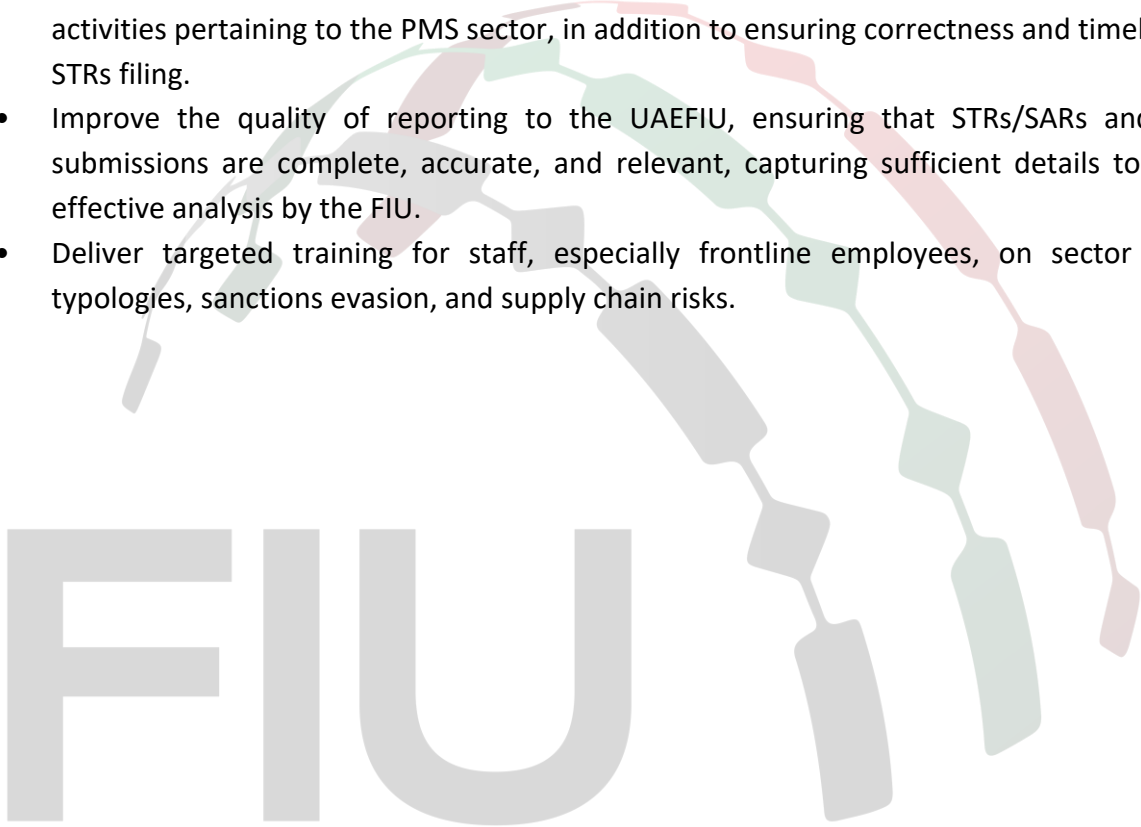
The analysis underlined the decline of STRs/SARs reported by financial institutions concerning the sector. As indicated in the report, based on one-to-one meetings conducted with major financial institutions, it was inferred that the number of FIs' DPMS customers has declined, involving only major and reputable DPMS in the market, which may have resulted in this decrease in reporting. While such a policy was understood as part of financial institutions' risk-based approach, there is a concern that such policies might lead excluded or smaller DPMS to rely on unregulated sectors or third-party accounts. Within this context, the analysis of STRs reported by DPMS and FIs has shown that many of the suspected funds associated with reported subjects involved transactions with third parties and intermediaries. Therefore, further assessment of the impact of these policies is essential.

Similarly, the percentage of actively reporting DPMS, whether of DPMSRs or STRs/SARs, is highlighted in this analysis as a matter of concern and an area for improvement. As indicated, 29–38% of DPMS were actively reporting DPMSRs over the examined four-year period. More alarmingly, the percentage of DPMS actively reporting suspicious reports (STR/SAR) increased only from 1% to 3.2% over the four-year period, which represents about 3% of registered DPMS, with 79% of all suspicious reports submitted by ten DPMS, suggesting significant underreporting across the remainder of the sector. These figures require further action to ensure that reporting entities are actively engaged with the UAEFIU reporting system, goAML, as well as adequate due diligence.

Finally, the recommendations for reporting entities to enhance the sector's resilience and strengthen the national AML/CFT framework are as follows:

- Apply risk-based CDD, including EDD, MOET responsible sourcing policy, DMCC UAE good delivery/responsible sourcing rules where applicable, CAHRA sourcing, and PEPs screening.
- Verify beneficial ownership of corporate customers and suppliers.
- Run TFS screening pre-transaction and on counterparties or suppliers.

- Verify certification from reputable bodies (e.g., Kimberley Process for diamonds, recognized gemological labs for colored stones) and reconcile weights/grades to invoices, and scrutinize private sales.
- Conduct supplier risk assessments, document sourcing policies, and independent third-party audits.
- Implement more robust transaction monitoring that integrates trade finance data, shipping records, and market price benchmarks.
- Investigate unusual discounts and premiums, as well as frequent re-routing through free zones.
- Review the identified risk indicators to guide the detection and reporting of suspicious activities pertaining to the PMS sector, in addition to ensuring correctness and timeliness in STRs filing.
- Improve the quality of reporting to the UAEFIU, ensuring that STRs/SARs and other submissions are complete, accurate, and relevant, capturing sufficient details to enable effective analysis by the FIU.
- Deliver targeted training for staff, especially frontline employees, on sector misuse typologies, sanctions evasion, and supply chain risks.



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