

Jewellers Must Urgently Embrace PMLA Compliance - “Act Now Before It’s Too Late,” Warns Mr Surendra Mehta, National Secretary, IBJA

Gold as an Asset Class - The Untold Responsibilities

Reflecting on a pivotal policy decision taken nearly a decade ago, Mr Surendra Mehta recalled when former Finance Minister Arun Jaitley announced gold as an “asset class” - a move meant to elevate gold to the same regulatory status as mutual funds, real estate, and other financial assets.

“The moment gold was declared an asset class, it automatically became subject to registration and traceability,” explained Mr Surendra Mehta. “Just as you must register your property or car, gold too now falls under that framework - and hallmarking has become that registration tool.”

With the nationwide implementation of mandatory hallmarking from 2020 onwards, every jewellery transaction is now effectively recorded, leaving behind a digital trail. According to Mr Surendra Mehta, this marks a significant shift in how the government monitors gold-related activity in the country.

Hallmarking Now Tied to PMLA Compliance

What many jewellers have not fully grasped, says Mr Surendra Mehta, is the legal gravity of selling or buying non-hallmarked jewellery. “If you deal in jewellery that is not hallmarked today, it is a direct violation of PMLA,” he cautioned. “And under PMLA, jail is a reality - and that too, without bail.” He emphasized that hallmarking is no longer just about purity; it now serves as a compliance checkpoint under national anti-money laundering regulations.



Mr Surendra Mehta

In an exclusive and eye-opening conversation with Bullion World, Mr Surendra Mehta, National Secretary of the Indian Bullion and Jewellers Association (IBJA), delved deep into one of the most pressing issues facing the Indian jewellery industry today - compliance with the Prevention of Money Laundering Act (PMLA), and the far-reaching implications of gold being declared an "asset class."

A Frightening Compliance Gap

Despite these serious implications, compliance across the jewellery industry remains shockingly low. Out of nearly three lakh jewellers and bullion dealers in India, Mr Surendra Mehta revealed that only 47 had directly registered with the Financial Intelligence Unit (FIU) as of late 2023.

“This is an alarming figure,” he remarked. “Even though those with turnover below ₹500 crore can comply through associations like IBJA - which is already registered with the FIU - jewellers are still reluctant to even begin the process.”

What the Law Requires - and What the Industry Misses

Under PMLA, the requirements are clear:

- **Above ₹50,000 in cash:** Full KYC (Aadhaar + address proof) is mandatory.
- **Above ₹2 lakh:** PAN must be obtained.
- **Above ₹10 lakh in monthly aggregate:** The transaction must be reported to the FIU

Yet, Mr Surendra Mehta noted that most jewellers continue to ignore these mandates, often mistaking the ₹2 lakh income tax cash limit as applicable under PMLA as well.

“You need to get Aadhaar, not just PAN,” he said. “If your neighbour is not following the law and you want to join him in jail, that is your personal

Everyday Transactions that Can Turn Illegal

Several routine practices within the jewellery trade fall into grey or illegal areas under PMLA. For instance:

- **Jewellery Exchanges:** If a customer exchanges old jewellery worth ₹6 lakh for new jewellery without paying cash, it's still reportable. If not documented properly, it's technically money laundering.
- **Family Transactions:** If different family members conduct separate transactions that together cross ₹10 lakh in a month, it qualifies as a single reportable transaction.

“These are loopholes that authorities are watching closely,” said Mr Surendra Mehta.

Resistance to Change - A Dangerous Mindset

A major issue, according to Mr Surendra Mehta, is the fear among jewellers of losing customers if they insist on KYC. Many top-tier jewellers still refuse to ask for Aadhaar and worry that customers will take their business elsewhere.

To address this, IBJA partnered with consultancy firm Finmet to offer a third-party compliance model - allowing jewellers to report through an independent channel. Still, the adoption rate has been underwhelming.

“We've conducted more than 30 seminars and webinars,” Mr Surendra Mehta pointed out, “but the level of active interest from jewellers remains minimal.”

The Consequences of Inaction

According to Mr Surendra Mehta, continued resistance could result in harsh regulatory crackdowns. “One fine day, the government will act - and then it may be too late,” he warned.

He fears that unless voluntary compliance increases, the government might eventually ban cash transactions in jewellery altogether - similar to the restrictions imposed on NBFCs and banks.

An Urgent Wake-Up Call

In his closing message to Bullion World, Mr Surendra Mehta urged the industry to act now. “This is not a matter of preference. It's the law,” he said. “Comply now or pay the price later.”

Additional Insights on PMLA Compliance and Jewellery Industry Reform

1. Digital record-keeping improves transparency and curbs illicit trade in the jewellery supply chain.
2. New technologies like mobile KYC and blockchain are helping jewellers comply more efficiently.
3. Many jewellers need better training and awareness on PMLA requirements.
4. Though compliance may slow transactions initially, it builds long-term customer trust.