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THE CENTRE FOR GLOBAL ADVANCEMENT



THE ELEMETAL (NTR METALS) CASE





Deforestation, Money Laundering and Illegal Gold Mining

The details contained in this document are provided as an example to highlight successful legal charges pursued and money flows identified to combat environmental crime cases globally.

This case shows the application of anti-money laundering tools in the United States to combat illegal gold mining in Peru. This case study is not intended to provide a full account of case events.

Illegal Commodity



Linked Jurisdictions

01 Primary Jurisdiction



United States

02 Secondary Jurisdiction



Bolivia



Ecuador



Columbia



Peru



Legal Charges

Failure to maintain an adequate anti-money laundering program (March 2018)



Legislation

1. The Bank Secrecy Act

Summary

Deforestation in Peru is driven by multiple causes including illegal logging, alternative land use requirements and illegal mining. This case focuses on how illegal gold mining drives deforestation and supports trans-national organized crime groups to launder the proceeds of illegally obtained wealth. This US-based case was successful in prosecuting a gold refinery in 2018 for its role in receiving illegally-sourced gold from Peru along with the following breaches:

1. Failure to identify and verify the origin of the gold
2. Failure to identify and verify customer information selling the gold
3. Neglecting to conduct any due diligence relating to the gold transactions or persons that were involved the transactions.

Legal Outcome

Elemetal LLC and its subsidiary NTR Metals pled guilty in March 2018 for failure to maintain an adequate anti-money laundering program, in violation of the Bank Secrecy Act as part of a plea agreement with the United States Attorney's Office for the Southern District of Florida. Elemetal agreed to:

- Forfeit \$15,000,000 to the United States;
- Develop and maintain an effective compliance and ethics program;
- Be subject to a five-year probation where they will be prohibited from purchasing precious metals from outside the United States and required to comply with all further investigations.

In addition, three former employees of NTR Metals - Barrage, Rodriguez and Granda previously pled guilty to conspiracy to commit money laundering in related case, U.S. v. Barrage, et al. In January 2018, they were sentenced to 80, 90 and 72 months imprisonment respectively.



2014



FAILED TO IDENTIFY SOURCE



2018



80, 90 & 72 MONTHS



Illegal gold mining creates **additional consequences**

A review of the wider case shows a number of inter-connected crimes including environmental damage and destruction. A few of these factors are listed below:



Deforestation



Mercury utilized poisons waterways and fisheries in neighbouring areas.



The gold is purchased by organized crime groups as a way to launder ill-gotten profits from selling cocaine in the US markets.



Workers are subjected to toxic substances to consolidate the gold (i.e.: mercury).



Organized crime groups demand unofficial taxes for groups to continue illegal gold mining.



The gold is sold by organized crime groups to US-based refineries.



The Financial Investigation

Payment method

The financial investigation showed a cycle of money laundering where drug traffickers in Peru would use the proceeds of cocaine sales in the US to purchase illegally sourced gold in Peru. This assisted criminal groups in laundering the proceeds of the drug sales and making the cash sales from drugs look clean. The scheme was advanced through the following steps:



1. Cocaine originating in Peru is sold in the United States for cash;



2. The cash is smuggled back to Peru from the United States;



3. Once the cash is in Peru, drug networks purchase the illegally sourced gold with cash;



4. A front company is set up in Peru to sell the gold (i.e.: Gold Traders International);



5. The gold is sold by the front company (owned by drug traffickers) in Peru to US-based refineries;



6. The front company in Peru receives payment via a bank (wire) transfer in payment for the illegally sourced gold.

For more information and/or detailed case studies, please contact:

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