Summary of the DMCC Guidance for Responsible Supply Chains for Gold & Other Precious Metals

A. A company must ensure that robust systems are in place in the gold and precious metals supply chain to ensure that its conducts effective due diligence on the supply chain.

- ·A company must assign a dedicated compliance or risk officer with the following conditions:
- ·The Compliance Officer should be a senior staff member; and should have the necessary competence, knowledge, experience and training in supply chain due diligence; and must be equipped with the necessary resources to perform the relevant duties and be able to communicate critical information to top management, staff and suppliers.

B. A company must ensure that adequate documentation, records of supply chain and due diligence are maintained which should include the following:

- ·Physical form, type and physical description of gold and precious metals including any Imprints and/or hallmarks.
- ·Weight and assay of gold and precious metals after proper own verification and/or through third party verification.
- ·Full KYC due diligence of all suppliers including their due diligence practices, which need to conform to international standards. The KYC form should also include the company's suppliers and their locations.
- ·Unique reference number for each entry/input and exit/output.
- ·Name, stamp and logo of refiner/producer/manufacturer (if applicable).
- ·Year of refining/production (if applicable).
- ·Dates of purchases and sales.
- ·Inventory list classified as per supplier.
- ·All documentation should be kept for at least five years, and we must have a mechanism for tracing products back to the origin of the purchased material, known as 'Track and Trace'. Documents should include the following:

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1. ·Shipping/transportation documentation.

2. ·Sales documents with specific lot numbers.

3. Mining license and related permissions.

4. Import/export licenses and forms.

C. A company must ensure that we have strong relationships with suppliers through the following: Maintaining adequate KYC due diligence process for suppliers including reviewing suppliers' own due diligence practices.

- ·Establishing long-term relationships.
- ·Sharing with suppliers the DMCC guidance and acknowledging the receipt and compliance of the suppliers with the DMCC rules.

This section sums up exactly what we all know — there is no substitute to really knowing your customers, and your customers' customers. Strong KYC and a complete understanding of our clients' business are crucial in ensuring we comply with the DMCC rules.

D. A company must conduct regular training for all persons involved in the responsible supply chain process.

This includes initial training for new staff and refresher sessions for existing staff based on the level of risks and job profiles in engaging with the supply chain participants.

E. A company must Identify and assess the risks in the supply chain.

The objective of this is for companies in the supply chain to identify and assess the risks associated with gold and precious metals, which they either: produce, distribute, transport, export or purchase. A company must conduct a risk-based assessment on each party included in the supply chain from the mines including suppliers, exporters and transporters of newly mined, or recycled gold and precious metals. Factors to take into consideration for conducting the risk assessments are as follows:

The geographical location of gold and precious metal supply:

- Origin and transportation.
- ·The level of government regulation and supervision in the country of origin.
- ·The extent of cash transactions used in the country of origin.
- ·The level of conflicts or human rights abuses in the country of origin.
- ·Payment systems used in the country of origin. I.e. formal banking versus informal systems such as money exchanges and 'Hawalas'.
- ·Level of involvement of criminal organizations in the country of origin
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- ·Level of high-risk businesses (such as gaming and casino, etc.)in the country of origin.
- ·Level of access from a country to nearby markets or processing operations that are termed as conflict and/or high-risk areas.
- ·Level of enforcement of laws addressing significant criminal activity in the country of origin.
- · Existence of sanctions and/or embargoes that have been directed against the country and individuals/entities in that country.

When assessing counter party risk in the supply chain company should focus on the following:

- KYC information of the company's suppliers, which should include information about the origin and transportation of the gold and precious metals.
- ·Red flags (obvious high risks) in any aspect of the entire supply chain.
- ·Number of suppliers i.e. the greater,the higher the risk.
- ·Level of control that the counter party has over its suppliers.
- ·Level and adequacy of due diligence practices of the counter party.

- Whether the counter party has due diligence practices that have been audited by a qualified third-party auditor.
- How long the counter party has been in the gold and precious metals business (longer= lower risk).
- No indication and/or disclosure of beneficial owners of the counter party.
- Seeking anonymity by intermediating third parties such as lawyers,accountants, etc.
- Scale of mining operations of the supplier,if applicable.
- Politically exposed persons that have been entrusted with prominent public functions or individuals who are closely related to such persons.

When assessing transaction risk in the supply chain a company should focus on the following:

- Due diligence should be proportional to the value of the transaction.
- Gold and precious metals that are transited and/or exported which are not reasonably reconciled with the declared location of the origin.
- ·Unexplained geographic distance in the supply chain.
- ·Melted recyclable gold and precious metals is higher in risk than unprocessed recyclable gold and precious metals.an Unusual circumstance which are not consistent with the local practices(amount, quality, potential profit,level of discount etc.).
- ·Use of cash in excess of government thresholds.
- ·Payment by cash and/or physical delivery to unrelated third parties.
- ·Structuring to make payments in smaller multiple transactions to avoid the government thresholds.

F. A company should adopt a system of red flags (high risk warnings) with respect to the location of supply, the nature of the suppliers, and circumstances of the supply with an in-depth review of any supply that raises a red flag.

Location-based red flags of gold and precious metals related to origin and transportation include the following:

- ·The gold and precious metals originate from or have been transported through a conflict-affected or high-risk area.
- ·The gold and precious metals are claimed to originate from a country that has limited known reserves or stocks, likely resources or expected production levels of gold and precious metals(i.e. the declared volumes of gold and precious metals from that country are in excess of its known reserves and/or expected production levels).
- ·The gold and precious metals are claimed to originate from recyclable/scrap or mixed sources and has been refined in a country where gold and precious metals from conflict-affected or high-risk areas is known or reasonably suspected to transit.
- ·In each of these location-based red flag considerations, the risk is increased when anti-money laundering laws, anti-corruption laws,customs controls and other relevant government laws are weakly or not enforced,where informal banking systems operate, and when cash is extensively used.
- ·Supplier-based red flags include the following:

1. Suppliers or other known upstream companies operate in one of the red-flagged locations of gold and precious metals' origin and transportation or have shareholder(s) or other interests in suppliers of gold and precious metals from one of the above-mentioned red flag locations of gold and precious metals' origin and transportation.

2. Suppliers or other known upstream companies are known to have sourced gold and precious metals from a red flagged location of gold and precious metals origin and transit in the last 12 months.

Circumstances-based red flags include the following:

- Anomalies or unusual circumstances that are identified through the information collected in the KYC
- Identify each company in the supply chain.
- Identify process give rise to reasonable suspicion that the gold and precious metals may contribute to conflict or serious abuses associated with the extraction, transportation of and/or trading in gold and precious metals.

A company should conduct enhanced research on red-flagged suppliers prior to engaging with them, which would include some or all of the below mentioned research methods based on the outcome of the risk assessments and the pertinent cost-benefit analysis in proportion to the level of the risks identified:

Desk research:

- the beneficial owner(s) of each company in the supply chain.
- Obtain financial information on each company in the supply chain.
- Ensure that each company in the supply chain holds the necessary permits and licenses.
- Ensure that each company in the supply chain is not listed on any sanctions and/or embargoes list.

On-site visits to gold and precious metals suppliers and/or keeping independent or joint on-the-ground assessment teams to generate and maintain information on the circumstances and processes of the following activities:

- Gold and precious metals extraction (physical access to mines, mine capacity against recorded mine production and discrepancies)
- Gold and precious metalsprocessing (consolidation, blending,crushing, milling, smelting,refining, etc. and recording any discrepancies in the processing and/or production and related capacityof the facility to performrelevant activities)

- ·Handling of gold and precious metals (inventory, trans-shipment, relabelling, etc.)
- ·Transportation of gold and precious metals.
- ·The weight and assayed quality characteristics of the gold and precious metals that are used in the above-mentioned activities.

G. A company should develop and implement a risk mitigation/control plan with the objective of controlling the identified risk(s) to mitigate any adverse implications.

This policy should include the following:

- A reporting mechanism for risks identified to company's senior management and the concerned compliance or risk (or supply chain)officers.
- Enhanced engagement with suppliers through establishing a chain of custody and/or traceability system from a red-flagged supply chain.
- ·Enhancing the physical security practices.
- Physically segregating and securing shipments from a red-flagged supply chain, avoid co-mingling supplies from a red flag area or supplier with those from a low-risk geographic area and/or an accredited refinery.

In summary the DMCC rules set out a framework or code of conduct for us all to followso that we can ensure that we run our business in not only a profitable fashion but also according to ethical standards. They sums up exactly what we all know — there is no substitute to really knowing your customers, and your customers' customers. Strong KYC and a complete understanding of our clients' business are crucial in ensuring we comply with the DMCC rules on responsible supply chain management