



Mongolian Marketing
Consulting Group



FINANCIAL
REGULATORY
COMMISSION




ML/TF SECTORAL RISK ASSESSMENT OF DEALERS IN PRECIOUS METALS AND STONES






2020

ML/TF RISKS OF PRECIOUS METALS AND GEM STONES TRADING SECTOR



No.	Activity	Definitions of the activity	Inherent ML/TF risks
1	 Extractors of precious metals and gem stones	<ol style="list-style-type: none"> 1. Legal entity conducting mineral extraction under mining license; 2. Artisan-miners conducting mineral extraction under the “Regulation on Extraction of Minerals from Small-Scale Mines”, approved by Government regulation 151 of 2017. 3. Micro miners illegally conduction mineral extraction. 	Medium-high inherent risk. As per legal entities, the relations of obtaining and monitoring of license, partners and buyers are regulated by laws. May sell gold as individuals for tax avoidance. As per artisan miners and illegal miners trade by cash with intermediate buyers (exchangers). However, the amount of one-time transaction may remain under 20.0 million MNT.
2	 Intermediate buyers of precious metals and gem stone trade	<ol style="list-style-type: none"> 1. Local exchangers; 2. Exchangers in Ulaanbaatar: <ol style="list-style-type: none"> 2.1 Individuals (exchangers) participating in precious metals and gem stone submission process of Bank of Mongolia and commercial banks; 2.2 Individuals(exchangers) submitting precious metals and gem stones to Bank of Mongolia, purchased from other individuals; 2.3 Individuals(exchangers) trading precious metals and gem stones to jewelry producers, purchased from other individuals; 2.4 Individuals (exchangers) conducting cross border trading of precious metals and gem stones, purchased from other individuals. 	High inherent risk. Illegal source of funding could be used for the purchase of precious metal and gem stones. High-volume transaction is held in cash. High probability of relating to the predicate crimes as illegal cross-border smuggling of precious metal and gem stones, tax avoidance, and fraud, etc.
3	 Cutters and polishers of gem stones and refiners of precious metals	<ol style="list-style-type: none"> 1. Gem stone cutting and polishing service providers. 2. Previous metal melting and purifying service providers: <ol style="list-style-type: none"> 2.1 Gold screening and melting operation at the mine site; 2.2 Persons who provide melting service 2.3 Ore concentrators for processing of small-scale mines extraction from ore deposits; 2.4 Operations of Gold melting guild at State Assay Office; 	Low inherent risk. Only a few identifiable entities operate. Possible to monitor. The operations are regulated by laws. May play role of the whistle-blower.

		2.5 Gold purifying operation abroad by the Bank of Mongolia (Domestic gold purification production is under consideration).	
4	 <p>Jewelry producers</p>	<ol style="list-style-type: none"> 1. Jewelry production legal entities 2. Individuals producing the jewelries (goldsmith and jeweler, etc.). 	Low inherent risk. The rules and regulations are in place, the producers tend to apply for proof certification under the proofing rule. The registration and promotion activities can be organized through the service.
5	 <p>Jewelry retailers</p>	<ol style="list-style-type: none"> 1. Retailers operated by domestic jewelers, stores, shops, and rural resellers; 2. Retailers, import jewelries and sell it through stores, shops, and online sellers 	Medium-low inherent risk. The rules, regulations, and standards are in place. Low probability of exceeding the transaction threshold (20.0 million MNT). Relatively large base of individuals is involved, as per imported jewelries, likely to trade counterfeit and un-certified products.
5	 <p>Secondary market purchasers and sellers of jewelry</p>	Intermediate buyers and sellers of second hand jewelries, antique resellers, and antique retailers.	High inherent risk. Illegal source of funding could be used for the purchase of valuable jewelries. High volume cash transactions held. Likely to connect with predicate crimes such as contraband, smuggling, theft, corruption, and fraud. High-risk customers.

Extractors of precious metals and gem stones



It stated in clause 7.1 of Law on Mineral Resources of Mongolia, “Unless otherwise stated in this law, the exploration and mining licenses shall be issued to the Mongolian tax payer legal entities organized under the laws of Mongolia on the basis of competitive bid”, and clause 7.3 “It is prohibited to conduct exploration and mining business except for small scale mining operation. Collection and extraction operation of natural colored stones and gem stones shall be conducted based on license same as common mineral resources.”

In clause 4.1.6 of LMRM, it states that "Mining" means all activities carried out in connection with separating and extracting minerals from the earth, course of water, ore stockpile or tailings in which they are located, increasing the concentration of their useable contents, transforming them into marketable product and marketing those products and, in 4.1.16, "Mining license" means the right to conduct mining granted in accordance with this law.

According to the LMRM, except the small-scale mining case, the use and extraction of precious metal, collection and extraction of natural color and gem stones shall be conducted based on the license. Please refer to Appendix 2 for detailed information on license issuance process and documentation requirements.

In clause 4.1.23 of LMRM “small-scale mining” is defined as a mineral extraction operation at the economically unfeasible deposits by industrial operation and at the technological damp sites by individuals formed a cooperation in accordance with clause 36.4 or partnership under clause 35 of Civil Code, or unregistered partnership as defined in clause 481.1 of Civil Code for the purpose of mineral extraction.

Based on the above legal definitions and other research materials, and information¹, it is concluded that the precious metal and gemstones extraction are conducted in the following three forms:

4. Legal entities conducting operation based on mining licenses;
5. Small scale miners conducting operation under the “Regulation on Extraction of Minerals from Small-Scale Mines”, approved by Government regulation 151 of 2017.
6. Illegal extractors.

The licensed legal entities: In the case of the licensed legal entities stated in point 1 and 2 of the above list, extracted precious metal and gemstones are registered and sold according to article 46 of the Law on Mineral Resources and corresponding rules. Where:

46.1. All precious stones and metals extracted by Mining Licence Holders must be assayed and registered by the State Assay Office.

46.2. The list of the precious stone and metals assayed and registered subject to article 46.1 and its rules of assaying, proofing and registration shall be approved by the Government of Mongolia.

¹ ““A Rapid Assessment of Gold and Financial Flows linked to Artisanal and Small-Scale Gold Mining in Mongolia: Follow the Money: Mongolia”, UNIDO, The Global Initiative Against Transnational Organized Crime, Levin Resources, GEF, October 2017

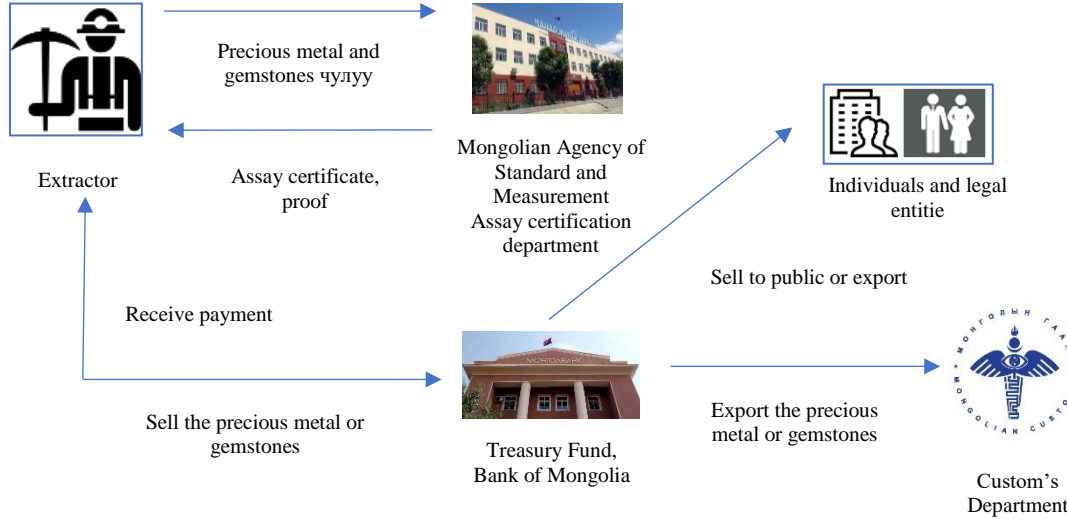
46.3. In the process of purchase of precious stones and metals, Mongolbank shall pay the world market prices.

46.4. The Mining Licence holder shall export precious stones and metals only through bank of Mongolia.

46.5. The Mining License holders obliged to sell the native gold above 400 grams, or lighter but exotic shaped native gold, and rare colored and shaped gem stones extracted to the State Treasury of Bank of Mongolia at special discounted rate.

Refer to Appendix 3 for the documentary requirements of gold assayance and sales.

Precious metal and gemstone trade overview of mining license holder entities and small-scale miners operating under relevant regulations



According to Law on Mineral resources, Law on Treasury, and regulation of Registering, assaying and proofing the precious metal and identifying the gemstones, the extractors shall register and assay all types of the extracted precious metals and gemstones by the State Assay Office and only after such a registration it is sold to Bank of Mongolia or exported abroad through Bank of Mongolia. The violation of these laws and regulations are subject to punishment under the Law on Infringement and Civil code.

The Assay laboratory, which used to operate in Ulaanbaatar only, established assay laboratories in Darkhan-Uul and Bayankhongor provinces in October 2018, and commenced single-point operation of gold purchase.

Since, the precious metal and gemstones are registered at the assay control department, and sold to Bank of Mongolia or exported through Bank of Mongolia under the control of Customs office; if necessary measures are taken to register each case according to relevant laws and regulations and identify customers at each phase under detailed procedure, the ML/TF risk is relatively low.

Moreover, each time Bank of Mongolia transfers the gold purchase price to the accounts of legal entity or individual, deducting 5 percent fee of mineral resource mining fee. Considering the average gold grade extracted in Mongolia is 900² and Bank of Mongolia purchase tariff of pure gold (999 proof) was 132,948 MNT (as of December 31, 2019)³ the value of 170 grams of gross weight gold would be 20,885,490 MNT (the threshold value of transaction according to article 4.1.8 of the Law of Mongolia on CMLTF) and after deducting the mineral resource mining fee (MRMF of 5%) 1,044,275 MNT, total of 19,841,216 MNT would have transferred to the account of gold submitter individual or legal entity.

Bank of Mongolia official purchase price of gold and silver (MNT/gr), December 31, 2019

² <https://www.mongolbank.mn/dblistgoldsilverprice.aspx?vYear=2019&vMonth=12>



**132,947.59
MNT**



1,478.66 MNT

According to Bank of Mongolia statistics, in 2014 the ratio of legal entity gold submission was 74.4% against total gold submitted, which was gradually reduced to 42.8% in 2018. It is due to submission by individuals on behalf of medium-sized enterprises for purpose of avoiding corporate income tax⁴. On the other hand, it is related to increased involvement of intermediate buyers or exchangers, that buy the gold extracted by small-scale miners and illegal extractors.

Therefore, it is mandatory to consider clarifying the following matters and identifying the customer in case of individuals submitting gold to the Bank of Mongolia.

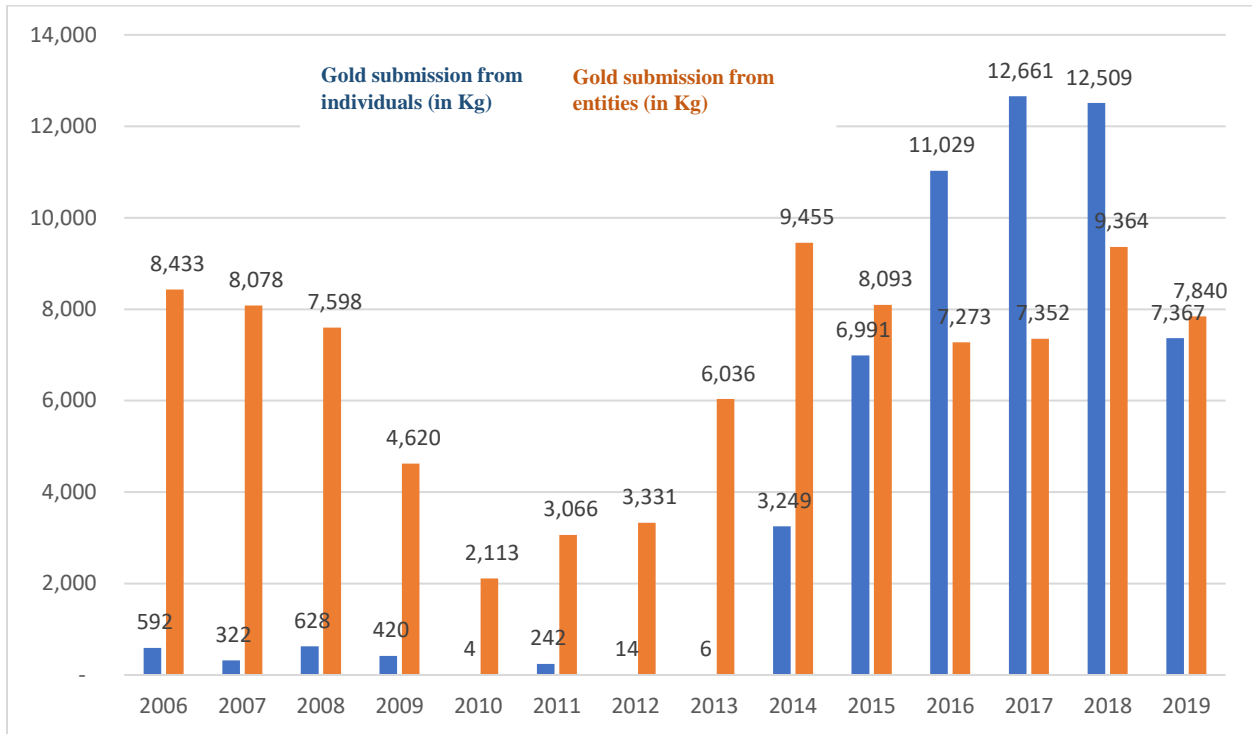
1. Whether the customer is Politically Exposed Person (PEPs), the citizen and legal entity from the country included in the list of jurisdictions with strategic deficiencies identified by international organizations in charge of CMLTF or the person, legal entities, group, and consolidations included in the UNSC sanctions list
2. Whether it was involved in the high or medium risk predicate crimes or conducts the business and operation related to those
3. Whether the business and position of the individual submitting the gold is related to the gold trade.
4. Whether the direct owners or related parties of the legal entities, those are holders or extractors of gold mining license.
5. Clarify the source of origin of submitted gold, or information about who extracted and from which deposit.
6. Sudden increased amount or first-time transaction.

As per intermediate buyers or the exchangers, the financial source used for purchasing the gold may have illegal source of funding. They must be regulated at a certain level and favorable conditions must be created in order to help identifying source of funds.

³ “Present conditions of extraction, production, and trade of precious metal and gemstones”, Swiss Agency for Development and Cooperation SDC and State assay office.

⁴ “A Rapid Assessment of Gold and Financial Flows linked to Artisanal and Small-Scale Gold Mining in Mongolia: Follow the Money: Mongolia”, UNIDO, The Global Initiative Against Transnational Organized Crime, Levin Resources, GEF, October 2017

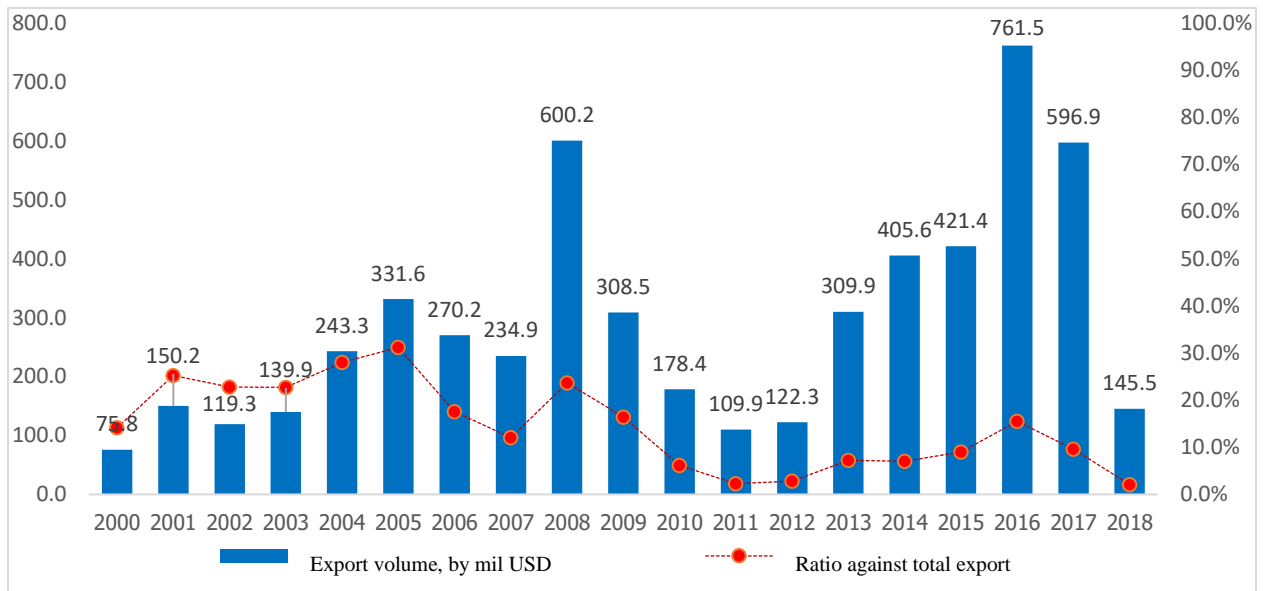
Gold submission to the Bank of Mongolia



According to the Statistical division information of the Custom’s Department, during the period of 2018 and October 31, 2019, in total 51 export declarations of above 20 million value were submitted for genuine or cultured pearl, precious or semi-precious gemstones, and precious metal cast or plated goods under HS Codes, chapter 71. Where:

- 28 declarations are made by the Bank of Mongolia for native gold under mode ‘110’ to the Switzerland;
- 1 declaration was made by the Bank of Mongolia for native silver under mode ‘110’ to the Switzerland;
- 4 declarations for the purpose of purification and export sales to Turkey;
- 11 declarations for the natural jasper stone export trade to PRC;
- 5 declarations for the souvenir and jewelry export to PRC, for the purpose of participating the expo events by the Mongolian Chamber of Commerce and Mongolian Association of Manufacturers;
- 1 declaration by the domestic producers for native silver under customs mode “202” to ROK for the purification and processing;
- 1 declaration by an individual re-exporting the natural green jade stone from RF to PRC under the custom’s mode “300”.

Export volume of precious or semi-precious gemstones, precious metal and precious metal plated metals and its products, ratio against total export



Although there are silver deposits and issued mining licenses, currently official extraction operation is not conducted. The silver produced within the gold and copper extraction are submitted to the Bank of Mongolia or exported.

Moreover, currently no official gemstone exploration and extraction license issued within Mongolia, roughly 160 deposits and fields are defined by exploration works between 1950 and 1980, and some deposits are exhausted. Although, no precious gemstone deposit was found in our country yet, the semi-precious stone fields as garnet, aquamarine, crystal, chalcedony, and agate were extracted at certain level.⁵

Small-scale miners operating under relevant regulation. ASM National Federation is united for the purpose of protecting the interests of its members and raising their voices to the decision makers and public. ASM National Federation cooperates and supports the small-scale mining cooperation and partnerships to operate in compliance with laws and regulation, develop responsible small-scale miners that rehabilitate their mined areas according to the approved guidelines and hand over the rehabilitated land to their local government; and increase their revenue source. As of 2019, average annual income of ASM was 9.6 million MNT.

⁵“Present conditions of extraction, production, and trade of precious metal and gemstones”, Swiss Agency for Development and Cooperation SDC and State assay office.

Main performance indicators of small-scale miners



Source: Artisanal and Small-Scale Mining National Federation NGO- <https://bichiluurhai.mn/>

As per small scale miners, the extracted precious metal and gemstones are registered directly to the State assay office and the Bank of Mongolia, and if the necessary measures are taken to register each case according to relevant laws and regulations and identify customers at each phase under detailed procedure, the ML/TF risk is relatively low.

As per small-scale miners, there is the potential of having intermediate buyers involved in the precious metal and gemstones trade. It is mandatory to require the small-scale miner's partnerships to register the extraction to the State assay office and submit to the Bank of Mongolia, and disseminate the necessary information and knowledge on identification operation of partner (customer), its registration, and their obligations to inform suspicious transaction cases and risky partner information. This action can be implemented in cooperation with professional association, in our case in cooperation with ASM National Federation NGO.

Illegal extractors: Based on the "Mutual Evaluation Report-Mongolia on the system against ML/TF", issued by APG in September 2017, stated environmental crime as one of the high-risk predicate offences⁶.

Environmental crimes are socially dangerous offenses usually hidden, committed in the rural area using the weapons, and the trade, transportation, storage, and usage operation are usually conducted in hidden between the seller and buyer only. Most cases encountered are illegal or unpermitted wildlife hunt, mineral extraction, and use of chemical substances. Specially, in case of illegal mining, the conspiracies between public officers, legal entities, and company owners, conducting the illegal operations in protected area are most common. For example: In Zaamar soum of Tuv province, the director of the "Suld mining resource" company extracted the mineral illegally in conspiracy with soum governor, and "Mon dulaan trade" LLC exceeded its MY000211 license area and conducted mining operation in 4.5 hectares of land causing 614.9

⁶"Mutual Evaluation Report-Mongolia", APG, September 2017.

million MNT damage. In Ulziit soum of Bayankhongor province, the citizen G and B conducted extraction operation under the pretention of land rehabilitation.⁷

Based on above examples, the illegal extractors operations could be classified into the following 2 categories.

1. Legal entities extracting illegally exceeding the licensed area, regarded the license issued to mine within certain land area;
2. Individuals conducting illegal mining operations.

The local administration, citizen, police and law enforcement organizations shall perform roles in the operations to reveal and interrupt the illegal mining operations of legal entities.

Illegally extracted gold can be either submitted to the Bank of Mongolia via intermediate buyers or illegally smuggled cross border to sell.

In the stage of sales, the following measures shall be implemented:

- Create a monitoring structure of sources of the purchased gold and the financing used by intermediate buyers (exchangers) by improving the registration and monitoring procedure of individuals submitting the gold to the Bank of Mongolia.
- Implement mandatory measures based on the analysis of gold contraband and cross border smuggling offense information and registry accumulated at the customer's department and intelligence departments.

Responsible supply chain due diligence must be introduced to gold supply chain procedure.

The small-miners and illegal extractors not submitting extracted gold by themselves, due to the following reasons. Although it is reasoned, that there is no assay laboratory in the rural area and the Bank of Mongolia does not purchase directly; most importantly, since the gold mined serves as a main source of livelihood, it is more beneficial to them to sell at the site cheaper without further spending any cost.⁸

Therefore, intermediate buyers must be regulated and favorable conditions must be created for them to make sources of funds transparent.

Hence, artisan mineral extraction operation is mostly conducted secretly (most of the operation are illegal or unofficial) and seasonal (impossible to extract when the land is frozen), it is impossible to identify the exact number of individuals involved. There are studies, that estimated the number of participants of this type of operation reach 30,000⁹-100,000¹⁰ in the warm season. Most of the small-scale miners or over 70 percent of them are the artisan miners¹¹. During the last few years, it is tending to transform to official miners (between 2012-2015 11% of illegal artisan miners transformed into official partnership) illegal and unofficial extractor's ratio is still higher.

⁷“The white book of crimes of Mongolia- 2016”, The regulatory commission of crime prevention of Mongolia, 2017

⁸“Present conditions of extraction, production, and trade of precious metal and gemstones”, Swiss Agency for Development and Cooperation SDC and State assay office.

⁹ Extractive Industries Transparency Initiative, 2016

¹⁰Swiss Agency for Development and Cooperation SDC, 2015

¹¹Swiss Agency for Development and Cooperation SDC, 2015

Based on the 2012 estimation of the National Statistical Office and Swiss Development Agency, one artisan miner works 4 quarters a year, 20 days per month on average extracting 0.4grams of gold, accordingly one artisan miner extracts 8 grams of gold per month and 32 grams per year. Depending on the capability and methodology of the intermediate buyer, it is esteemed as 884 proof, based on the Bank of Mongolia tariff of January 10, 2020 it is worth 3,862,333MNT and after MRMF deduction it is equal to 3,669,216 MNT.

During the last years, the people tend to collect certain volume of stones to smuggle over border or conduct official manufacturing. Specifically, there are number of legal entities established to produce rock products in Ulaanbaatar, Sainshand and Airag soums of Dornogobi province, and Umnugobi province. Moreover, there are cases of importing stone from abroad.¹²

Specifically,¹³

Typology example#2: G.Batmunkh: revealed a breach of hiding 700kg gemstones in the vehicle of UAZ 69 make. /Discussed with the chief of Specialized Border Inspection Unit of Zamiin-uud, regarding the current news/

As per this year, we revealed over 600 export and import related violations. In case of export, numerous breaches of meat, limited or prohibited flora, natural stones, and limited or prohibited raw material, etc. were revealed. As per volume, at most roughly 700kgs of stones were hidden in the UAZ69 vehicle, everywhere it is possible. Besides, there were several cases of hiding 300-400kgs of stones. As per meat, individual breached carrying the meat in person. The violations were 10-12kg meat as pedestrian carry on in case of rail transport tried to smuggle 80-600kgs of meat, in total over 300 cases. In each of these cases registered the infringement case and transferred to the police.

We receive quarterly and yearly status report from police and prosecutor’s office, regarding the statuses of the cases we identified. There are issued related to stone and meat. The stone itself is classified as ordinary stone and precious stone.

¹²“Present conditions of extraction, production, and trade of precious metal and gemstones”, Swiss Agency for Development and Cooperation SDC and State assay office.

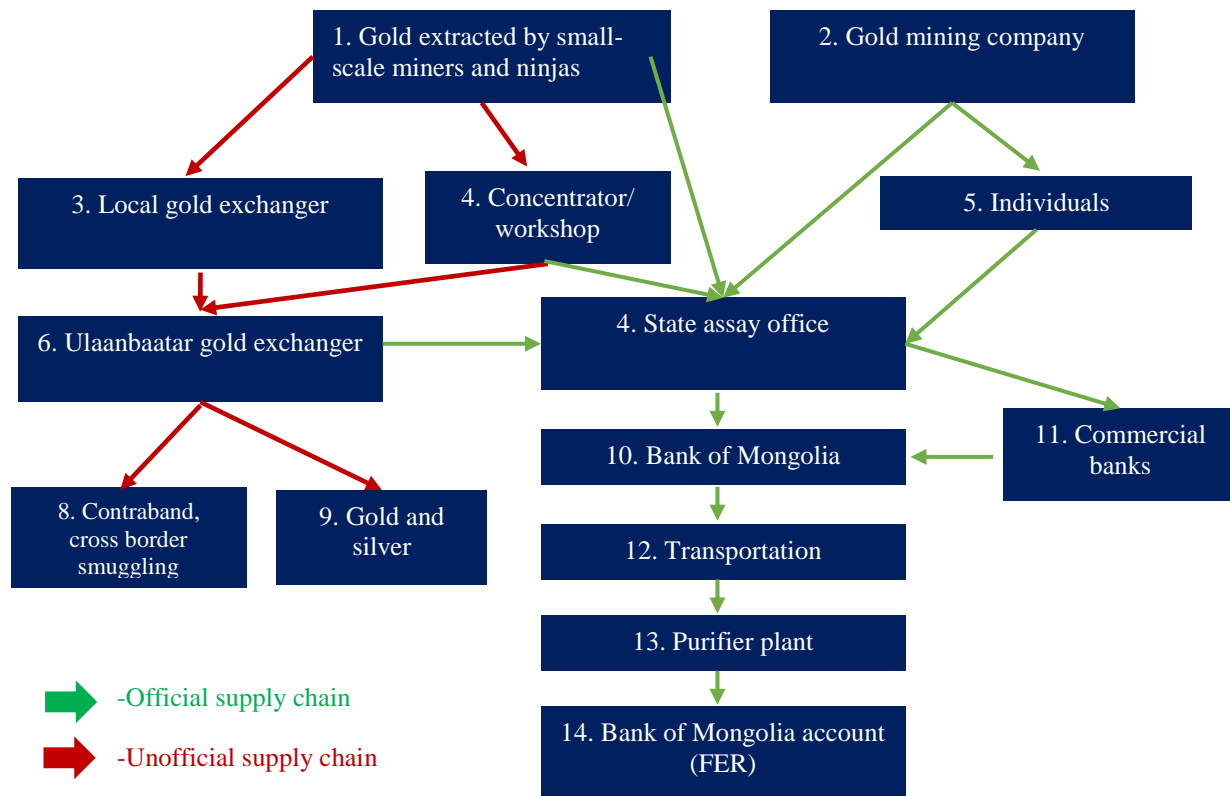
¹³“G.Batmunkh: revealed a violation of hiding 700kg gemstone in UAZ 69 vehicle”, December 19,2019. <http://www.arслан.mn/social/news/611777.shtml>

Intermediate buyers of precious metals and gem stones



The gold trade supply chain consists of local gold exchangers (3), Gold exchangers of Ulaanbaatar (6), and individuals (5) participating in the submission of gold to the Bank of Mongolia and commercial banks, by having the gold assayed by the State assay office. As per unofficial supply chain, besides the exchangers of Ulaanbaatar, the individuals and groupings participating in the illegal gold smuggling across the border.

Gold trade supply chain



Source: Bank of Mongolia.

Since the gold is mostly traded by cash, through the unofficial gold trade supply chain, it is necessary to conduct more detailed research on information related to the transactions and average volume of transactions of these supply chains.

As stated in clause 17.1 of article 17, of the Law on Taxation, 25 percent tax applied on sales of gold above 45Kgs or 3.0 billion MNT worth; the provision negatively impacts the situation by triggering the gold extractor companies to sell their extracted gold through small-scale miners and gold exchangers.¹⁴

Whenever the precious metal and gemstone registered in the State assay office and sold to the Bank of Mongolia, since necessary measures are taken to register each case according to relevant laws, if mandatory measures are implemented to identify customers at each phase under detailed procedure, the ML/TF risk is relatively low.

Moreover, the Bank of Mongolia deducts 5 percent of price for the mineral resource usage fee, and transfers the remaining gold price to the account of individual and company each time.

Based on the gold trade supply chain, illegally extracted gold could be submitted to the Bank of Mongolia through the unofficial supply chain or could be illegally smuggled abroad for sales.

The following measures are mandatory in the trading phase of illegally extracted gold.

- By improving the registration and monitoring of gold purchase operation of the Bank of Mongolia from the individuals and companies, establish a monitoring of intermediate gold buyers (exchangers), their source of funding, and source of purchased gold.
- Implement mandatory measures based on the analysis of gold contraband and cross border smuggling offense information and registry

Therefore, the Bank of Mongolia shall consider clarifying the following information from the individuals selling gold and improve the customer identification.

1. Whether the customer is Politically Exposed Persons (PEPs), the citizen and legal entity from the country included in the list of jurisdictions with strategic deficiencies identified by international organizations in charge of CMLTF or the person, legal entities, group, and consolidations included in the UNSC sanctions list.
2. Whether it was involved in the high or medium risk predicate crimes or conducts the business and operation related to those.
3. Whether the business and position of the individual submitting the gold is related to the gold trade.
4. Whether the direct owners or related parties of the legal entities, that are holders or extractors of gold mining license.
5. Clarify the source of origin of submitted gold, or information about who extracted and from which deposit.
6. Sudden increased amount or first-time transaction, etc.

Moreover, the customer identity verification can be held at the State assay office of precious metals. The rule shall be developed and implemented for collecting customer information and reporting to the SID (statistical information department) and FRC, in case the value of the gold delivered for assaying is above 20.0 million MNT. Based on the information delivered by the State assay office, as of first 10 months of 2019, 143 individuals had taken gold assay and certification service.

It is also necessary to consider the media news and interview that stated the increased number of extractor individuals and companies approaching to the intermediate buyers instead of directly selling to the Bank of Mongolia and expansion of intermediary business is related to the process of gold purchase.

It is required to spend 1-2 days to have the gold certified by the State assay office and submitted to the Bank of Mongolia, which is complicated for the people from rural area, and due to sampling of the State assay officelarge chunk of gold disappears at assaying phase for the small volume of gold, therefore it causes individuals to select the exchanger, instead of the bank. “It seems the main criteria of the sellers of the gold is flexible price policy, fast service, and financial support. The main reasons of selecting the exchangers are: the exchangers do not have specific requirements and melting loss is less, and the wet assaying method used by exchangers do not basically vary from the official assay results”.¹⁵

In line with this unofficial gold trade, the theft and robbery offenses may rise as well.¹⁶

Typology example #3: Robbed gold bullion from the gold exchanger.

On last Sunday (March 13, 2016), citizen D of Bayanmongol Microdistrict, 26th khoroo of Bayanzurkh district of the capital city, a gold exchanger was robbed. The robbers had beaten the exchanger and taken his bag away. It is noteworthy, the bag had two gold bullionseach weighting 1,841.66 grams and about size of a cigar box, wrapped in the shirt. According to police report, the robbers were about 25 years old and 170-175 cm high, with oblong faces, and wearing black clothes.

Based on the Bank of Mongolia price of 1gram gold costs about 80 thousand MNTs, the bullions would have roughly worth 150 million MNT. The area had a surveillance camera, which resorded the faces of criminals. The case is being investigated by the first police department of Bayanzurkh district, and fugitive warrant is issued for suspects.

Cutters and polishers of gem stones and refiners of precious metals



Cutters and polishers of gem stones: There are only a few professionals in the field ofgemstone cutting and polishing, particularly there is only one individual with professional qualification of cutting and polishing diamond.¹⁷

Although, the Mongolians have a long tradition of using precious gemstones and valuables in their daily lives, the modern Mongolians are considered to have limited knowledge of gemstones. Since, the gemstones are not mined within Mongolia; the gemstones are imported in small quantities for the purpose of jewelry and decorative use.

¹⁵“Interview: It is mandatory to benefit aside being resolute” <http://www.24tsag.mn/a/156453>

¹⁶J.Batsaikhan, Source: "Montsame" agency, <http://www.sonin.mn/news/gemt-hereg/58762>

¹⁷<https://www.n24.mn/a/1872>

The cutters and polishers of gem stone, mostly provide service of preparing of jewelry, cutting jewelry inset, and making snuff bottles.

Based on the relatively low number of service providers, the scarcity of gemstones, relatively limited knowledge and understanding of public, and service providers not producing final product buying gemstones themselves, it may be concluded the ML/TF risk of this types of service providers is relatively low.

However, it is recommended to register these service providers in cooperation with the Specialized inspection agency, and the Mongolian Agency of Standard and Measurement, besides regulating with the establishment of professional grades and service standards, it is necessary to disseminate information regarding the ML/TF risks.

Precious metal melting service providers: The gold extracted from main placer deposit or earth is melted to form bullion, using the special equipment. Gold melting equipment consists of induction and electric furnace; besides it is possible to melt using gas flame /gas balloons/ operable in high temperature. Nowadays, in Mongolia the companies Boroogold, Bayan-Airag, and Olon Ovoot operating in the main placer deposits possess own gold sorting and melting equipment and the gold extracted by other mining companies and individuals are melted and formed bullion centrally at the State assay office of Mongolian Agency for Standardization and Measurement.¹⁸ According to the laws of Mongolia, the weight of melted gold bullion shall not exceed 12.5kgs /400 ounces/. The centralized concentration workshops concentrate the ore extracted by the small-scale miners, using mercury less technology or method of gravity concentration. This type of workshops located in the Bornuur soum of Tuv province, Mandal soum of Selenge province, and Bayan-Ovoo soum of Bayankhongor province.¹⁹

With assistance of Swiss Development Agency's Sustainable Artisanal Mining project, the KHAMO LLC, founded by artisan miners established Gold concentration workshop in the Bornuur soum of Tuv province. Besides 260 members of "Artisan miner's association" NGO, individual mineral extractors from Tuv, Selenge, Bulgan, Bayankhongor, Umnugobi, and Khentii provinces are served by this concentration workshop.²⁰

At this workshop, after processing the gold ore in crashing, grinding, benefaction, concentration, and purification phases, gold is melted with gas flame, delivers a button shaped gold.

It is important to register the clients of these workshops, establishing a database is an imperative base for monitoring the further movement of gold.

For melting and bullionforming the gold at the melting workshop of the State assay office:

- The staff of the melting workshop receives the gold, weights and records its weight; next the gold melting and bullion forming work is done, and when the bullion is handed back to the customer it is weighted again and delivery act is executed.
- The ID number of gold bullion and symbol of State assay office are engraved on the bullion.

¹⁸"Present conditions of extraction, production, and trade of precious metal and gemstones", Swiss Agency for Development and Cooperation SDC and State assay office.

¹⁹"Methods on processing and selling gold from small-scale miners through official networks", Swiss Development Agency's Sustainable Artisanal Mining project, Assay Office.

²⁰"Mercury less ore concentration workshop introduction of Bornuur soum", Swiss Agency for Development and Cooperation SDC, Sustainable artisanal mining project, Ministry of mineral resources and energy Эрдэс баялаг, 2011.

- After completing the gold melting and bullion forming, the employee of the workshop shall prepare the document containing the following information and delivers to the client along the waste generated from melting: the weight of gold prior and after the melting, weight of melting waste (slug), and amount of loss (evaporation) due to melting, etc.
- The fee for melting 1 gram of gold is 50 MNT.

It is imperative for further monitoring of the movement of particular piece of gold by creating a database based on the registered ID of the bullion along with the corresponding customer information (owner of the gold) at the melting workshop.

Mongolia used to purify its gold in RF, Great Britain, and Japan before, and last few years it is purified in Switzerland. The transportation, insurance, and security expense related to gold purification in foreign country is high. Moreover, on average, the concentrated gold in Mongolia has 85.0 percent of gold content, and to trade it on the international commodity market it is necessary to purify it to 99.99 percent gold content.²¹

The gold purification plant project is initiated by the Government of Mongolia in 2017.

²¹ Mineral resources, and petroleum agency - <https://www.mrpam.gov.mn/news/127/>

Jewelry manufacturers



One of the major roles of the State assay office is to stamp the certification mark on the jewelry goods crafted by producers. Based on the information issued by the State assay office, as of October 2019, total of 77 individuals and companies purchased product certification on their products, out of which 19 were companies and 58 were individuals. According to the agency statistics, there are over 150 jewelry producers throughout country. The State assay office requires the producers to bear only its mark in their products, and roughly 300,000 units of jewelries are certified in a year.²²Please refer to Appendix 4, for the introduction to Proof certification of jewelry and service fee.

From the Mongolian Agency of Standard and Measurement in cooperation with Tumen Erdenes jewelry producer’s association developed “MNS 6505-2015: Silver cup. General requirements” standard, and the silver cup producer companies and individuals are manufacturing in accordance with this standard and promoting the standard to the public at sales points.²³

Moreover, the standard “MNS 5565:2005. Services for consumers. General requirements for production services of precious metal and gems” requirements are adhered by the service providers and producers of this type and the organizations as Food and retail department of Ulaanbaatar city Mayor’s office, Assay monitoring department and Product certification department of Mongolian Agency of Standardization and Measurement, and “Tumen Erdenes” professional union. Specifically:

According to the joint guidance, the Food and retail department of Ulaanbaatar city Mayor’s office, Assay monitoring department and Product certification department of the Mongolian Agency of Standardization and Measurement, and “Tumen Erdenes” professional union, monitoring of operations of producer districts and goldsmiths of precious metal and gemstone products was conducted in the area of Bayanzurkh .

The purpose of this grading control was to enforce the adherence of “MNS 5565:2005.Services for consumers. General requirements for production services of precious metal and gems” standard and “General regulation of retail and service of Capital city” and provide professional consultancy. Within the district, six producers operating in the field of gold and silver products, and five goldsmith workshops were covered with monitoring, out of which eight were operating normally and three were temporarily suspended. Moreover, during the monitoring it is identified, 45 percent of producers rent the premise and 55 percent own the workshops. Out of controlled producers, 25 percent were evaluated fully satisfactory, while 75 percent were evaluated satisfactory.²⁴

²²“Present conditions of extraction, production, and trade of precious metal and gemstones”, Swiss Agency for Development and Cooperation SDC and State assay office.

²³ MASM, State assay office. <https://masm.gov.mn/masmj/түмэн-эрдэнэс-холбоо/>

²⁴“Conducted the monitoring of jewelry producers”, Mongolian National Broadcaster. June 13, 2014. <http://www.mnb.mn/i/26036>

In relation to rising the customer complaints about the authenticity of jewelry and its proof, and Government approved Assay control regulation, starting from 2010 the assay proof control and monitoring activities were held amongst the jewelry producers and retailers, taken measures to eliminate the violations, and certain level of information dissemination works was conducted amongst the customers. Based on information of that period, the proof violation amongst domestic producers were relatively lower than imported jewelry proof violations. According to the regulations and monitoring, as well as customer demand, the domestic producers' intention to have their product proof certified by the State assay office is improving.

Therefore, it is important to create a database of every high value jewelries, especially of those with above 20.0 million MNT value which were certified by the State assay office for further monitoring of the movement of jewelry products.

Moreover, it is necessary to organize training and promotion against ML/TF amongst the jewelry producers, in cooperation with Mongolian Agency for Standardization and Measurement, Tumen Erdenes jewelry producer's association, and other professional unions.

Part of the final users of the illegal supply chain of gold is the goldsmiths and jewelry producers. The jewelry producers rarely purchase gold from the Bank of Mongolia, due to high tax and limited responsibility other than accumulating the state reserve. Thus, the jewelry producers mostly purchase the precious metal and gemstones from the gold exchangers, and never verify the source of precious metal and gemstones.²⁵

Therefore, it is mandatory to organize training amongst the jewelry producers on ML/TF prevention and identification of customer by providing recommendation to verify the source of precious metal and gemstones purchased, and take corresponding measures.

On the other hand, by implementing the promotion and information dissemination amongst the customers about importance of verifying the precious metal proof certification, gemstone certification, and source of jewelry to prevent financial loss, the attitude, knowledge, and understanding of customers will change and will demand the producers and retailers to provide proof certification, gemstone certification, and source of origin information.

Accordingly, the enforcement of Assay monitoring regulation will be improved by increasing the rate of producers and retailers using the Assay Agency service and improving the potential of monitoring this type of operation.

²⁵ "A Rapid Assessment of Gold and Financial Flows linked to Artisanal and Small-Scale Gold Mining in Mongolia: Follow the Money: Mongolia", UNIDO, The Global Initiative Against Transnational Organized Crime, Levin Resources, GEF, October 2017

Jewelry retailers



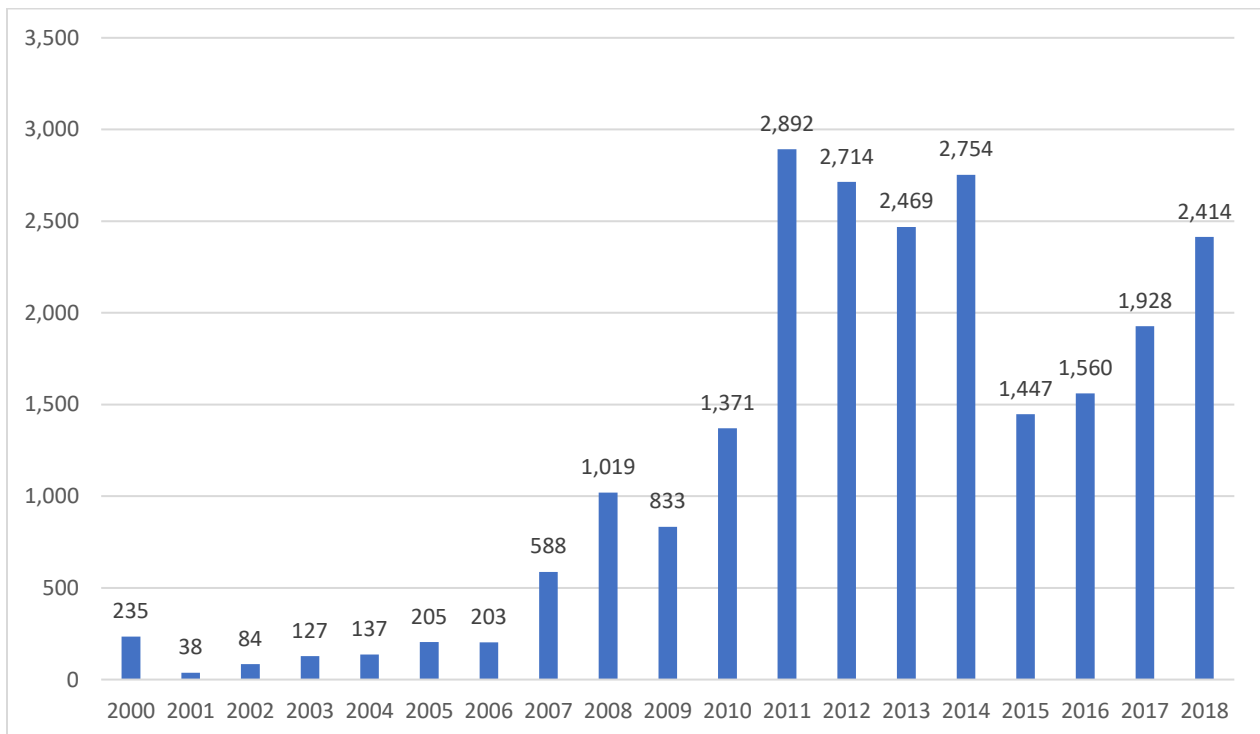
Based on the State assay office information, there are about 300 retailer individuals of jewelry. The jewelry retailers can be classified into the following two categories.

1. Sellers of domestic jewelry producers, shops, stalls, and rural retailers;
2. Shop, stall, and online retailers of imported jewelry.

No statistical information was available on the total volume of the jewelry products producer by domestic producers. Based on the general observation and information, it may be concluded that imported jewelry turnover is higher in total turnover of jewelry retail.

Jewelry import: In 2018, Mongolia has imported 2.4 million USD worth precious and semi-precious gemstone, precious metal, and precious metal plated material and products. This is equivalent to 0.04% of total import (In between 2000-2018, it was equivalent to 0.01-0.05% of total import).

Precious and semi-precious gemstone, precious metal, and precious metal plated material and product import, thous.USD



According to the information of the Statistical division of General customs office, between 2018-October 31, 2019, in total 28 import declarations of above 20 million value were submitted for genuine or cultured pearl, precious or semi-precious gemstones, and precious metal cast or plated goods under HS Codes, chapter 71. Out of which:

- 11 declarations were submitted by the Bank of Mongolia for silver coins, coins, and copper coins;
- 8 declarations were made by companies, for imported imitation statement necklace, neck and wrist decoration, drops of silver bracelet, and white gold rings imported from Thailand, Hong Kong, Denmark, and Italy;
- 3 declarations were made by individuals, for golden ear rings, golden chain, and collection coin;
- 4 declarations were made by foreign invested company operating pyramid business for brooches of members, best sellers, managers, and directors imported from USA;
- 1 declaration for ranks badge imported by the National Police Agency from PRC;
- 1 declaration by individual for green jade stone imported from RF for the reimportation to PRC under custom’s regime code “500”.

Based on the above information, the average price of the retail jewelry was estimated as shown below:

Unit price of imported jewelry with value above 20.0 million MNT

Type of jewelry and definition	Measurement unit	Unit price, MNT
White zirconia and cultured pearl, golden statement earring, 585 proof	pair	134,458
Imitation necklace, made of steel with or without gem inset	piece	70,958
Colorful neck and wrist decorative items in various shapes with or without gem inset	piece	15,114
26 different models, silver, S170 proof, hoop earrings with cubic zirconia, and bracelet drops	piece	98,806
Silver, 925 proof, hoop ear ring and bracelet drops	piece	61,698
Plain golden chain, 916 proof	piece	249,366
White gold (9.8gr) ring for women, 750K proof, size 13 with 0,41ct diamond and 3.08gr pink sapphire	piece	21,428,077
Boxed collection coin for personal collection, diameter 65mm, 0.999 proof, 2000MNT nominal, with dinosaur engraving. Coin weight 1x0.0933gr, box 1x0.2506gr, collection coin	piece	505,182

Regulation of operation: As per jewelry retailers, the retailers of Diamond, jewelry, and precious metal face with theft and fraud risks constantly, the risk assessment is relatively common for them. ML/TF risk shall be reflected into the conventional problems of the sector and official programs. Specifically, the diamond traders usually have knowledge and understanding about the Kimberley Process²⁶, aimed to reducing the risks of financial violations related to natural diamond globally.²⁷The reason of this example here is that it is recommended to consider the potential of participating in the international regulatory programs to monitor the jewelry and gemstone trade.

As per our country, having the similar structure to the countries with centralized monitoring, the Precious metal proof certification laboratory of the State assay office is certifying jewelry by stamping proof marks in centralized manner. In case of our country, the most of the imported jewelry do not carry internationally accepted proof certification, and the goods imported by carry-on traders do not contain

²⁶<https://www.kimberleyprocess.com/>

²⁷ Paragraph 15. “RBA Guidance for Dealers in Precious Metal and Stones”, FATF/OECD, 17 June, 2018

producers' trademark and has only proof certification mark; therefore, for the customer protection these products are constantly controlled at the Precious metal proof certification laboratory. If the product satisfies the proof declaration, the proof mark is stamped on product. In case the proof does not satisfy its declaration, the laboratory either proves realistic content or returns the product demanding not to sell within the territory of Mongolia.²⁸

Therefore, it is important to create a database of every certified jewelries, especially registration of each of those with above 20.0 million MNT value which were certified by the State assay office, for further monitoring of the movement of jewelry products.

Moreover, it is mandatory to organize a training and promotion amongst the jewelry retailers on prevention of ML/TF in cooperation with Mongolian Agency for Standardization and Measurement and other relevant law enforcement agencies.

On the other hand, by implementing the promotion and information dissemination amongst the customers about importance of verifying the precious metal proof certification, gemstone certification, and source of jewelry to prevent financial loss, the attitude, knowledge, and understanding of customers will change and will demand the producers and retailers to provide proof certification, gemstone certification, and source of origin information.

Accordingly, the enforcement of Assay monitoring regulation will be improved by increasing the rate of producers and retailers using the Assay Agency service and improving the potential of monitoring this type of operation.

²⁸“Jewelry proof certificate, and its importance”, Sh. Byambasuren, State inspector of the State assay office of MASM, April 17, 2017. <http://www.bestnews.mn/r/3774>

Secondary market purchasers and sellers of jewelry



The activities of second hand jewelry resellers, antique dealers and antique resellers could be considered under this category.

As per second-hand jewelry resellers and antique dealers, there is a risk of relating to predicate offense of obtaining, selling, and committing cross-border contraband of the tangible cultural heritage item.

The statements of criminals to the police demonstrate the illegal conducts of the antique shop owners to obtain and resale the tangible cultural heritage items. Specifically, in 2017 the antique store dealer J was caught when he intended to smuggle 84 pieces of antique jewelry and historical items of 32 types. He declared, that large amount of antique goods was accumulated when he used to operate antique shop. Also, citizen Yo, who was caught on action of smuggling historical heritage items and jewelries, declared that these goods were purchased from antique store.

Based on unofficial information, there are more than 100 antique stores, and more than half of these operate in the Capital city. However, most of these stores sell copies or ordinary conventional goods. The original genuine antique goods are sold behind the curtain, within the circle of wealthy customers²⁹.

Typology example#4: In 2010 the court ruled B.Enkhbat of committed crime of causing large amount of damage or 10 billion 187 million and 291 thousand MNT damage to the public property, while working as a treasurer of the National Museum between 2004 and August 2007 illegally embezzled and squandered 1,004 historical articles of museum, from 410 accounts with number of conducts.

Three instances of court proceeding resolved in accordance with item 150.3, clause 150 of the Civil Code, to seize 3 million MNT property from B.Enkhbat and sentenced 10 years in prison; and according to the Law on Amnesty, 3 years of sentence was excused and determined to sentence for 7 years of prison confinement.

It is common that certain part of the antique articles is not considerably ancient. Accordingly, the researcher of the History and Archeology Institute of Science Academy remarks the offences of looting the ancient ruins and burial tombs containing the historic heritages of Mongolians. It is documented that over 10 thousand tombs of Khunnu era and 7000 crypts and 300 square graves of bronze age exists within the territory of our country. But the specialists do not deny the existence of criminal groups that loot the tombs to steal the valuables. There is evidence, that out of 31 looted tombs, 29 had involvements of local citizen which was stated at one of the conferences of the Science Academy.

To define the punishment for the suspect, who was caught while trying to smuggle or sell the tangible cultural heritage article, the resolution shall be based on the conclusions of the expertise conducted on those certain articles. However, due to the inability of the Antique article commission of identifying the

²⁹“Эртний ховор олдворын наймааг хянаж чадахгүй байна” 2019 оны 1 сарын 14. <http://www.arслан.mn/social/news/599217.shtml>

characteristics and belongings of the ancient article, there are cases of fleeing the sentence by the violators of law. Also, the lack of professionals specialized in antique expertise affects this situation as well.

There is no registration and database information available regarding the antique articles and valuables possessed by individuals and exchangers. By amending the Law on Cultural Heritage, reflecting clauses about registration, trade, and exhibition of valuable antique articles, the monitoring opportunity in this field could be enabled. Also, by establishing specialized department on antique articles and trading within the police agency, the possibility of monitoring the antique dealers and rate of revealing and punishing tomb looting offense will be improved. Thus, it will also limit the white-collar offenders' actions of purchasing antique articles to keep the assets obtained through crime of corruption.

APPENDIX 1. CLASSIFICATION OF GEMSTONES

Types	Name of stone (Mongolian)	International name
1. Precious stones	Доржпалам	Diamond
	Маргад	Emerald
	Бадмаараг	Ruby
	Индраанил	Sapphire
	Сувд	Pearl
2. Semi-precious stones	Хувилгаан эрдэнэ	Alexandrite
	Улбар шар, ногоон, нил ягаан сапфир	Sapphire
	Эрдэнийн гэрэлт чимэд	Precious opal
	Эрдэнийн жадеит	Jadeite
	Демантоид	Demantoid
	Шпинель	Spinel
	Гэрэлт чимэд	Opal
	Усан биндэргяа	Aquamarine
	Молор	Topaz
	Родолит	Rhodonite
	Галтмар	Tourmaline
	Хризолит	Peridot
	Циркон	Zircon
	Биндэргяа	Beryl
	Кунцит	Kunzite
	Нил эрдэнэ	Amethyst
	Оюу	Turquoise
	Пироп	Pyrope
	Альмандин /анар/	Almandine
	Саран чулуу	Moonstone
Ногоон мана	Chrysoprase	
Шаргал болор	Citrine	
Ягаан болор	Rose quartz	
3. Decorative stones	Номин	Lapis lazuli
	Жадеит	Jadeite
	Хаш	Nephrite
	Шүр	Coral
	Усан болор	Rock crustal
	Утаат болор	Smoky quartz
	Чариот	Charoite
	Мана, гартаам	Agate
	Амазонит	Amazonite
	Хув	Amber
	Хар мана	Onyx
	Үүрийн туяа	Rhodonite
	Гематит	Hematite
	Обсидан	Obsidian
	Ундром	Aventurine
	Барын нүд	Tiger's eye
	Муурын нүд	Cat's eye
	Шонхорын нүд	Hawk's eye
	Танзанит	Tanzanite
	Ногоолин	Malachite

	Родохрозит	Rhodochrosite
4. Cap-stones	Хас	Jasper
	Боржин	Granite
	Чулуужсан мод	Fossilized wood
	Гангиг	Marble
	Галт уулын шил	Maldonite
	Жонш	Fluorite
	Баргилт	Aramayoite

APPENDIX 2. PROCESS OF MINERAL MINING LICENSE ISSUANCE³⁰

Chapter 4 of the Law on Mineral resources defines the procedure of issuing the mineral mining license:

1. Application – The applicant legal entity for a Mining Licence shall submit its application to the MRPA pursuant to the standard forms A requested mining area shall meet the following requirements (clause 25-25):
 - A requested mining area shall have shape of a polygon with borders which are straight lines not less than 500 meters in length, overlapping in the direction of latitudinal and longitudinal lines
 - A map of mining area, bearing the name of province and soum /district/ locations.
 - A reference letter containing the name, permanent business addresses and telephone /fax/ numbers of the applicant and name of its principal officer. Documentary proof of tax paying legal entity.
 - A map of mining area in accordance with LMRM and the list of soums, district, province names covered in the map
 - Documentary proofs of payment of service fees.
 - Resolution issued by the MRPA
 - Documentary proof of performing its responsibilities in line with environmental management plan during the exploration operations.
 - Environmental impact assessment.
2. Application screening – After the receipt of application for mining license, the MRPA shall register the application and its appendixes, and conduct preliminary screening whether the documents are compliant to the legal requirements, and verify the potential using the plot area for the mining and whether it is within the limits of explorable land area and if necessary clarifications will be made. (Clause 26.1-26.2)
3. Resolution – MRPA shall issue the resolution within 20 business days of application registration and notify the applicant. If an application was refused, the MRPA shall issue a written notice specifying the reason and legal grounds. (Clause 26.3)
4. License payment to be paid by applicant – Within 10 days of receipt of the notice about issuing the mining license, the applicant shall pay the first-year license fee (Clause 26.4)
5. Issuance of license – Within 3 days, of applicant’s payment the first-year license fee in compliance with the legal requirements, the mining license valid for 30 years shall be issued. (procedure of issuing the mineral exploration license)
6. Notice – According to clause 26.7 of Law on Mineral Resources, within seven (7) business days following the issuance of a mining license, the Governmentagency shall notify the Government Ministry in charge of the environment, the Governmentagency in charge of taxation and fiscal issues, the province, soum and district Governors where the licensed area is located and professional inspection agency and publish an official notice informing the public of the granting of the license. (Clause 26.7)

A mining license for the area explored and the reserve determined through State budget funding shall be granted through competitive bidding process. (Clause 26.9)

A mining license shall be recorded in the license and cadaster databases. (Clause 26.5-26.6)

Documents required for obtaining a mining license:

1. Application for mining license (Form K-2)
2. Official reference letter of an applicant (Form K-4)
3. Proof of being a legitimate tax payer in Mongolia (from corresponding tax administration)

³⁰Ашигт малтмал, газрын тосны газар - <https://mrpam.gov.mn/article/53/>

4. Copy of the company registration certificate and copy of the FDI certificate (notarized)
5. 2 copies of map of mining and residual land plot area reflecting the location of each area, coordinates of corners and its borders,
6. Payment slip of service fee (original payment slip)
7. Resolution issued by the state authority and minutes of meeting of the Mineral resource's council that reviewed and approved the reports of exploration works.
8. Documentary proof of performing the responsibilities according to the Environmental management plan during the exploration phase
9. Exploration license and its appendixes (original)
10. In case exploration is conducted by state financing, resolution issued by authorized person and authority, which conducted the competitive selection
11. Environmental impact assessment

Documents required for transfer of mining license:

1. Application to transfer the mining license (Form K-5)
2. Proof of occurring the conditions stated in clause 49.1 and 49.3 of the Law on Mineral Resources of Mongolia
3. The license and appendixes subject to transfer (original)
4. Identifications of transferring and remaining plot area (Form K-10)
5. The copy of state registration certificates of transferring and receiving legal entities (notarized)
6. Documentary proof of receiving party, accepting the rights and responsibilities arising from the transfer of license (Form K-7)
7. Payment slip of service fee (original payment slip)
8. Reference letter from the corresponding Environmental monitoring department reflecting the implementation of the rehabilitation status of mined part of the plot
9. Financial document, for the deposit of environmental rehabilitation expense to the account defined in clause 39.1.9 of the Law on Mineral Resources
10. 2 copies of Area map of the plot, reflecting the coordinates of angles and its borders

APPENDIX3. DOCUMENTARY REQUIREMENTS FOR GOLD CONTENT PROOF AND SALES

The companies and individuals having gold mining license, shall collect the following documents for proof certification at the State assay office and sales to the Bank of Mongolia and other commercial banks.

1. Documentary requirement for the proof certification of precious metal content

Company:

- Copy of company registration certificate
- Copy of license

Individual: Citizenship ID

Fee for gold bullion proof certification:

- 10,000MNT for golden bullion of 0-100 gr weight
- 20,000MNT for golden bullion of 101-500 gr weight
- 30,000MNT for golden bullion of 501-1000 gr weight
- 40,000MNT for golden bullion of 1,001-3,000 gr weight
- 50,000MNT for golden bullion of 3,001-6,000 gr weight
- 80,000MNT for golden bullion of 6,001-12,500 gr weight
- 100,000MNT for golden bullion of 12,501-25,000 gr weight

2. Documentary requirement for the selling the gold to the Bank of Mongolia

Company:

1. Copy of license (once)
2. Copy of company registration certificate (once)
3. Introduction of the company (once)
4. Proof certification provided by the State assay office
5. Invoice

Individual:

1. Citizenship ID
2. Proof certification provided by the State assay office
3. Bank account information

Bank of Mongolia, transfers the price of gold each time deducting 5 percent mineral resources usage fee to the bank account of company or individual.

APPENDIX 4. INTRODUCTION ABOUT THE PROOF CERTIFICATION

Under the proof certification the following 3-4 marks are considered.

First there must be a trademark of the producer or sponsor shall be stamped. Moreover, the producer may have the proof sign stamped as well. Specifically: if the number 585 or 925 was engraved it shall be directly understood as made of 585 proof gold or 925 proofs silver. After these marks, there should be a sign of independent certification laboratory certifying the authenticity of proof and producer. Some countries, for example, Mongolia have consolidated proof and certification marks. If these 2-3 signs are stamped, the product is considered certified. The fourth mark is stamped by international proof certification entity, in case the product is exported internationally.

If one product consists of several parts, each part shall be stamped with proof certification. The proof certification and actual content of jewelry shall not vary above 2 percent. Proof certification shape and numbers fonts vary for each metal type. Specifically: for golden articles the proof certification of 585 would be stamped inside the eclipse, and for silver articles the proof of 925 would be stamped inside the hexagon prism.

By having the proof certification stamped, in case the jewelry happened to become a historical heritage article, it will be clear when and who made the item and would be considered as a highly liquid asset. The term of proof certification ends when the article is fully utilized.

If the proof certification is not verified carefully at the moment of purchase, there are numerous cases of breach as the product is not made of precious metal or stamped with counterfeit trademark.

Gemstone laboratory of the State assay office analyses the gemstones and issues certification as well. Although, the gem stone is a conventional terminology, in the Law on Treasury it defined “precious and semi-precious stones in line with internationally accepted classification”. Mostly the rare stones are considered as gemstone for their special characters as brilliant color, purity, and hardness; any stone could be valuable for its specific structure, unique formation, and exquisiteness. Any stone could be valueless as it is. Therefore, there is no average price stated. Only, the value of the particular stone constitutes the price it is sold.

Based on its origin, the stones are classified as natural, synthetic, or imitation. Any stone formed in the nature considered as natural and the synthetic stone is formed in the laboratory out of the main components that form the stone. The imitation or faux stones are made of various different materials simulating the external look of the gemstone.

CERTIFICATION AND PROOFING SERVICE FEE OF PRECIOUS METAL AND PRODUCTS MADE WITH PRECIOUS METALS³¹

No.	Service provided	Unit	Fee /MNT/	
2	Chemical analysis of silver and silver products	piece	6000	
3	Analysis of platinum and platinum group metal and products	piece	35000	
4	Certify the proof of gold product, using test needles	piece	1000	
5	Certify the proof of silver product using test needles	piece	1000	
6	Test the proof using the x-ray fluorescence spectrometers, identify the proof	piece	15000	
7	Certifying with proof mark	Golden product	piece	550
		Silver product	piece	150
		1. Weights 0-10 grams		
		2. Weights 11-50 grams	piece	220
		3. Weights 51-100 grams	piece	320
		4. Weights 101-500 grams	piece	420
		5. Weights 501-1000 grams	piece	520
		7. Weights above 1001 grams	piece	620
8	Platinum and platinum group metal and products	piece	850	
10	Identify whether the product was made of gold or silver	piece	1000	
11	Identify whether the product is gold or silver plated	piece	1000	
12	Expertise of the product made of precious metal proof, product certification and producer's trademarks and engraving, and renewing the trademark engraving and proof mark	Golden	piece	2000
		Silver	piece	1000
		Platinum and metals of platinum group	piece	3000
		Certify the imported golden goods with tag	piece	400
13	Melt and bullion precious metal	gr	50	
	Melt and bullion gold with hazardous substances such as mercury and cyanide	gr	200	
14	Verify authenticity of diamond	piece	10000	
	Full certification of diamond	piece	45000	
	Value and certify the diamond	piece	60000	
15	Identify authenticity of ruby, sapphire, emerald and alexandrite	piece	10000	
			14000	
			18000	

Explanation: The fee is doubled for expedited or non-business hour orders.

³¹<https://masm.gov.mn/masmj/харилцагч-таньд/>