



Understanding Money Laundering Risks in the Conflict Gold Trade From East and Central Africa to Dubai and Onward

November 2020 | By Sasha Lezhnev and Megha Swamy

SUMMARY

Annually, over \$3 billion in gold is mined in conflict-affected and high-risk areas in East and Central Africa, including gold from which armed groups and army units profit. The United Arab Emirates, mainly Dubai, imports an estimated 95% of officially exported artisanal and small-scale gold from Sudan, South Sudan, the Democratic Republic of Congo, and Central African Republic, including a significant amount of conflict and high-risk gold. The gold then makes its way to India, Switzerland, and the Middle East, as well as to Western companies and consumers as jewelry and in cars and electronics.

As investigations by The Sentry and others have shown, artisanally mined gold from the DRC, South Sudan, and CAR is mainly smuggled or exported to one of six neighboring countries—Uganda, Rwanda, Cameroon, Kenya, Chad, or Burundi—before being exported to Dubai. Sudan mainly exports directly to the UAE.

In the UAE, weak oversight and controls allow for the trade in conflict and high-risk gold. The Sentry's advisory highlights four key risk factors in the UAE: weak customs controls, inadequate oversight of the gold souks, the continued allowance of large cash transactions, and inadequate oversight of refiners. The advisory lays out money laundering red flags specific to the gold supply chain from the countries listed above, including predicate crime indicators, product differentiation, and trading and company behavior. These red flags, building on those issued by the Financial Action Task Force (FATF), can be useful to law enforcement, regulators, financial institutions, electronics and automotive companies, and refiners.

International regulations and due diligence standards have improved awareness of conflict gold; however, serious problems remain. Understanding the trade and its associated predicate offenses and financial crime risks, particularly in the UAE, will help financial institutions, governments, and others in the gold trade to more effectively disrupt the illicit flows fueling violence and corruption in East and Central Africa.

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SUMMARY OF RECOMMENDATIONS

- The UAE government should close regulatory loopholes that allow for trade in conflict gold and address priority issues from the 2020 FATF mutual evaluation report relevant to the gold trade.
- Gold refiners and electronics, jewelry, and automotive companies should conduct enhanced due diligence and refer to the red flags in the FATF gold typology report and in The Sentry's advisory to assess risks when purchasing gold from the UAE.
- Financial institutions should carry out enhanced due diligence on customers who deal in gold from the UAE.

Read the advisory: <https://thesentry.org/reports/conflict-gold-trade/>

