



#13

## DIAMOND DEALERS CLUB

580 Fifth Avenue at 47<sup>th</sup> Street. New York, N.Y. 10036 Tel (212) 869-9777 Fax (212) 869-5164

**Dr. Martin Hochbaum**  
**Managing Director**

April 21, 2003

FinCEN                      Re: ATTN: Section 352-Jewelry Dealer Regulations  
P.O. Box 39  
Vienna, VA 22183-0039

Dear Sir or Madam,

On behalf of the Diamond Dealers Club, we welcome this opportunity to present our comments on "Anti-Money Laundering Programs for Dealers in Precious Metals, Stones, or Jewels."

The Diamond Dealers Club is a trade association of close to 2,000 diamond dealers, brokers and manufacturers. Established in 1931, we have since our beginning been located in New York City. Our members represent more than one thousand small businesses employing many thousands of people. Furthermore, they import billions of dollars of diamonds, the overwhelming percentage of diamonds that enter the United States.

Governed by a twenty member Board of Directors, we are recognized as the voice of the diamond industry. We operate a twenty five thousand square foot trading floor in New York City enabling wholesalers from throughout the diamond world to come to trade with one another.

Pursuant to our By-Laws, we recognized early that a key goal of our organization "is to cooperate with governmental agencies." Our comments are presented with that goal in mind.

The proposed rule defines the word "dealer" and provides guidance with respect to how they will comply with Section 352 of what is popularly referred to as the "PATRIOT Act". Essentially speaking, Congress requires that all financial institutions initiate an anti-money laundering program as part of our nation's approach to both preventing and detecting money laundering and the financing of terrorism.

Of particular interest to our comments is that dealers who trade loose gem stones handle an item that may be subject to money laundering and the financing of terrorism. Each such dealer, defined as one who in the prior tax year has either purchased more than \$50,000 or received more than \$50,000 in gross "proceeds" from the sale of jewels, precious metals, precious stones, or jewelry, must implement an anti-money laundering program "to prevent the dealer from being used to facilitate money laundering for the financing of terrorist activities."

The Diamond Dealers Club supports in general the proposed anti-money laundering regulations. We believe that the enactment of this proposal and its active implementation can play an important role in ensuring that our industry is safeguarded from any involvement in money laundering.

At this point we recommend the following changes in the proposed regulations. They are offered in accordance with the FinCEN request that “the information shall have practical utility.”

The Diamond Dealers Club believes that substantial numbers of foreign diamond dealers do business throughout the United States. Since some of them operate without a tax identification number, this could prove to be a significant impediment to the implementation of these regulations. Therefore, we request that the failure by these entities to provide such a number when selling goods be specifically included among the factors that in Section 103.140(c)(1)(ii) “may indicate that a transaction is designed to involve use of the dealer to facilitate money laundering.” Such a requirement would eliminate a potentially critical loophole in these regulations.

In that same subsection we are also concerned that attempts “to maintain a high and unusual degree of secrecy with respect to the transaction” is cited as a factor that may suggest involvement in money laundering. As a result of our industry’s justifiable concern with security, many of our transactions are characterized by “secrecy.” This being the case, it makes no sense to cite secrecy as a potential indicator of money laundering.

We are also concerned that appropriate time be allocated to the implementation of the regulations that are finally adopted. This is an international industry with two dozen bourses located throughout the world. It will take perhaps up to six months for us to insure that all of our colleagues are up to speed regarding the regulations.

We thank you for the opportunity to provide our comments on behalf of the industry regarding the pending regulations and would be most pleased to respond to any request for clarification. Please do not hesitate to contact us regarding this matter.

Sincerely,

*Martin Hochbaum*

Martin Hochbaum