

# ***The Suspicious Activity Report***

MAY 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) 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) 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) 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) 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.

## Letter from the Editor

*Dawn Logan, Senior Strategic Advisor (Acting)*



Kia ora koutou.

*The Suspicious Activity Report* was created nearly three years ago and has published 30 editions. And while I created the newsletter in 2020, there are many contributors behind the scenes.

Firstly, the newsletter was inspired by the previous quarterly typology reports, published by Andrew Hill and Sigita Wilson, and with the design and format shaped by feedback from the entire FIU. My colleagues across the Financial Crime Group continue to provide feedback as well as new tips, ideas for future stories, and connections to contributors.

Behind the scenes, there is a team of support services who provided the design and assist with the publication of the newsletter on the Police website. This month, a link in the Media Library section was suggested by one of my team members and the items featured in News From Our Partners landed in my inbox throughout the month. The newsletter is a team effort, and I'm grateful to everyone involved in the process each month.

The feature story in this edition was suggested by Carol Cody, our Liaison and Training Manager. Carol was made aware of a recently published Financial Action Task Force (FATF) report on Environmental Crime and immediately suggested it to my team; the report formed the basis of the research for this month's feature.

Environmental crime is seldom discussed but is estimated to generate profits of around US\$110-281 billion (NZ\$176b-\$449b) per year globally. It is a wide-ranging crime, encompassing waste trafficking, illegal logging or mining, and illegal animal hunting and trafficking. Environmental crimes are committed by solo actors as well as organised crime groups and are often committed in conjunction with several other crimes.

All reporting entities have a part to play in uncovering individuals and companies who may be participating in environmental crimes and laundering the proceeds – the feature story details activities to look out for, as well as potential financial indicators.

Finally, you'll see in this month's Statistics Dashboard that SARs and related transactions have increased over the previous month; thank you all for your diligence and hard work.

## NEW ZEALAND AML/CFT NEWS

### FCG / Police News

#### [Former Mai FM host Nate Nauer jailed for money laundering for Comancheros gang](#)



Nate Nauer, former Mai FM morning show host, was revealed to be the person charged with laundering illicit money linked to the Comancheros gang. He has been sentenced to two years and nine months in prison.

While out on bail, Nauer, along with Comancheros member Vetekina Naufahu, laundered NZ\$514,000 of drug money by paying for luxury cars, calf implants, and rent.

### News from our Partners

#### Gang Harm Insights Centre

##### [Quarterly Insights Assessment](#)

The Gang Harm Insights Centre (GHIC) is a multi-agency team focused on actively partnering to deliver holistic, actionable, and timely insights, enabling agencies to empower communities in making a difference to gang-related harm.

The Gang Harm Insights Report is designed to improve understanding of the harm being caused by, to, and within the New Zealand Adult Gang environment. The report will be released on a quarterly basis reflecting some of the recent findings from the GHIC's work, as well as the breakdown of the numbers included in the National Gang List. The aim is for the report to become a meaningful resource for all agencies to draw from.

#### Te Tari Hara Taware | Serious Fraud Office (SFO)

##### [Tauārai Hara Tāware | Counter Fraud Centre](#)

The SFO has set up the Counter Fraud Centre to assist in strengthening the New Zealand public sector's resilience to fraud and corruption. Their mission is in two parts: to build capability through providing resources and guidance, and to create an effective counter fraud culture.

#### Computer Emergency Response Team (CERT)

##### [Cyber Security Insights Report](#)

CERT NZ recently released its Cyber Security Insights Report, which covers the new tactics of scammers running investment scams and romance scams, as well as reporting quarterly statistics. The report also covers the emerging trends of artificial intelligence being used in scams.

The report found that cybercrime complaints increased 12% from the previous quarter, with related financial losses increasing 66% to nearly \$6 million. One scam campaign in February 2023 led to New Zealanders losing millions of dollars in a very short period.

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## AML/CFT Media Library

### PODCASTS



#### [\*The Evolution of IRS Criminal Investigations\*](#)

In this episode of the Association of Certified Fraud Examiners' podcast, the Special Agent in Charge of the Los Angeles field office of the IRS's Criminal Investigation division reflects on the division's growth over the last 20 years, growing uses of cryptocurrencies, and common tax fraud schemes.



#### [\*The Perfect Scam: Catphishing the Catphisher\*](#)

This episode, produced by the American Association of Retired Persons (AARP), discusses a study led by the CEO of Nisos, The Managed Intelligence Company. For the study, researchers set up fake social media profiles and waited for criminals to connect.



#### [\*The State-Crime Nexus: Spotlight on Russia\*](#)

This episode from RUSI's The Suspicious Transaction Report podcast explores how organised crime and illicit finance can be exploited as vectors of state-based threats, with a focus on Russia. This episode includes guests from Oxford University and the UK government's Serious and Organised Crime Network.

### TELEVISION SERIES



#### [\*You've Been Scammed by Nigel Latta\*](#)

You've Been Scammed, a four-part series by psychologist Nigel Latta, looks at eight types of scams and the human weaknesses exploited by each one. The series will be shown on TVNZ 1 starting Monday, 3 July.

### BOOK



#### [\*The Winning Ticket: Uncovering America's Biggest Lottery Scam\*](#)

The Winning Ticket, written by the prosecuting attorney for the Iowa Attorney General's Office, is an inside look at one of the most complicated financial investigations and prosecutions in recent history. The Iowa Hot Lotto fraud scandal was the largest lottery-rigging scheme uncovered in the United States. It involved malicious computer code, a US\$16 million lottery ticket and Bigfoot hunters.

## Environmental Crime

### What is Environmental Crime?

The United Nations Environment Program (UNEP) defines environmental crime as “illegal activities harming the environment and aimed at benefiting individuals or groups or companies from the exploitation of, damage to, trade or theft of natural resources, including, but not limited to serious crimes and transnational organized crime”.<sup>1</sup> Environmental crime is the third-largest criminal sector in the world, generating profits of around US\$110-281 billion (NZ\$176-449 billion) per year worldwide.<sup>2</sup> These crimes result in long-term damage to both the ecosystem and human livelihoods, attributed to the loss of ecosystem services, such as protecting watersheds and soil.

Ecocide, a form of environmental crime, has been defined as “...unlawful or wanton acts committed with knowledge that there is a substantial likelihood of severe and either widespread or long-term damage to the environment being caused by those acts”.<sup>3</sup> While there have been proposals to include ecocide in the United Nation’s International Criminal Court’s (ICC) Rome Statute, which criminalises genocide, war crimes, crimes against humanity, and crimes of aggression, ecocide is not currently recognized as a crime under international law.

The majority of countries around the world examine environmental crime separately from the other forms of organised crime, which in practice has led to environmental crime not being prosecuted as often as other organised criminal activities are.<sup>4</sup> As of 2022, the only countries to have codified ecocide as a crime in their laws are Kazakhstan, Uzbekistan, Vietnam, Ukraine, Georgia, Russia, Belarus, France, Moldova, Ecuador Kyrgyzstan, Tajikistan, and Armenia.<sup>5</sup>



*An agent of Brazil's environment police IBAMA walks on piles of logs that were illegally extracted from the Amazon rainforest in Viseu, Para state, September 26, 2013. REUTERS/Ricardo Moraes<sup>4</sup>*

### Forms of Environmental Crime

Environmental crime can be evidenced in numerous forms, and the consequences can be felt on both flora and fauna from around the world. Broadly, there are three types of environmental crime prevalent in the world today:

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<sup>1</sup> <https://wedocs.unep.org/20.500.11822/7662>

<sup>2</sup> <https://www.sipri.org/commentary/topical-backgrounder/2022/organized-environmental-crime-why-it-matters-peace-operations>

<sup>3</sup> <https://www.stopecocide.earth/legal-definition-of-ecocide>

<sup>4</sup> <https://www.reuters.com/business/sustainable-business/society-watch-drive-make-ecocide-an-international-crime-gains-momentum-2023-02-20/>

<sup>5</sup> <https://ecocidelaw.com/existing-ecocide-laws/>



- **Illegal Animal Hunting and Trafficking**
  - According to INTERPOL, animal trafficking is the third-largest illegal business in the world, which is driving many animal species into endangerment or extinction. Endangered species are specifically targeted since they are more valuable. These animals are trafficked to other countries, or are hunted for their meat, skins, and other body parts.<sup>6</sup> Illicit funds from wildlife trafficking, including fisheries, is estimated to be US\$15 billion (NZ\$24 billion) annually.<sup>7</sup>
- **Illegal logging and mining**
  - Rainforests in South America have been cleared for the purposes of farmland or creating wooden items such as furniture, and Indonesian forests have been cleared for palm oil harvesting. A 2022 study by Chatham House found that 15% of forestry exports from 37 exporting countries were illegal, the bulk of it from China, Russia, Brazil, and Indonesia, costing around US\$19 billion (NZ\$30 billion) a year.<sup>8</sup> Many paramilitary and government-backed groups, particularly in Africa and South America, operate illegal mines for gold, copper, or other valuable minerals, stripping rainforests and poisoning bodies of water. The destruction of these rainforests also means an increase of carbon in the atmosphere, due to the loss of carbon uptake that forests provide.<sup>9</sup>
- **Waste dumping**
  - Waste of various materials is trafficked internationally to be disposed of in areas with lighter regulations. This can cut costs for businesses or generate criminal proceeds, such as by illegal burning of hazardous waste to generate energy. Examples of waste that has been trafficked include plastics, refuse, electronics, dangerous chemicals, scrap metal, and automobile parts. Pollution crime involves actors from many sectors, including agriculture, mining, waste management, construction, and energy. In 2021, illegal waste disposal generated criminal proceeds of up to US\$12 billion (NZ\$19 billion).<sup>10</sup>

## Perpetrators of Environmental Crime

The perpetrators of environmental crime largely come from two backgrounds. The first of these are criminal groups such as smugglers, drug traffickers, and mafia clans, who either branch out into environmental crimes or cause environmental damage as a consequence of other criminal activities. The second of these are businesses, individuals, or organisations from legitimate backgrounds who turn to criminal activity to exploit gaps in legislation or avoid environmental regulations to make a profit.

According to a 2022 EUROPOL study the majority of groups who commit environmental crimes, especially waste trafficking, fall into the second category. Because these businesses also operate

<sup>6</sup> <https://www.activesustainability.com/environment/crimes-against-the-environment/>

<sup>7</sup> <https://www.wwf.org.uk/what-we-do/projects/tackling-international-wildlife-crime>

<sup>8</sup> <https://www.cips.org/supply-management/news/2022/september/procurement-policies-criticised-as-illegal-timber-trade-hits-record-levels/>

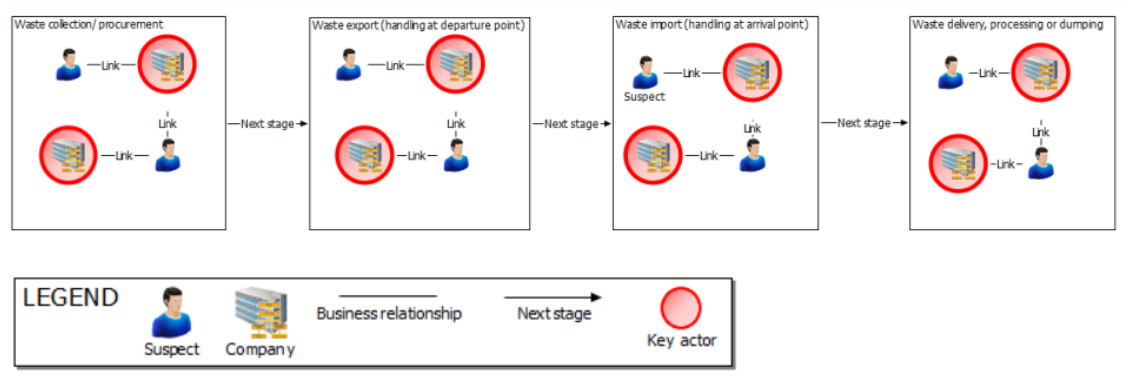
<sup>9</sup> <https://www.police.govt.nz/sites/default/files/publications/fiu-monthly-report-feb2023.pdf>

<sup>10</sup> <https://baselgovernance.org/news/illegal-waste-trade-whats-driving-multi-billion-dollar-transnational-crime-and-what-could-stop>

legitimately, illicit funds can easily be laundered by funnelling them through the company's accounts, evading investigation by authorities.<sup>11</sup>

This pattern is also highlighted in the 2022 INTERPOL strategic report *The Nexus between Organized Crime and Pollution Crime*.<sup>12</sup> The report analysed 27 cases submitted by eleven member countries and found that a small number involved 'traditional' criminal syndicates, such as mafia-style or gang-style organised criminal groups, while the large majority of suspects identified in the cases were business owners operating under the cover of legitimate entities, or as a network of individual brokers.

Most of the cases shared with INTERPOL presented indicators of transnational organised crime (TNOC), due to the cross-border nature of the offence and featured in half of the Asia-Pacific cases. Those who commit environmental crimes are innovative and adaptive, often organised as flexible groups or networks with the ability to infiltrate several disparate industries and markets involving environmentally sensitive commodities including agriculture, construction, mining, and energy.<sup>13</sup>



*Outline of the organisational structure defined as decentralised networks and chains of individual suspects; rather than a hierarchical structure, with logistically complex crime the linear groups cover specific stages of the offence<sup>13</sup>*

### Nexus with other crime types

The most common *modus operandi* identified in cases of pollution crime, particularly when committed by organised criminal groups, is the use of various types of frauds and financial crimes as a core component or facilitator of the pollution offence; document fraud, tax evasion, and money laundering are common components of pollution crimes.

There is also an overlap between environmental crime and other criminal activities committed by large organisations, including human rights abuses. Drug smuggling organisations and transnational traffickers often commit environmental crimes related to their activities as a side operation to fund their crimes. Financial crimes and corruption are also associated with

<sup>11</sup>[https://www.europol.europa.eu/cms/sites/default/files/documents/Environmental%20Crime%20in%20the%20Age%20of%20Climate%20Change%20-%20Public%20report\\_4.pdf](https://www.europol.europa.eu/cms/sites/default/files/documents/Environmental%20Crime%20in%20the%20Age%20of%20Climate%20Change%20-%20Public%20report_4.pdf)

<sup>12</sup> <https://www.interpol.int/en/News-and-Events/News/2022/Report-Pollution-crime-is-highly-profitable-organized-and-harming-the-planet>

<sup>13</sup> <https://www.interpol.int/en/News-and-Events/News/2022/Report-Pollution-crime-is-highly-profitable-organized-and-harming-the-planet>



trafficking of waste and wildlife, which largely consists of document fraud, bribery of officials, doctoring invoices, and money laundering.<sup>14</sup>

Additionally, deforestation can be linked to armed conflicts and war crimes, as shown by paramilitary groups in Africa, Central America, and the Amazon region of South America. It is believed that up to 38% of income for these armed groups is derived from the proceeds of environmental crime, due to the numerous artisanal gold and mineral mines under their control.<sup>15</sup>

Other crimes noted to be linked to environmental crimes are the forced labour of women and children, and human trafficking. Militia groups have also been implicated in animal trafficking, for example in the Central African Republic where they have traded in elephant tusks and the parts of big cat species alongside mineral trafficking to fund their crimes. The ivory trade has resulted in the decrease of the elephant population in Africa by 76% since 1980 from 1.2 million to around 420,000, putting the species at risk of extinction.<sup>16</sup>

### Money Laundering in Environmental Crime

A 2021 FATF report highlighted how criminals engaging in environmental crime launder the money through both formal and informal financial sectors in cross-border transactions. The assets generated from the environmental crime are mingled with legal assets throughout the early and later stages of the supply chain through the use of shell companies.<sup>17</sup>

Layering transactions are then made further along the supply chain through other shell companies and intermediaries, which obfuscates the illegal funds from investigators.<sup>18</sup> These shell companies are usually linked to the industry where the crime is taking place and are heavily tied to the import-export market.<sup>19</sup>

Examples of asset mixing were seen in several cases of illegal logging in Madagascar, where loggers would use the vanilla industry, the country's largest export, to launder the illicit money by purchasing large quantities of vanilla to increase prices and then integrating illegal cash.<sup>20</sup>

A core component of environmental crime money laundering is trade-based fraud, where false documentation and invoicing are used to move illegal waste and trafficked flora/fauna internationally. The use of fraudulent documentation may also be assisted through the bribery and corruption of politically exposed persons, lawyers, and accountants. A case study from the FATF report described how a waste trafficking group was exposed by Italian authorities after they had conducted a tax audit on a metal scrap company which revealed irregularities in documentation and invoices. Suspicious Transaction Reports from Italian reporting entities

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<sup>14</sup> <https://baselgovernance.org/news/illegal-waste-trade-whats-driving-multi-billion-dollar-transnational-crime-and-what-could-stop>

<sup>15</sup> <https://www.sipri.org/commentary/topical-background/2022/organized-environmental-crime-why-it-matters-peace-operations>

<sup>16</sup> <https://wildlifetrade.wcs.org/Wildlife-Trade/Why-should-we-care.aspx>

<sup>17</sup> <https://www.fatf-gafi.org/en/publications/Environmentalcrime/Money-laundering-from-environmental-crime.html>

<sup>18</sup> <https://financialcrimeacademy.org/money-laundering-in-environmental-crimes/>

<sup>19</sup> <https://www.fatf-gafi.org/en/publications/Environmentalcrime/Environmental-crime.html>

<sup>20</sup> <https://financialcrimeacademy.org/money-laundering-in-environmental-crimes/>

helped identify nearly 50 companies involved in the scheme, leading to 14 arrests including one accountant.<sup>21</sup>

### High Risk Jurisdictions for Environmental Crime

Environmental crime can be seen as an international crime, both in the sense that pollutants are trafficked across borders for disposal and also that the repercussions of the crime are felt around the world due to environmental damage and climate change. Non-Western countries in particular suffer a higher share of environmental crime in animal trafficking, deforestation, and waste disposal.<sup>22</sup>

China has a massive market for the trafficking of endangered species, which includes several species of shark and fish, tigers, rhinos, elephants, and pangolins. These rare animals are hunted mainly for cuisine and traditional medicines.<sup>23</sup> In Southeast Asia, the region between Laos, Myanmar, and Thailand serves as a hub for animal trafficking known as the ‘Golden Triangle’, where animals including tigers, elephants, and pangolins are caught and either trafficked or killed for their meat and parts.<sup>24</sup> In Africa, elephants, hippopotamuses, and rhinoceroses are hunted for their ivory, while big cats such as lions are victims of poaching.<sup>25</sup>

A previous feature story in *The Suspicious Activity Report* on gold laundering<sup>26</sup> highlighted how Africa and South America were regions where artisanal mining is prevalent, many of them run by criminal or military groups. The mining for gold results in the destruction of rainforests and the poisoning of rivers. The gold is smuggled through several intermediary countries to hide its origins before arriving in gold hubs such as Dubai or Switzerland, where it is refined and sold.

Waste trafficked by criminal organisations operating from wealthier nations such as Japan, Australia, the United States, and the European Union is often moved to countries in Africa, Eastern Europe, and Southeast Asia. In particular, Africa and East Asia are known destinations of illegally exported e-waste; vehicular scrap finds itself in Eastern Europe; and plastic waste is trafficked to China.<sup>27</sup> The fact that the waste is often a source of livelihood for impoverished citizens from various non-Western countries is highlighted as a reason that not enough is being done policy-wise to curb waste trafficking on either side of the conflict.<sup>28</sup>

### Environmental Crime in New Zealand

According to the Global Organized Crime Index (GOCI), the environmental crime markets in New Zealand is limited in scope and scale, and there is limited evidence to support the involvement of organised crime groups in the illicit extraction or trafficking of minerals or other non-renewable resources.

<sup>21</sup> <https://www.fatf-gafi.org/en/publications/Environmentalcrime/Money-laundering-from-environmental-crime.html>

<sup>22</sup> <https://jied.lse.ac.uk/articles/10.31389/jied.147#2-methodology>

<sup>23</sup> <https://globalinitiative.net/analysis/china-environmental-crime-ocindex/>

<sup>24</sup> <https://www.worldatlas.com/articles/10-countries-most-infamous-for-illegal-wildlife-trade.html>

<sup>25</sup> <https://wildlifetrade.wcs.org/Wildlife-Trade/Why-should-we-care.aspx>

<sup>26</sup> <https://www.police.govt.nz/sites/default/files/publications/fiu-monthly-report-feb2023.pdf>

<sup>27</sup> <https://www.semanticscholar.org/paper/Waste-Away-Wingerde-Bisschop/cf0e529a6b7afa91199adb1c19da0103c158c555>

<sup>28</sup> [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/702565/EXPO\\_STU\(2022\)702565\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/702565/EXPO_STU(2022)702565_EN.pdf)

However, there have been examples of environmental criminal activity within New Zealand, which mainly consists of illegal logging and wildlife trafficking. For animal trafficking, while the exportation of native fauna is uncommon, the country has recently seen an increase of illegal wildlife imports at the border.<sup>29</sup>

Wildlife crime, whether from importing or exporting animals across New Zealand's borders, is the second most common offence enforced by the Department of Conservation, making up 18% of cases recorded, only behind marine reserve violations.<sup>30</sup> The imports of trafficked wildlife have increased from 2020 in the wake of COVID lockdowns driving up online purchases, which come in the form of live animals, furniture made from endangered species, and traditional medicines.<sup>31</sup> Several species of New Zealand gecko, including the jewelled gecko, have been popular with foreign buyers and many have been exported illegally or caught by Customs in the process of doing so.<sup>32</sup>



*Rare creatures such as this jewelled gecko have been the target of wildlife trafficking out of NZ. Source: Stuff.co.nz*

The forestry sector contributes approximately 1.6% of New Zealand's gross domestic product (GDP), has an annual gross income of NZ\$6.6 billion, and is the country's fourth largest export earner.<sup>33</sup> Although illegal logging is not prevalent in terms of global statistics according to GOCL, there have been several cases of entities facing fines due to illegal harvesting of protected trees. In one instance, a Northland sawmill operator was fined in 2022 for illegally milling indigenous trees including kauri and tawa on his property despite warnings by the Ministry for Primary Industries (MPI).<sup>34</sup> In a report written in 2020, Forest & Bird raised concerns that many councils across New Zealand are not properly protecting indigenous wildlife and fauna on private or council-owned land due to lack of resources and unwillingness to enforce environmental laws. Around a third of councils have no record of unauthorised vegetation clearance, which likely indicates that they were not keeping records.<sup>35</sup> And most recently, tree poachers have felled several trees in Pureora Forest Park, a native forest that is conservation land west of Taupō.<sup>36</sup>

### Initiatives and Legal Remedies

Environmental crime is often closely associated with fraud, corruption, trade-based money laundering and other crimes. As with other proceeds derived from illegal activity, this money must be laundered to conceal its origins and integrate the funds into the legitimate financial system.

<sup>29</sup> [https://ocindex.net/country/new\\_zealand](https://ocindex.net/country/new_zealand)

<sup>30</sup> <https://blog.doc.govt.nz/2022/11/23/getting-proactive-with-the-wildlife-crime-team/>

<sup>31</sup> <https://www.1news.co.nz/2022/10/28/140000-wildlife-products-removed-from-ebay-this-year/>

<sup>32</sup> <https://www.nzgeo.com/stories/the-reptile-smugglers/>

<sup>33</sup> <https://www.mpi.govt.nz/forestry/forest-industry-and-workforce/forestry-wood-processing-data/>

<sup>34</sup> <https://www.nzherald.co.nz/northern-advocate/news/northland-man-found-guilty-of-illegally-milling-native-timbers/H5N5FKFLTNGYV3L4KR4FE3DAOI/>

<sup>35</sup> <https://www.forestandbird.org.nz/resources/see-no-evil-biodiversity-loss-private-land>

<sup>36</sup> <https://www.1news.co.nz/2023/06/22/exclusive-criminals-felling-ancient-native-trees-selling-for-profit/>

The prosecution of environmental crimes is difficult because despite the heavy convergence of crime and pollution, many policymakers and reporting entities perceive them largely as an environmental issue rather than a criminal one. Even when action is taken by authorities to stop the crime, it is reactive to the crime that has already happened, not preventive. Various environmental agencies have highlighted a lack of communication with authorities between or within countries. This lack of coordination has resulted in the failure to prosecute criminals.<sup>37</sup>

Laws criminalising ecocide are national in origin. As a result, any business or organisation whose practice results in environmental destruction could shift their business to countries with less environmental regulation.<sup>38</sup> According to a European Parliament report from 2022, primary steps to be undertaken include addressing gaps in legislation, providing the resources for environmental institutions as well as giving them the ability to prosecute, encouraging inter-agency collaboration, and focusing on preventative strategies.<sup>39</sup>

In Australia, the government has begun the groundwork of establishing a federal environmental protection agency to impose a binding standard for future environmental decisions. The legislation to establish this agency is expected to be introduced by the end of 2023.<sup>40</sup> The Australian parliament have also passed emissions-reduction legislation, which established that after 1 July of this year, the country's most pollutive entities will be required to lower emissions by 5% per year either through cuts or purchasing carbon offsets.<sup>41</sup>

In May 2023, New Zealand enacted the Forest Amendment Act 2023 which is to be commenced in three years' time, with the intention of reducing illegal logging within the country. Under this law, forestry entities, such as log traders and exporters, would have to register with MPI, and demonstrate how they reduce the risk of handling illegally harvested wood by completing a due diligence form. Additionally, forest owners would need to provide legal information to any entity purchasing the wood.<sup>42</sup>

'Following the money' is the most effective way to identify assets related to environmental crimes, and all reporting entities can play a key role by assessing their customers' risk and reporting suspicious activity and transactions. According to the FATF, financial centres, trade centres, shell companies and intermediaries such as accountants and lawyers are the most widely used instruments for laundering proceeds from environmental crimes.<sup>43</sup> As shown in the Italy case cited above, the compilation of data from various reporting entities enables the FIU to provide law enforcement agencies with valuable information.<sup>44</sup>

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<sup>37</sup> <https://jied.lse.ac.uk/articles/10.31389/jied.147#2-methodology>

<sup>38</sup> <https://www.reuters.com/business/sustainable-business/society-watch-drive-make-ecocide-an-international-crime-gains-momentum-2023-02-20/>

<sup>39</sup> [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/702565/EXPO\\_STU\(2022\)702565\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/702565/EXPO_STU(2022)702565_EN.pdf)

<sup>40</sup> <https://www.abc.net.au/news/2022-12-08/australia-environment-laws-federal-epa/101744044>

<sup>41</sup> <https://www.theguardian.com/environment/2023/mar/30/australia-climate-emissions-reduction-legislation-laws-parliament-labor-greens>

<sup>42</sup> <https://www.mpi.govt.nz/forestry/forest-industry-and-workforce/legal-harvest-assurance-system-for-timber/>

<sup>43</sup> <https://www.fatf-gafi.org/en/publications/Environmentalcrime/Environmental-crime.html>

<sup>44</sup> <https://jied.lse.ac.uk/articles/10.31389/jied.147>

## Red Flags / Transactional Indicators

The starting point for effective financial investigations is the awareness and use of accurate financial indicators and transactional red flags indicative of environmental crime. It is important to note, however, that no one indicator alone is likely to confirm money laundering.

When reporting SARs or STRs related to environmental crime, please select the relevant indicator(s) in goAML best associated with the behaviour observed. These could include purchase of illegal goods; high risk jurisdiction; trade-based money laundering; and/or unusual transactions to/from shell companies.



Animal Trafficking	Waste Trafficking	Illegal Mining/Forestry
Organisation dealing in wildlife goods is based in region known for animal trafficking	Waste disposal organisations operating between countries known for the trafficking of waste	Organisation in the forestry sector is based in region known for deforestation
Animals being transported have been banned from being exported	Waste organisation hires people with limited or no background in waste disposal	Mineral/wood products originate from indigenous/protected areas
Animals being transported across borders are endangered	Organisation in waste disposal sector has connections to accounts from overseas	Materials shipped from regions known for illegal mining, paramilitary groups, or human trafficking
Animal species, including those that are endangered, are being advertised on social media	Waste organisation makes payments to seemingly unrelated companies or individuals, particularly if the unrelated companies operate overseas	A sudden increase of economic activity in a region known for mining/forestry is noted, or organisation's wealth is incongruent with production levels
Animals are being transported that have been known for usage in medicines	There are indications of shell companies connected to organisations in the waste sector used to move funds around	Gold is sent to or from regions known for gold laundering
Organisation uses cash transactions for purchases related to wildlife	Organisation uses cash transactions for purchases related to waste	Organisation uses cash transactions for purchases related to forestry or mining
Information on documentations or invoices are shown to be false or questionable	Unexplained wealth transfers delivered to politically-exposed persons	Individuals/businesses unable to provide documentation proving legality of resource



## INTERNATIONAL AML/CFT NEWS

### Australia

#### [Operation Elbrus: Sydney man jailed for tax fraud](#)

A 36-year-old Sydney resident has been sentenced to nine years in jail by the Supreme Court of New South Wales for his role in a criminal group that had stolen AU\$105 million (NZ\$111m) in a tax fraud and money laundering scheme. The criminal group had taken advantage of payroll entities to fraudulently obtain money and subsequently laundered it through the accounts of shell companies.

#### [Australian police find huge haul of Mexican meth worth \\$273m in hydraulic press](#)



Australian Federal Police (AFP) have seized around 300 kg of methamphetamine worth more than AU\$273 million (NZ\$293m) that was hidden in a hydraulic press sent from Mexico to New South Wales.

The AFP has stated that the elaborate nature of the smuggling indicates that it was carried out by a well-established, organised crime syndicate.

### EUROPOL

#### [Italy's strongest mafia group smashed in Europe-wide crackdown](#)

As part of Operation Eureka, authorities from several European countries conducted raids on the 'Ndrangheta, currently Italy's most powerful mafia group, the culmination of a three-year investigation.

The raids in Italy, Germany and Belgium resulted in 145 arrests and the seizure of assets worth €25 million (NZ\$44m), which included gold bars, cash, weapons, and thousands of tonnes of narcotics.



#### [Operation SpecTor: 288 arrests made in international drug takedown](#)



An international law enforcement coalition from the US, Europol, and Brazil have made 288 arrests and seized over US\$53 million (NZ\$85m) in cash and cryptocurrency in a crackdown of a dark-web site used by drug traffickers as part of Operation SpecTor.

The operation, which commenced in 2021, has also resulted in the seizure of over 850 kilos of drugs, consisting of cocaine, amphetamines, MDMA, and LSD.



## Peru

### [Peruvian police seize 58kg of cocaine bearing pictures of Nazi flag](#)

Peruvian authorities have seized 58kg of cocaine hidden in packages bearing the Nazi flag on the outside, along with the word “Hitler” printed in low relief. The packages were discovered hidden in the ventilation system of a shipping container on a cargo ship docked at Paita, on Peru’s northern coast, destined for Belgium.



## United Kingdom

### [Preston counterfeit clothing boss sentenced to 20 years for fraud of £150 million+](#)



Sock manufacturer Arif Patel, 55, has been sentenced in absentia to 20 years in prison by UK authorities. Patel and his gang had been running an operation that had stolen £97 million (NZ\$198m) through fraudulent VAT repayment claims and obtained £50 million (NZ\$102m) through importing and selling counterfeit clothing. The money was laundered through the purchase of London and Preston properties using foreign bank accounts.

## United States

### [Father, son sentenced for decade-long, \\$20 million lottery fraud scheme](#)

Ali Jaafar, 63, and his son Yousef Jaafar, 29, from Watertown, Massachusetts, have been given prison sentences of five years and 50 months respectively for a decade-long criminal scheme involving lottery fraud, money laundering, and tax fraud. The pair had purchased 14,000 winning lottery tickets from people seeking to avoid identification from the lottery commission, then claimed the winnings, laundering US\$20 million (NZ\$33m) of the proceeds. They had also filed false income tax returns to claim another US\$6 million (NZ\$9.8m) by reporting fake gambling losses alongside their winnings.

### [1,500 grams of cocaine fall out of fake pregnancy belly during South Carolina traffic stop](#)

Two people have been arrested by deputies in South Carolina and accused of attempting to traffic more than 1,500g of cocaine, which was hidden in a fake pregnancy belly worn by one of the suspects.

When pulled over for erratic driving and separately interviewed, the pair gave conflicting information about the due date for the supposedly pregnant suspect, helping to expose their scheme.



## Corruption

### [Brazil's top court convicts ex-President Collor on money laundering, corruption](#)



Fernando Collor de Mello, ex-President of Brazil, has been found guilty by the Brazilian Supreme Court of charges of money laundering and corruption, and has been sentenced to eight years and ten months in prison.

Collor had received up to R\$30 million (NZ\$9.6m) in bribes from the oil company Petrobras. He is one of many politicians and business leaders who had engaged with the company illicitly, which was exposed by Operation Car Wash.

## Cryptocurrency

### [NFT insider trading case ends in criminal conviction](#)

Nathaniel Chastain, a former product manager for NFT marketplace OpenSea, has been convicted by a Manhattan federal court for insider trading, wire fraud, and money laundering in the first successful prosecution of insider trading involving digital assets.

Prosecutors charged Chastain with wire fraud instead of insider trading to avoid the issue of whether non-fungible tokens are legally classified as securities. Chastain was responsible for choosing which NFTs would be featured on OpenSea's home page, a position he abused by purchasing the NFTs before they were made public and selling them for as much as five times the original amount, collecting US\$57,000 (NZ\$94,000) in Ethereum tokens.

### [North Korean crypto thefts target Japan, Vietnam, Hong Kong](#)

Cryptocurrency research company Elliptic has conducted research on behalf of Nikkei, a Japan news agency. Elliptic utilises its proprietary technology to track and identify money transfers on the blockchain where cryptocurrency is traded.

According to Elliptic, North Korea has stolen a total of \$2.3 billion (NZ\$3.7b) in cryptocurrency between 2017 and 2022, primarily from Japan (US\$721m), Vietnam (US\$540m), the United States (US\$497m), and Hong Kong (US\$281m). Cyberattacks are thought to be a national strategy in North Korea to obtain foreign currency due to the international sanctions imposed on the country.

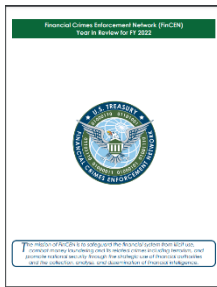
## Human Trafficking

### [Austria tightens border controls as Hungary frees convicted people smugglers](#)

Austria has increased the security on its borders in the wake of Hungary releasing 700 convicted human smugglers from their prisons.

Hungarian authorities had issued a decree allowing the release of the prisoners, with the condition they leave the country within 72 hours. Hungarian authorities stated the prisoners were released due to prison overcrowding and the European Union not providing enough resources for border control.

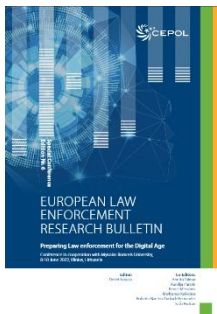
## FinCEN



## FinCEN Fiscal Year 2022 in Review

The Financial Crimes Enforcement Network (FinCEN) has issued the *FinCEN Year in Review for FY 2022*, which highlights important statistics from financial crime and terrorist financing. The information is built on the work complied by various law enforcement agencies, including the IRS Criminal Investigation Agency and the U.S. Department of Justice.

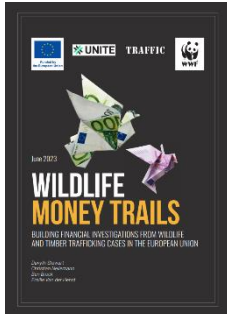
**CEPOL**



European Law Enforcement Research Bulletin – Special Conference  
Edition

CEPOL has released the latest Special Conference Edition of the European Law Enforcement Bulletin, centred on the theme of Preparing Law Enforcement for the Digital Age. This edition includes the editorial and welcome addresses, as well as articles from presentations given at the CEPOL European Research and Science Conference, which took place in June 2022.

## TRAFFIC



## Wildlife Money Trails

A new TRAFFIC and WWF report recently released aims to help law enforcement authorities and financial institutions uncover financial crimes related to wildlife and timber trafficking in the EU. The report features 16 case studies amounting to 18 million euros of illicit profits.

The report highlights how financial institutions such as banks can be used by traffickers and can be exposed to money laundering, fraud, and facilitating organised crime.

**HM Government**



### *Fraud Strategy: Stopping Scams and Protecting the Public*

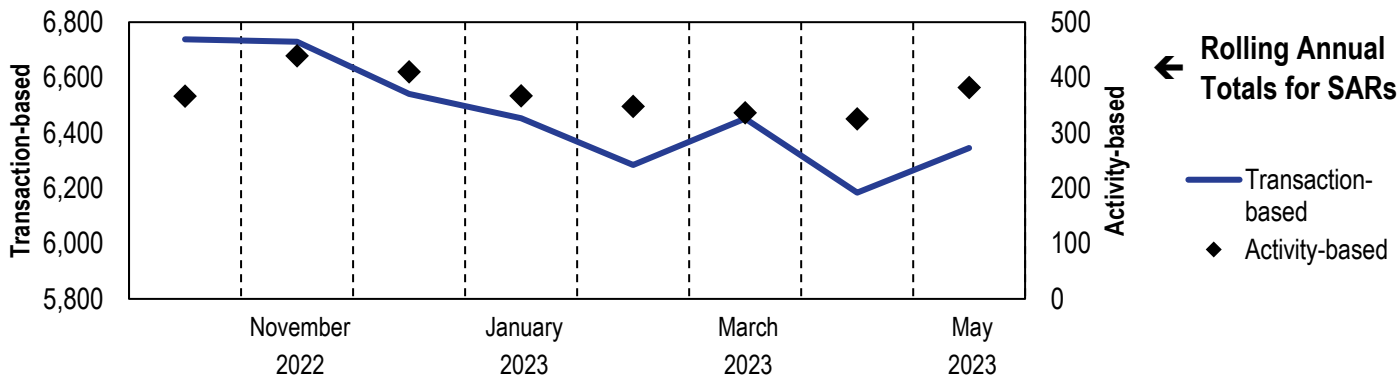
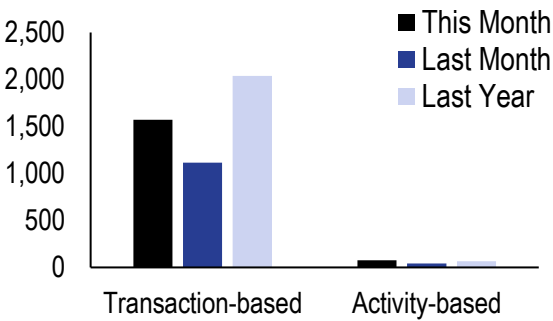
The UK Government has recently published its new fraud strategy, setting out over 50 measures with a goal to reduce fraud and cybercrime by 10 percent by 2025. Fraud is the most commonly-experienced crime, accounting for 41 percent of all crimes committed nationwide.

In February 2023, the UK Government announced that fraud would be reclassified as a national security threat, giving it the same status as terrorism.

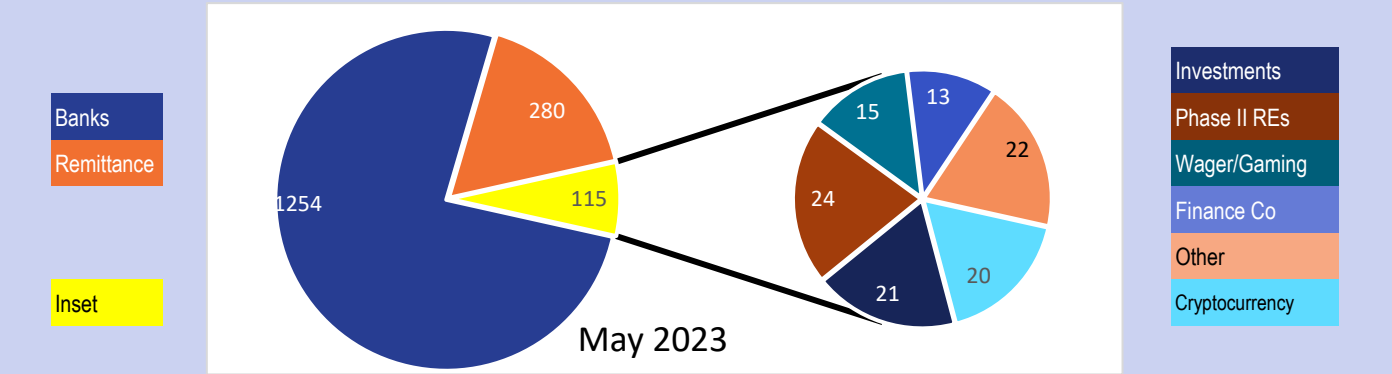
SUBMITTED REPORTS to the FIU\*

Processed Suspicious Activity Reports (SARs)

	This Month	Last Month	Last Year
	May	April	May
	2023	2023	2022
Transaction-based	1,573	1,115	2,037
Activity-based	77	42	65
Total	1,650	1,157	2,102

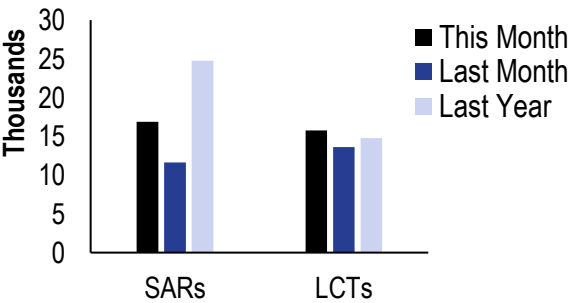


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

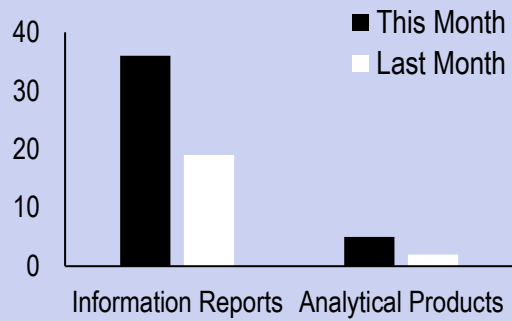
	This Month	Last Month	Last Year
	May	April	May
	2023	2023	2022
SARs	16,892	11,652	24,764
IFTs	472,987	504,099	478,503
LCTs	15,746	13,618	14,766



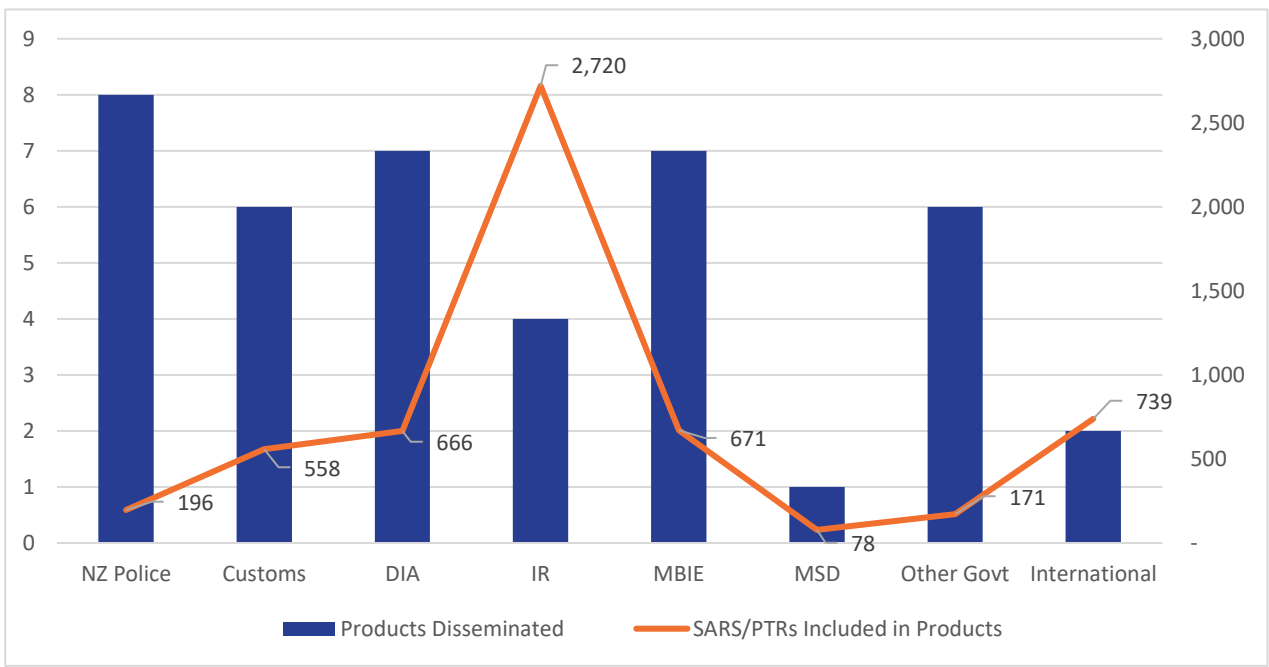
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

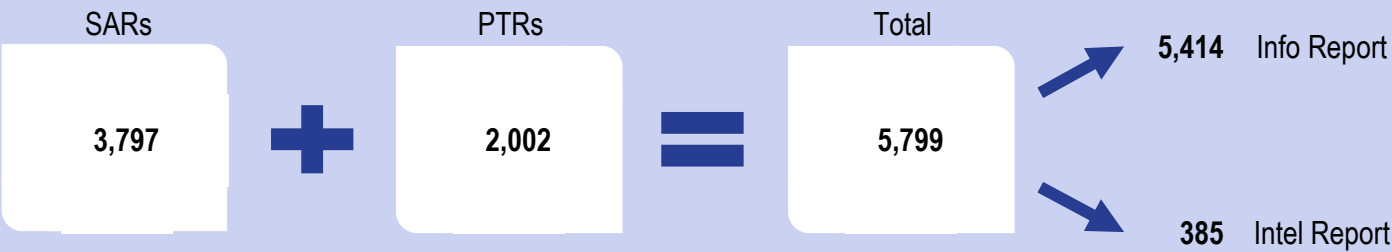
	This Month	Last Month
	May	April
	2023	2023
Information Reports	36	19
Analytical Products	5	2
Total Products	41	21



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.

