

# ***The Suspicious Activity Report***

FEBRUARY 2023

*New Zealand Financial Intelligence Unit*

## INTRODUCTION

*The Suspicious Activity Report* is produced by the Financial Intelligence Unit (FIU), part of the New Zealand Police Financial Crime Group, led by Detective Superintendent David Lynch. This report is comprised of FIU holdings and open-source media reporting collected within the last month.

### Background

The Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act became law in October 2009. The Act's purpose is to detect and deter money laundering and contribute to public confidence in the financial system. It seeks to achieve this through compliance with the Financial Action Task Force (FATF) recommendations. The Financial Intelligence Unit produces this monthly report as part of its obligations under section 142(b)(i) and section 143(b) of the AML/CFT Act 2009. The Financial Crime Group is made up of the Financial Intelligence Unit, Asset Recovery Unit, the Money Laundering Team, and a group at Police National Headquarters.

### Financial Intelligence Unit

The Financial Intelligence Unit (FIU), led by Detective Inspector Christiaan Barnard, has been in operation since 1996. Its core function is to receive, collate, analyse, and disseminate information contained in Suspicious Transaction Reports, Prescribed Transaction Reports, and Border Cash Reports. It develops and produces a number of financial intelligence products, training packages and policy advice. The FIU participates in the AML/CFT National Coordination Committee chaired by the Ministry of Justice, and chairs the Financial Crime Prevention Network (FCPN). It is a contributing member to international bodies such as the Egmont Group of Financial Intelligence Units and the Asia/Pacific Group on Money Laundering.

### Asset Recovery Unit

The New Zealand Police Asset Recovery Unit (ARU) is led by Detective Inspector Craig Hamilton and was established in December 2009 to implement the Criminal Proceeds (Recovery) Act 2009 (CPRA). The ARU is the successor to the Proceeds of Crime Units, which were established in 1991, and was combined with the FIU to create the Financial Crime Group. The CPRA expanded the regime for the forfeiture of property that has been directly or indirectly acquired or derived from significant criminal behaviour. It is intended to reduce the possibilities for individuals or groups to profit from criminal behaviour, to reduce the opportunities they have to expand their criminal enterprises, and act as a deterrent for criminal activity. There are five Asset Recovery Units, based in Whangarei, Auckland, Waikato/Bay of Plenty, Wellington, and Christchurch.

### Money Laundering Team

The Money Laundering Team (MLT), led by Detective Senior Sergeant Andy Dunhill, is the newest element of the FCG and was established in 2017 to target money laundering risks and reduce the investigative gap for financial investigations in organised crime. The MLT investigates criminal offenders moving the proceeds of predicate offending. The focus of the team is on disrupting and dismantling facilitators assisting organised criminal groups to hide illicit funds, including complicit Designated Non-Financial Business and Professions (DNFBPs) and other third parties such as money remitters.

## NEW ZEALAND AML/CFT NEWS

### FCG / Police News

#### [Drug Smuggler has cars and cash taken by Police Asset Recovery Unit](#)

Sami Zagros was sentenced late last year to 16 years jail for his role in a sophisticated drug importation ring. The charges included money laundering, importation of methamphetamine, attempted importation of methamphetamine, and supply of MDMA.

The Christchurch High Court has now ordered the forfeiture of assets from Zagros including vehicles, a motorbike, cash, and five pieces of jewellery. The assets have a total value of \$380k.

#### [Operation Hydros: Police, Customs, and NZDF recover half a billion dollars' worth of cocaine at sea](#)

Under Operation Hydros, New Zealand Police, working in partnership with NZ Customs Service and the NZ Defence Force, recovered over three tonnes of cocaine afloat in the ocean, interrupting an international criminal syndicate's operation.

Operation Hydros was initiated in December 2022, with the interception coming in early February 2023. The cocaine recovered was likely destined for the Australian market and was enough to service approximately a year's demand there.

[Final analysis](#) has been completed and the total amount is now known to be 3,894 kg of cocaine recovered, with a wholesale value of \$580 million.

### News from our Partners

#### Te Mana Tātai Hokohoko | Financial Markets Authority

##### [FMA issues interim stop order to Validus and its associated persons](#)

The Financial Markets Authority has issued an Interim Stop Order to US-based multi-level marketing (MLM) company Validus International LLC. The stop order is a result of what the FMA deems to be dishonest and misleading conduct by Validus, as well as violations of the Financial Markets Conduct Act of 2013. The Order prevents them from making trades, offers, contributions, distributions, and other financial activities.

#### Manatū Aorere | Ministry of Foreign Affairs and Trade

##### [Government announces further Russia sanctions on anniversary of invasion](#)

The New Zealand government announced another tranche of sanctions against Russia, targeting individuals with strategic relevance to Russia and Vladimir Putin. The announcement coincided with the first anniversary of Russia's invasion of Ukraine.

The tranche targeted 87 individuals, including members of the Central Election Commission of the Russian Federation and military personnel who have had an active role in the conflict.

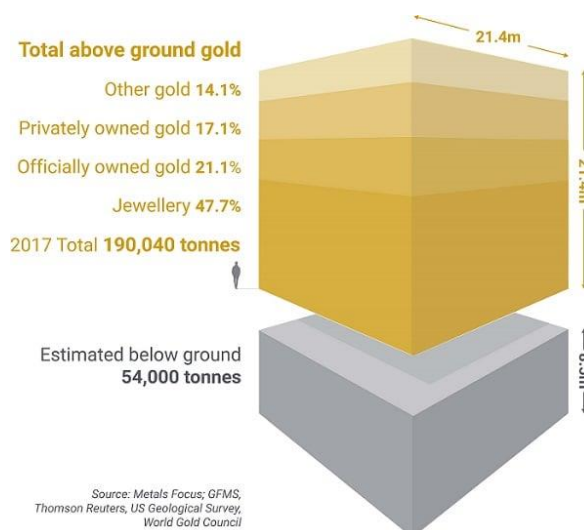
Since passing the Russian Sanctions Act in March last year, New Zealand has sanctioned more than 1,000 individuals and 300 entities. All updates to the Russia Sanctions Register can be found on the [MFAT website](#), and anyone can sign up to receive an [email alert](#) for future updates.

## All That Glitters is Not (Legal) Gold

### Background

Gold has been used throughout history as a medium for exchange and continues to be an integral part of the cultural heritage of many countries, where it is frequently used in religious and social exchanges. Before the introduction of paper money, governments minted coins out of gold and circulated them as currency for hundreds of years.

In 2017, it was estimated that 190,040 tonnes of gold had been mined throughout history, with 2,500-3,000 additional tonnes mined each year.<sup>1</sup> With multiple uses, ranging from components in mobile phones to medicine, gold is a commodity which remains high in demand and has considerable scope for legal and illegal purposes.



### Gold Laundering

A 2015 Financial Action Task Force (FATF) report on the risks and vulnerabilities of gold<sup>2</sup> found that gold is an attractive vehicle for laundering money, as it provides a channel for organised criminal groups to convert illicit cash into a stable, anonymous, and easily exchangeable asset. Retail gold is seen as a viable alternative to cash to settle debts and distribute profits from criminal activity due to its inherent value and steady demand.

Laundering illicit wealth using gold can also be attractive due to the complex web of transactions and physical transformations to the final product, making it easy to obfuscate any illicit activity involved with the gold's origin. And because gold is a global commodity with a universal value, it is easy to shift the gold to other locations to avoid investigations by governments and financial institutions.

Gold can be used for any of the three stages of money laundering (placement, layering, and integration). Gold bars or jewellery can be purchased with illicit cash, converting the cash into a legitimate asset. The gold can then be layered through multiple transactions using brokers via intermediary countries, perhaps even refining it into a different form. Once the gold is integrated into the gold system, it is indistinguishable from legally purchased gold and can be held or sold to obtain 'clean' funds.

Illegal gold can itself be laundered by smuggling the gold out of the country of origin and into the gold market in locations with lacking or unenforced AML/CFT regulations. This gold is harvested from illegal, artisanal mines, usually in Africa or South America, before being shipped internationally through several transactions and melted at refineries.

<sup>1</sup> <https://www.bullionbypost.co.uk/index/gold/how-much-gold-has-been-mined/>

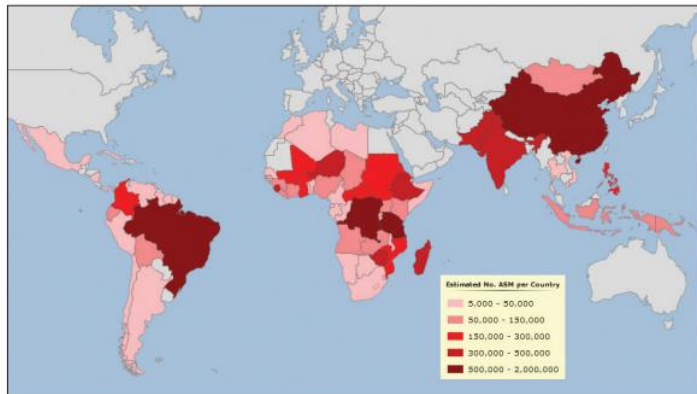
<sup>2</sup> <https://www.fatf-gafi.org/en/publications/Methodsandtrends/ML-tf-risks-and-vulnerabilities-gold.html>

## Illegal Mining of Gold

One of the major concerns for the gold industry are countries that are home to small artisanal gold mines, particularly if these countries also have significant criminal activity or civil unrest.

Artisanal and small-scale gold mining (ASGM) is carried out by approximately 10-15 million people globally, including one million children, and accounts for about 15% of the worldwide primary gold production.<sup>3</sup> ASGM is a subsistence type of mining that usually supplements incomes but does not necessarily contribute to criminal enterprises; it may occur without a permit, but is not necessarily conducted by a criminal organisation.

Illegal gold mining largely takes place in two regions of concern: Africa and South America. The Democratic Republic of the Congo, the Central African Republic, Mali, Sudan, and South Sudan have been identified as the primary sources of illicit gold mining in Africa through many small-scale, unlicensed artisanal mines.<sup>4</sup> In South America, illegal mining has been observed and operated in countries such as Venezuela and Colombia.<sup>5</sup>



*Estimated number of artisanal miners by country.*

### Africa

According to the OECD,<sup>6</sup> gold is used as a trading currency in West African countries such as Ghana and Liberia, allowing economic agents to avoid the official banking and currency exchange circuits often using it as a means of payment for large quantities of goods.

Mali is Africa's third biggest gold exporter, with gold replacing cotton as Mali's leading export since 2000.<sup>7</sup> <sup>8</sup> According to official figures, the hundreds of smaller scale 'artisanal' mines play a minor role in Mali's gold production. Over the past several years, the Malian government has recorded four to six tonnes of artisanal gold mined annually, less than ten percent of Mali's annual industrial gold output. However, officials have privately estimated the production to be between 30 and 50 tonnes.<sup>9</sup>

The most compelling reason to doubt official Malian figures for artisanal production are the discrepancies in data on gold production and trade between Mali and Dubai. According to the United Nations Comtrade Database<sup>10</sup> – an online aggregator of international trade statistics –

<sup>3</sup> <https://www.unep.org/globalmercurypartnership/what-we-do/artisanal-and-small-scale-gold-mining-asgm>

<sup>4</sup> <https://www.swissinfo.ch/eng/business/gold-sourcing-and-switzerland-in-focus-at-the-human-rights-council/47925514>

<sup>5</sup> <https://www.brookings.edu/blog/up-front/2022/12/01/venezuelas-gold-10-ways-to-address-illicit-financial-flows-from-the-mineral-trade/>

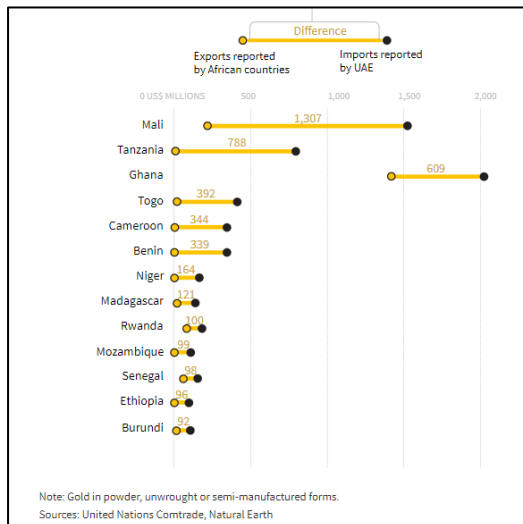
<sup>6</sup> [https://www.responsiblemines.org/wp-content/uploads/2018/04/Publication-supply-chains-artisanal-gold-west-africa\\_-ENGL\\_-baja.pdf](https://www.responsiblemines.org/wp-content/uploads/2018/04/Publication-supply-chains-artisanal-gold-west-africa_-ENGL_-baja.pdf)

<sup>7</sup> <https://merip.org/2023/01/illicit-flows-to-the-uae-take-the-shine-off-african-gold/>

<sup>8</sup> <https://oec.world/en/profile/country/mli?yearSelector1=exportGrowthYear25>

<sup>9</sup> <https://mneguidelines.oecd.org/Assessment-of-the-supply-chains-of-gold-produced-in-Burkina-Faso-Mali-Niger.pdf>

<sup>10</sup> <https://comtrade.un.org/data>



the UAE purchased nearly 81 tonnes of gold from Mali in 2019. By comparison, the Malian government reported exporting only a half-tonne to the UAE that same year. Similar variances have been seen in the exports from several African countries to the UAE since 2016, including Libya, Ghana, Sudan, and Tanzania.

A 2018 United Nations report noted most of the gold exported from the Economic Community of West African States region is reported to be destined for Dubai. Most of this gold is thought to be smuggled out of the region, primarily by plane. The Institute of Security Studies estimates

that approximately 30,000 illegal miners in Africa produce US\$8 million worth of gold per year.<sup>11</sup> The UAE and Switzerland have been identified as the primary export destinations.<sup>12</sup>

### South America

The artisanal mines in South America are largely controlled by armed militias and other criminal groups but are also a main source of income for impoverished populations. These mines often result in harmful effects on the environment, with the mercury used to distil gold seeping into rivers, and mass deforestation from clearing forests to create the mines.<sup>13</sup> Child labour, sex trafficking, and human trafficking are also prevalent in these artisanal mines.<sup>14</sup>

The increase in global gold prices has led to an increase in illegal mining in Colombia, resulting in significant security concerns, human rights abuses, and environmental degradation. A report by the Global Initiative Against Transnational Organised Crime estimated in 2016 that revenue from illegal gold exports had surpassed that from cocaine smuggling in Colombia and Peru.<sup>15</sup> In 2020, the United Nations Office on Drugs and Crime (UNODC) estimated that 69 percent of Colombia's gold was mined illegally.<sup>16</sup>

It is believed that between 70-90% of gold leaving this region is illegally mined and exported.<sup>17</sup> Much of the gold mined in Venezuela finds its way into Colombian gold exports,<sup>18</sup> making it difficult to track as it moves through various markets. A complex 'layering' process allows gold mined illegally in Venezuela to be passed off as Colombian.

<sup>11</sup> <https://enactafrica.org/research/policy-briefs/uncovered-the-dark-world-of-the-zama-zamas>

<sup>12</sup> <https://enact-africa.s3.amazonaws.com/site/uploads/2019-04-23-zama-zama-policy-brief%20022.pdf#page=5>

<sup>13</sup> <https://web.p.ebscohost.com/ehost/detail/detail>

<sup>14</sup> <https://www.icij.org/investigations/fincen-files/us-treasury-department-abandoned-major-money-laundering-case-against-dubai-gold-company/>

<sup>15</sup> <https://apnews.com/article/latin-america-environment-and-nature-colombia-business-3cf59910784353df7c2d030c123ad7c7>

<sup>16</sup> <https://www.reuters.com/article/us-colombia-mining-gold/colombia-alluvial-gold-output-area-up-3-large-majority-illegal-un-idUSKBN2EX259>

<sup>17</sup> <https://www.swissinfo.ch/eng/business/gold-sourcing-and-switzerland-in-focus-at-the-human-rights-council/47925514>

<sup>18</sup> <https://www.csis.org/analysis/illegal-mining-venezuela-death-and-devastation-amazonas-and-orinoco-regions>

The criminal groups operating the illegal gold mines often also smuggle drugs, leading to an overlap of illegal gold mining and drug trafficking, with gold used to launder the proceeds from the drug trade. Authorities have coined the term “narcogarimpo” to describe groups that overlap gold laundering and drug trafficking.<sup>19</sup>

In the early 2000s, United States authorities became suspicious of customs data that showed Colombia was exporting far more gold than it officially reported to have produced. Investigations led to a series of arrests of several New York jewellery dealers, who allegedly sold gold to drug cartels.

According to court files in *US v. Metalor USA Refining Corporation*, the refinery received payments for the gold by way of multiple wire transfers from individuals. The couriers working for South American companies would sometimes conceal the gold in containers such as shampoo bottles.<sup>20</sup>

More recently, leaders from three groups that are allegedly part of a “Gold Cartel” were arrested in October 2021 for smuggling over 500kg of gold from Chile to the UAE.<sup>21</sup> The suspects are alleged to have acquired the illegal gold from Peru and Bolivia for later export to Switzerland and Dubai using shell companies and false invoices.

Brazilian authorities have also clamped down on a gold laundering network; the group is alleged to have moved tonnes of illegally extracted gold from the Amazon region to New York and Dubai using fake invoices.<sup>22</sup> At least two Brazilian companies now under investigation for exported gold that had no proper papers of provenance.

### **Terrorist Financing**

Illicit gold has also been connected to terrorist financing globally. The 2015 FATF report cited above noted that gold has become attractive to terrorist groups due to its stable value, relative portability, cash-intensive nature of the gold trade, and limited AML/CFT oversight.<sup>23</sup>

#### *Africa*

According to a report by the International Crisis Group,<sup>24</sup> some anti-government military groups are seeking to seize control of gold mines or ore transfer sites and routes in order to access a source of financing.

In a region of Mali, most artisanal gold mines are controlled by members of the Coordination of Azawad Movements (CMA) or, to a lesser degree, the Algiers Platform of 14 June 2014, an alliance of several dozen pro-government armed groups.

Burkina Faso has seen two fairly recent incidents that testify to the growing violence surrounding gold mining. In October 2019, an armed group killed more than twenty gold miners

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<sup>19</sup> <https://news.mongabay.com/2022/08/raids-reveal-how-illegal-gold-from-indigenous-lands-gets-laundered-in-brazil/>

<sup>20</sup> <https://www.courtlistener.com/docket/4277185/united-states-v-metalor-usa-refining-corporation/>

<sup>21</sup> <https://eltipografo.cl/2021/10/presidenta-de-las-afp-tilda-de-irresponsable-idea-de-sichel-de-retirar-100-de-los-fondos>

<sup>22</sup> <https://www.occrp.org/en/daily/17353-brazil-takes-down-group-smuggling-gold-to-the-us-and-dubai>

<sup>23</sup> FATF and Asia/Pacific Group of Money Laundering (APG), “Money laundering and terrorist financing risks and vulnerabilities associated with gold” (2015).

<sup>24</sup> <https://www.crisisgroup.org/africa/sahel/burkina-faso-mali-niger/repandre-en-main-la-ruée-vers-lor-au-sahel-central>



in an artisanal mine in the north west of the country.<sup>25</sup> Just one month later, unidentified gunmen attacked a convoy from Semafo, a Canadian company operating a gold mine in eastern Burkina Faso, killing 37 people and wounding dozens more.<sup>26</sup>

### South America

One case study in the 2015 FATF report showed how a narco-terrorist group took control of a producing gold mine, selling some of the gold to a legal business for cash. The cash was then used to buy supplies needed to support the group's terrorist activities.

A region known for illegal gold mining is the *Arco Minero* region in Venezuela, where numerous mines are operated by criminal "sindicatos". These groups work with Venezuelan officials to provide funding to the government and the military in the wake of international sanctions crippling the country's economy.

In a report from Lloyd's insurance company,<sup>27</sup> Venezuelan gold was connected to a terror financing operation perpetuated by the Iranian Revolutionary Guard Corps (IRGC). The IRGC purchased gold from Venezuela in exchange for oil, then using the Iranian-owned airline Mahan Air, flew the gold overseas to be sold to countries in the Middle East. The proceeds obtained through gold sales were used by the IRGC to fund Hezbollah in Lebanon for the instigation of terror activities.<sup>28</sup>

Both the Colombian National Liberation Army (ELN) and dissident Revolutionary Armed Forces of Colombia (FARC) groups finance their regional activities with profits derived partly from illegal mining.<sup>29</sup> The 2018 FATF Mutual Evaluation Report of Republic of Colombia<sup>30</sup> notes the "increasing role" of illegal mining as a "key source of income" for armed groups in Colombia, singling out gold as "especially profitable for criminal organisations".<sup>31</sup>

In April 2022, the World Customs Organisation, the Egmont Group, and INTERPOL conducted a joint AML/CFT operation named TENTACLE-Latin America, with combined seizures totalling nearly US\$3 million.<sup>32</sup> The Operation uncovered multiple suspected 'carousel fraud' schemes involving the movement of gold and silver across two or three countries to launder illicit proceeds held by organised crime groups, including cocaine cartels.

### Major Gold Laundering Hubs

Although many governments have set up regulations for the gold industry, the industry itself is still largely self-regulated and reliant on companies adhering to voluntary standards and completing third-party audits. This compounds with the fact that many countries, including New

<sup>25</sup> <https://www.business-humanrights.org/fr/derni%C3%A8res-actualit%C3%A9s/burkina-faso-une-vingtaine-dorpailleurs-ont-%C3%A9t%C3%A9s-lors-dune-attaque-terroriste/>

<sup>26</sup> <https://www.reuters.com/article/us-semafo-attack-casualties-idUSKBN1XG2V3>

<sup>27</sup> <https://i-aml.com/news/29112022/>

<sup>28</sup> <https://www.i24news.tv/en/news/middle-east/iran-eastern-states/1670863909-iran-smuggling-gold-via-venezuela-to-finance-hezbollah-report>

<sup>29</sup> <https://www.csis.org/analysis/closer-look-colombias-illegal-artisanal-and-small-scale-mining>

<sup>30</sup> <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Mer-colombia-2018.html>

<sup>31</sup> <https://www.aei.org/wp-content/uploads/2019/07/The-National-Liberation-Army-in-Colombia-and-Venezuela.pdf?x91208>

<sup>32</sup> <https://www.wcoomd.org/en/media/newsroom/2022/june/operation-tentacle-latin-america.aspx>

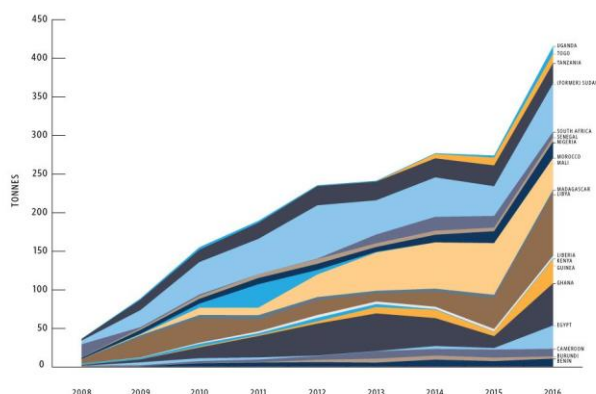


Zealand, don't require anyone entering the country to declare gold in their possession, even though they require a declaration with physical cash.

Additionally, governments or gold trading organisations that do not properly enforce their AML/CFT guidelines or lack the appropriate regulations inevitably become major hubs for malicious actors integrating illegal gold into the financial system or intermediary countries for gold smugglers.

### *United Arab Emirates (UAE)*

FIGURE 4  
CUMULATIVE UAE-REPORTED GOLD IMPORTS FROM AFRICAN COUNTRIES



SOURCE: Marcena Hunter, "Pulling at Golden Webs: Combating Criminal Consortia in the African Artisanal and Small-Scale Gold Mining and Trade Sector," ENACT, April 2019, 11, <https://enact-africa.s3.amazonaws.com/site/uploads/2019-04-24-pulling-the-golden-webs-research-paper.pdf>.

A major hub in the gold industry is the UAE, particularly the Emirate of Dubai. In 2016, the UAE imported gold from more than one hundred countries, mainly located in Africa, South America, or South Asia.<sup>33</sup> Many of these countries are better known for gold mined in artisanal and small-scale gold mines, which is often hand-carried into Dubai to be sold in the Emirate's gold marketplaces ("souks") rather than by major refineries. Dealers who buy gold to resell in the souk require only a single document – a UAE customs form – that

proves the gold was legally declared to customs officials upon arrival into the Emirate.<sup>34</sup> The form does not require information about the gold's origin, and passengers arriving in the UAE are exempted from customs declarations for gold carried in hand luggage.

The Dubai Multi Commodities Centre is the largest free trading zone of materials in the world, which includes the souks and makes the country an attractive zone to trade gold. UAE gold refiners are not obliged to complete audits when purchasing gold from the souks. The UAE also has a high cash-intensive economy, and it is an ideal location for many wealthy foreign residents from all over the world, which include sanctioned Russian oligarchs who use the country to protect their wealth.<sup>35</sup>

Other major gold hubs source the bulk of their gold from relatively few countries, typically either other gold hubs or other major gold-producing nations. The process of reselling ASGM gold to Dubai jewellers and refiners via the souk could effectively launder illicit gold into legitimate refined product that is acceptable to the world's most reputable gold hubs. Switzerland and India combined imported more than 200 tonnes of UAE gold doré in 2016.<sup>36</sup>

<sup>33</sup> <https://carnegieendowment.org/2020/07/07/dubai-s-problematic-gold-trade-pub-82184>

<sup>34</sup> <https://www.africaportal.org/publications/all-that-glitters-is-not-gold-dubai-congo-and-the-illicit-trade-of-conflict-minerals/>

<sup>35</sup> <https://sanctions Scanner.com/blog/the-uaes-gold-industry-as-a-money-laundering-route-623>

<sup>36</sup> <https://carnegieendowment.org/2020/07/07/dubai-s-problematic-gold-trade-pub-82184>

## Switzerland

Switzerland is another primary hub in the gold industry, having imported CHF\$90 billion (NZ\$152 billion) of gold in 2021.<sup>37</sup> The majority of gold imported into Switzerland is sent to refineries where it is fashioned into gold bars, ingots, and other goods, and then sold to entities outside the country as “Swiss” gold.<sup>38</sup>

Four of the world’s largest gold refineries are located within Switzerland and around 50-70% of the world’s gold production is refined there. Switzerland has been singled out as another major source of gold laundering, due to the lack of adequate mechanisms to ensure that the gold it imports has not been illegally mined or used for illegal purposes.

Sixteen audits conducted by the Swiss Federal Audit Office (SFAO) between 2015 and 2021 on Swiss anti-money laundering legislation observed some notable weaknesses in the legal processes used to convict gold launderers.<sup>39</sup> One of these is the deficiency in the ability to trace the origin of the gold, the scope of which is limited to the intermediary country between Switzerland and the country of origin.

The gold industry within the country is largely self-regulated, with the only oversight coming in the form of auditors. A legal deficiency highlighted by the audit is the low financial punishment that money laundering offenders receive and the slowness of court proceedings, which can risk a case exceeding the statute of limitations.<sup>40 41</sup> Additionally, materials used for smelting are not investigated on its origins, and the investigation of gold bars only takes place after refinement, making it extremely difficult to trace the gold.<sup>42</sup>

## New Zealand Connection

Data from the Asset Recovery Unit from the New Zealand Financial Crime Group on the use of precious metals in criminal activity reveal that between 2016 and 2022, approximately NZ\$1.7 million worth of precious metals was restrained by authorities. Of this, over NZ\$1.1 million was compromised of gold,<sup>43</sup> as part of 13 investigations involving a combination of gang activity and independent malicious actors. The gold that has been restrained by authorities was moulded in several forms, including gold ingots, coins, and bars.

New Zealand’s economic stability has made it a popular country for wealthy individuals to purchase gold from overseas in the form of bars and ingots and store it in anticipation of future economic fluctuations and global crises.<sup>44</sup>

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<sup>37</sup> <https://www.swissinfo.ch/eng/business/gold-sourcing-and-switzerland-in-focus-at-the-human-rights-council/47925514>

<sup>38</sup> <https://jam.baselgovernance.org/api/assets/1da830dc-af11-48a8-8fe3-5c48a0fab1d5>

<sup>39</sup> <https://www.occrp.org/en/daily/16734-report-switzerland-ill-equipped-in-fight-against-money-laundering>

<sup>40</sup> <https://www.swissinfo.ch/eng/business/switzerland-should-get-tougher-on-money-laundering--says-report/47862636>

<sup>41</sup> <https://www.occrp.org/en/daily/16734-report-switzerland-ill-equipped-in-fight-against-money-laundering>

<sup>42</sup> <https://www.swissinfo.ch/eng/business/switzerland-should-get-tougher-on-money-laundering--says-report/47862636>

<sup>43</sup> The exact number is unknown, since gold was lumped with other precious metals in some accounts, this number reflects the total number from accounts compromised of exclusively gold.

<sup>44</sup> <https://www.newsroom.co.nz/nz-haven-for-gold-investors>

## Red Flags / Transactional Indicators

Listed below are red flags for reporting entities that are either involved in the gold industry or may interact with customers that have gold in their possession, purchasing it or purchasing with it.

 Customer Behavioural Red Flags	Company Behavioural Red Flags	Trade-Based Behavioural Red Flags
Established customer dramatically increasing their purchase of gold for no apparent reason.	Changes to business name of entities registered to deal in gold.	Gold has been purchased from a country with limited or no known gold reserves.
Foreign nationals purchasing gold through multiple transactions over a short time period.	Registration of a trading company in a tax haven even though its business relates to another jurisdiction.	Misclassification of gold purity, weight, origin and value on customs declaration forms.
Gold transferred among associates using bullion accounts for no apparent commercial purpose.	Movement of abnormally large sums of money in various accounts of the individuals and companies which are not related to the nature of their business.	Gold is shipped to or from jurisdiction designated as 'high risk' for money laundering activities or sensitive/non cooperative jurisdictions.
Unusual pattern of gold transactions and the nature of the transactions are inconsistent with the customer profile.	Original source of funds to buy gold bullion cannot be established. The transactions involve the receipt of cash from third party entities that have no apparent connection with the transaction.	Consignment size or type of commodity being shipped appears inconsistent with the scale or capacity of the exporter or importer in regard to their regular business activities.
Customer buying gold and using a Post Office Box or private service provider as their address.	Significant cash withdrawals from bank accounts by participants within the gold trading industry.	Transaction involves the use of shell companies.
A previously unknown customer requesting a refiner to turn gold into bullion.	Unusual deposits in round denominations to fund bank accounts and to pay for gold.	The gold has originated from, been transacted through, or has been refined in high-risk areas.
Transactions between domestic buyers and sellers with sales proceeds sent to unknown third parties overseas.	International transfers to countries where the company is not registered.	A number of affiliated entities in the payments chain.

## INTERNATIONAL AML/CFT NEWS

### Australia

#### [Two drug busts by Australian authorities results in seizure of 164 kilos of meth](#)

A total of 164kg of methamphetamine have been seized by Australian authorities in two separate drug busts in February, which have resulted in the arrests of six individuals.

Three arrests were made after a shipment stated to be bathroom accessories from Malaysia was found by the Border force to contain 130 kgs of methamphetamine, worth over AU\$115 million (NZ\$124m), hidden under [paraffin wax](#). Later that month, three further people were arrested after a screening of their luggage at Sydney Airport [revealed 22 resin statues](#) containing a total of 34 kgs of methamphetamine.

#### [Property and cash restrained as alleged money laundering group charged](#)

As part of Operation Avarus-Midas, Australian Police have arrested nine people who were members of an elaborate international money laundering organisation. The organisation is alleged to have facilitated the movement of illicit money through multiple jurisdictions utilising casino junkets, the informal value transfer system, and daigous.



Authorities have restrained AU\$150 million (NZ\$162m) worth of assets, including more than 20 properties in Sydney, a 360-hectare tract of land, 46 items of luxury jewellery, dozens of bank accounts, and more than AU\$1 million in luxury vehicles.

### Belgium

#### [Former official guilty of laundering money through Malta and corruption in Africa](#)



A former Belgian minister, Serge Kubla, was found guilty of money laundering and corruption and given a two-year suspended sentence. The Belgian courts also fined him €60,000 (NZ\$102,000) and ordered the confiscation of €600,000 (NZ\$1 million) of his assets.

The court found Kubla had participated in acts of corruption when he worked as a consultant for an Italian-Swiss company, Duferco, which was said to have bribed Congolese officials for access to their gaming and lotteries sector.

Kubla had used a shell company based in Malta and a Duferco subsidiary in Lichtenstein to launder the bribe money as “consultancy fees”.

## Canada

### [\*In Canada, complex fraud schemes are targeting homeowners\*](#)

Canadian authorities have warned of title fraud – an unusual form of property fraud that has occurred several times in Toronto and Vancouver. Title fraud schemes involve tenants of a vacant home posing as the owner and selling the home.

King Advisory International Group, a Canadian firm that investigates financial crime, has observed title fraud and mortgage fraud increase in frequency since 2020. In almost all cases, the homeowners had been living overseas when their properties had been overtaken by fraudsters.

## Hong Kong

### [\*Hong Kong police arrest 633 for handling HK\\$7.8 billion in suspected criminal proceeds in a month-long money-laundering crackdown\*](#)

Authorities from Australia and Hong Kong have made 633 arrests in relation to a money laundering ring headquartered in Sydney that had laundered HK\$7.8 billion (NZ\$1.6 billion) in suspected criminal proceeds connected to tax evasion, illegal gambling, and drug trafficking.

The majority of those that have been arrested functioned as mules, letting the group use their bank accounts to traffic the money. The Australian police stated the Sydney-based syndicate had operated as an unregulated multinational bank to funnel money from around the world through shell companies.

## Iceland / Namibia

### [\*Fishrot: the corruption scandal entwining Namibia and Iceland\*](#)

Several prominent Namibian politicians and businessmen are accused of running schemes to control valuable fishing quotas, then receiving bribes for diverting the quotas to an Icelandic fishing company.

The charges against the 10 suspects are laid out in a 144-page indictment and include racketeering, bribery, money laundering, and tax evasion.

## United States

### [\*Louisiana pastor admits to stealing \\$900k from church and congregants\*](#)

A Baptist minister, Charles Southall III, has pleaded guilty to charges of money laundering. According to court documents, the minister embezzled nearly US\$900,000 (NZ\$1.4 million) from congregant donations, grant and loan funds, and rental payments made to church properties. Southall was sentenced to [five years in prison](#) as well as a restitution payment of US\$900,000.

## EUROPOL

### [Franco-Israeli gang behind EUR 38 million CEO fraud busted](#)

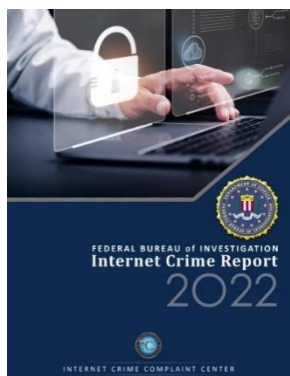


A EUROPOL operation involving police forces from France, Croatia, Hungary, Portugal, and Spain has taken down a criminal group operating between France and Israel who had scammed over €38 million (NZ\$65 million) from a French metallurgy company and a French real estate business by posing as businessmen requesting a transfer to an account.

Once the group had the money, it was transferred through several countries to help launder it before it was sent to Israel. Six French nationals and two Israeli nationals were arrested and €5.5 million (NZ\$9.4m) of assets were seized.

## Federal Bureau of Investigation (FBI)

### [FBI Internet Crime Report 2022](#)



The Federal Bureau of Investigation's Internet Crime Complaint Center has released its Internet Crime Report for 2022. The report provides an overview of threats, the FBI's efforts to combat cybercrime, and statistics on the state of cybercrime in the United States.

The report notes the total number of complaints decreased by 5%. However, dollar losses increased nearly 50%, of which phishing schemes were the number one crime type, and investments schemes had the highest financial loss to victims.

## Financial Action Task Force (FATF)

### [South Africa placed on FATF grey list](#)

The FATF has placed South Africa on a list of countries under increased monitoring, commonly known as the 'grey list', after it failed to address all of the shortcomings on money laundering and the financing of terrorism that were identified in the 2019 mutual evaluation.

### [FATF suspends Russia's membership](#)

In a 24 February statement, the Financial Action Task Force has suspended Russia's membership, stating "the Russian Federation's actions unacceptably run counter to the FATF core principles aiming to promote security, safety, and the integrity of the global financial system".

The Russia Federation remains accountable for its obligation to implement FATF Standards and to meet its financial obligations.

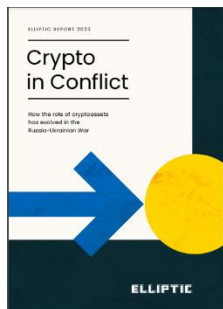


## Cryptocurrency

### [Russian cryptocurrency money launderer pleads guilty](#)

A Russian cryptocurrency money launderer previously extradited from the Netherlands to the United States pleaded guilty to one count of conspiracy to commit money laundering. According to court documents, Denis Mihaqlovic Dubnikov and his co-conspirators laundered the proceeds of ransomware attacks utilising various cryptocurrencies as well as Chinese renminbi.

### [Elliptic Report: Crypto in Conflict](#)



Using internal proprietary data, Elliptic has conducted an in-depth analysis into the use of cryptoassets on both sides of the war – ranging from humanitarian causes to sanctioned groups suspected of war crimes.

One of the key findings of the report was that innovations in blockchain technology have played a significant role in facilitating crypto fundraising for Ukraine; approximately 10% of the nearly US\$80 million (NZ\$126m) raised was facilitated by NFTs.

## Sanctions

### [US targets global sanctions evasion network supporting Russia](#)

The United States has imposed sanctions on 22 individuals and entities in multiple countries that are accused of being tied to a global sanctions evasion network supporting Russia's military-industrial complex.

The network is accused of engaging in projects connected to Russian defence capabilities, including supplying high-technology devices. Companies in Cyprus, Bulgaria, and Israel were sanctioned, as well as Singapore-based Asia Trading and Construction PTE Limited and its director.

### [US efforts to stop Iraqi money laundering sparks huge cross-border dollar smuggling](#)



The United States Federal Reserve and the Central Bank of Iraq imposed auditing measures in November 2022 on Iraq's dollar auctions, where US dollars from oil are converted into dinars, with the intention of preventing money laundering.

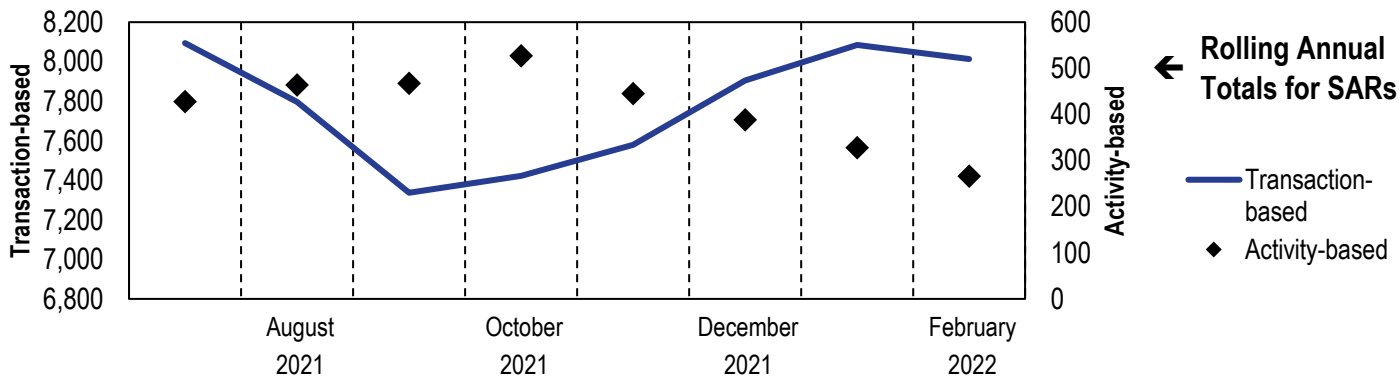
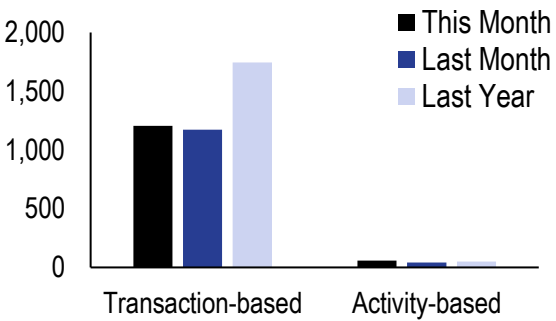
The new measures, which provide greater scrutiny on the source of foreign currency, have led merchants and capital owners to the black market instead, sparking a rise in smuggling dollars out of Iraq via land crossings.



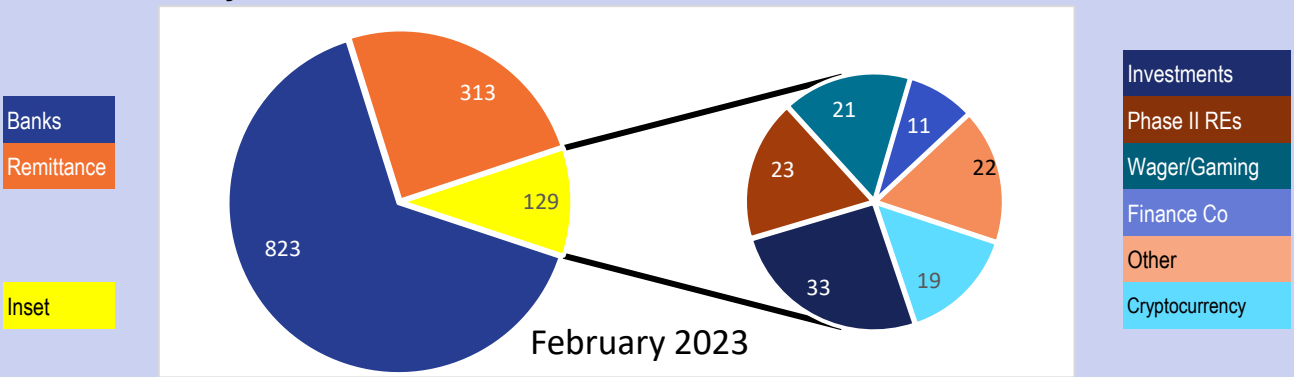
SUBMITTED REPORTS to the FIU\*

Processed Suspicious Activity Reports (SARs)

	This Month	Last Month	Last Year
	February	January	February
	2023	2023	2022
Transaction-based	1,206	1,172	1,745
Activity-based	59	41	50
Total	1,265	1,213	1,795

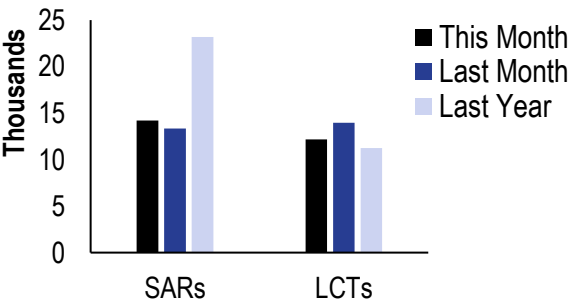


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

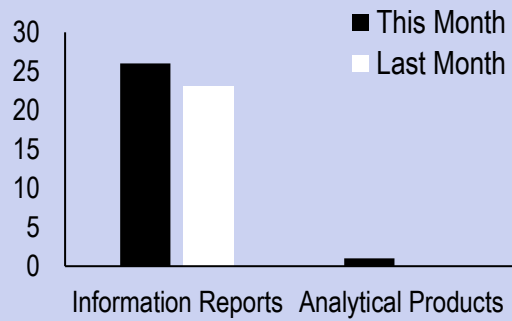
	This Month	Last Month	Last Year
	February	January	February
	2023	2023	2022
SARs	14,209	13,358	23,182
IFTs	397,786	469,127	412,186
LCTs	12,164	13,974	11,241



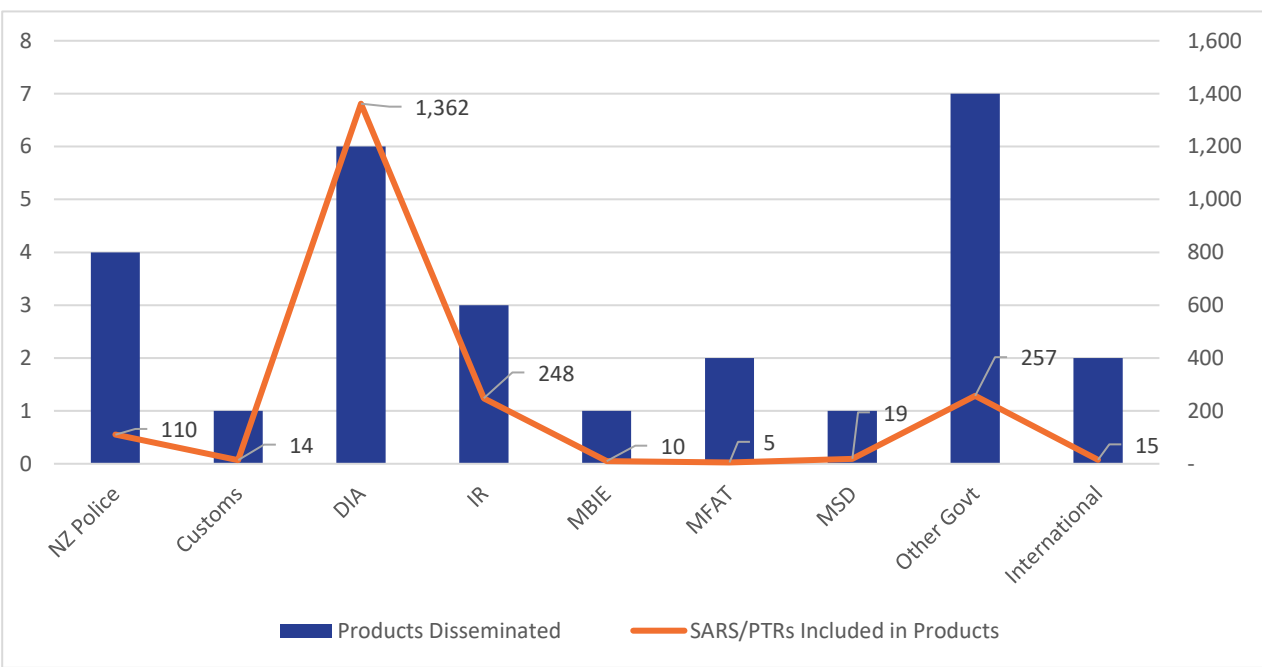
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

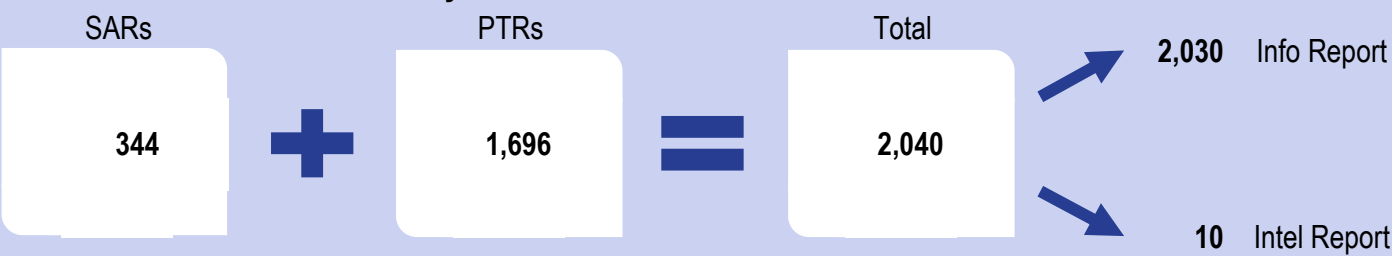
	This Month	Last Month
	February	January
	2023	2023
Information Reports	26	23
Analytical Products	1	0
Total Products	27	23



Disseminations of Products by Recipient



Disseminations of Products by Included SARs and PTRs



\*Statistical data for transaction reporting and intelligence products may be updated as new information is processed, and so there may be minor discrepancies between the statistical figures contained in this report and subsequent reports.

