

UAE's Big Leap on Responsible Sourcing of Gold

Ms Maryam Al Hashemi, Director, Precious Metals and Stones, DMCC Authority

The United Arab Emirates has a long history of gold trading and has become one of the world's leading gold trading hubs. To streamline the gold supply chain, the Emirates Bullion Market Committee (EBC) was established in 2020. This led to the creation of the UAE Good Delivery Rules for Risk-Based Due Diligence in the gold supply chain, effective from February 2022, aligned with OECD guidelines. The EBC, chaired by the Minister of State for Foreign Trade, oversees these standards.

The United Arab Emirates has had a thriving gold market for centuries. Its rise in more recent years as one of the world's largest gold trading hubs has heralded an equivalent need to streamline the flow of this precious commodity into the country.

The launch of the Emirates Bullion Market Committee (EBC) in 2020 marked the first major step to achieving that. A Governance of good delivery standards under the Federal Authority under the Ministry of Economy eventually led to the current UAE Good Delivery Rules for Risk-Based Due Diligence in the gold supply chain and UAEGD Accreditation Rules. This is a voluntary standard that refiners adhere to that covers both the quality and technical specification that came into effect in February 2022. Crucially, the rules are aligned with the OECD's due diligence guidance for responsible supply chains of minerals from conflict-affected and high-risk areas.

The new standard has a palpably stronger and more streamlined governance structure. The Emirates Bullion Committee (EBC) is Chaired by the Minister of State for Foreign Trade. Members of the Executive

Committee include office bearers from various Federal and local government departments while the Executive Office of the EBC reports to the Executive Committee and administers the standards.

Efforts have been made to curtail the possibility of a two-tier market when it comes to sourcing practices. In September 2022, the UAE's entire gold refining sector was made to adhere to due diligence regulations for responsible sourcing, making it one of several mandatory requirements under AML / CFT legislation. This applies to the entire precious metals sector irrespective of their activity ranging from manufacturing, retailing, trading, and wholesale trading. The regulations consist of a set of policies and procedures to identify and mitigate risks in the process of importing gold from conflict-affected and high-risk areas. Again, this follows guidance issued by the OECD, namely the five steps framework.

Refiners under the purview of this regulation have little choice but to follow the requirements from the audit period starting from 1 Jan 2023. As part of this they must undertake third-party reviews upon completing



Ms Maryam Al Hashem

DMCC

12 months from the start of the cycle. The reports will then be submitted to the Ministry of Economy within 90 days of the completion of the review cycle. Any non-compliance could result in penalties up to suspension of licenses. At the surface this is a serious and efficient new framework with clear procedures. At a deeper level, this signals a major step forward by the UAE for responsible sourcing of gold. These developments in essence ensure that all refiners operating in the UAE must be certified by UAEGD or operate in accordance with due diligence regulations for responsible sourcing set by the Ministry of Economy. In the long run the realistic expectation is that it will carve open new gold trade opportunities alongside wider acceptance globally.

