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**TRAFFIC**  
the wildlife trade monitoring network

March 2021

**CASE DIGEST:** INITIAL ANALYSIS OF THE

# **FINANCIAL FLOWS AND PAYMENT MECHANISMS**

BEHIND WILDLIFE AND FOREST CRIME

# CASE DIGEST

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# INTRODUCTION


**WILDLIFE AND FOREST CRIMES<sup>1</sup> POSE AN INCREASING THREAT TO THE ENVIRONMENT AND BIODIVERSITY, TO GLOBAL ECONOMIC AND SOCIAL DEVELOPMENT AND THE SECURITY AND GOVERNANCE OF STATES. A SIGNIFICANT INCREASE IN WILDLIFE CRIME HAS OCCURRED IN THE LAST DECADE, RENDERING IT ONE OF THE LARGEST AND MOST PROFITABLE FORMS OF TRANSNATIONAL ORGANISED CRIME.<sup>2</sup>**

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<sup>1</sup> For the purposes of this report, wildlife crime refers to the taking, trading (supplying, selling, trafficking or buying), importing, exporting, processing, possessing, obtaining and consumption of wild fauna and flora, including timber and other forest products, in contravention of national or international law. See John E. Cooper, Margaret E. Cooper and Paul Budgen, *Wildlife Crime Scene Investigation: Techniques, Tools and Technology*. Contained in *Endangered Species Research*, Vol. 9: 229–238 (2009). For further explanation on illicit and illegal trade see United Nations Environment Programme (UNEP), *Strengthening Legal Frameworks for Licit and Illicit Trade in Wildlife and Forest Products: Lessons from the Natural Resource Management, Trade Regulation and Criminal Justice Sectors* (2018, p. 2).

<sup>2</sup> For statistics and data see, inter alia, UNODC, *World Wildlife Crime Report* (2016 and 2020); UNEP, *The State of Knowledge of Crimes that have Serious Impacts on the Environment*, pp. VIII and 1-11 (2018).





**This highly lucrative illicit business is managed by organised criminal groups through a variety of payment mechanisms. These mechanisms, including cash transactions and bulk cash smuggling, trade-based money-laundering, international bank transfers through legal businesses and nominee bank account holders, are key to advancing the objectives of criminal organisations. Organised criminal groups<sup>3</sup> engage in corruption to accomplish their aims by bribing public officials to obtain information on the movement of animals or patrols, to acquire illegitimate licences or permits to give illegal wildlife products the veneer of legitimacy and to allow illegal specimens to pass through checkpoints or avoid seizure. Further, offenders may attempt to pay law enforcement officials to disrupt or close criminal investigations to circumvent any consequences associated with their illegal activities.**

Currently, there is a noticeable lack of financial investigations related to wildlife and forest crime cases. As such, the information about how criminals extract the profits from wildlife and forest crimes, and the identities of the main financial beneficiaries of those crimes, remains limited. The result of this is that low-level criminals, such as poachers, are caught and prosecuted, leaving the more senior members of criminal groups and actual beneficiaries of these crimes free to continue their illicit activities. A greater understanding of the financial aspects will allow for more effective prosecutions that target those that use corruption to facilitate wildlife and forest crime, and thereby disrupt organised criminal groups.

This Case Digest was created to fill this information gap by providing data on actual cases from Africa, Asia and Latin America and thereby generate more knowledge of financial flows associated with the illegal wildlife trade and what payment mechanisms are used by those perpetrating the crime.

The Digest begins with a glossary of terms, which is a collection of financial terms that

describe methods of value transfer between buyers and sellers of illicit goods.

The Digest is then divided into two parts. Part 1 starts with an analysis of 40 case studies that were collected for the purpose of this Digest, highlighting common themes and trends. Part 1 is divided into five areas: 1. High-risk entities and industries for money laundering and other financial crimes linked to illegal wildlife trade (IWT); 2. Common payment methods along the IWT supply chain; 3. Lack of financial investigations related to wildlife crime; 4. Convergence between wildlife crime and other forms of organised crime; and 5. Corruption risks associated to IWT.

Part 2 of the Digest focuses on 11 detailed case studies that are based on decided cases or completed or ongoing criminal investigations. This part includes seven chapters, each of which presents a particular wildlife or forest species and its use as a commercial product, such as ivory, rhinoceros horns, lion bones and rosewood. Each chapter includes one or more case studies, highlighting the financial mechanisms and systems used by traffickers to procure the illicit product and facilitate its export, import and sale. Finally, Part 2 provides recommendations for law enforcement officials, financial institutions and financial intelligence units (FIUs) based on lessons learnt from the case studies.

The authors hope that this Digest will be used by financial institutions, law enforcement agencies and other stakeholders within the criminal justice system as a source of information that can be leveraged to build more expertise and understanding of criminal actors and money flows related to wildlife and forest crime. It is hoped that this Digest will eventually inspire further successful investigations, prosecutions and convictions relating to the illegal wildlife trade with a focus on utilising financial investigation techniques as a key tool to disrupt organised criminal groups perpetrating these crimes.

<sup>3</sup> In line with article 2 of the UN Convention against Transnational Organized Crime, "Organized criminal group" means a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences, in order to obtain, directly or indirectly, a financial or other material benefit.

<sup>4</sup> Information on species-level trade was sourced from TRAFFIC's wildlife trade database to provide the reader with additional context on the trade dynamics of each species.

# ACRONYMS AND ABBREVIATIONS

<b>ATM</b>	Automatic Teller Machine
<b>CDD</b>	Customer Due Diligence
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora
<b>ESAAMLG</b>	Eastern and Southern African Anti-Money Laundering Group
<b>ETIS</b>	Elephant Trade Information System
<b>FATF</b>	Financial Action Task Force
<b>FIU</b>	Financial Intelligence Unit
<b>IUCN</b>	International Union for Conservation of Nature
<b>IWT</b>	Illegal Wildlife Trade
<b>KYC</b>	Know Your Customer
<b>MSB</b>	Money Services Business
<b>MVTS</b>	Money or Value Transfer Services
<b>NGO</b>	Non-Governmental Organisation
<b>PEP</b>	Politically Exposed Person
<b>SAR</b>	Suspicious Activity Report (also known as Suspicious Transaction Report)
<b>SME</b>	Small and Medium-sized Enterprise
<b>STR</b>	Suspicious Transaction Report (also known as Suspicious Activity Report)
<b>SWIFT</b>	Society for Worldwide Interbank Financial Telecommunication
<b>TBML</b>	Trade-based Money Laundering
<b>UNCAC</b>	United Nations Convention against Corruption
<b>UNODC</b>	United Nations Office on Drugs and Crime





# GLOSSARY OF TERMS

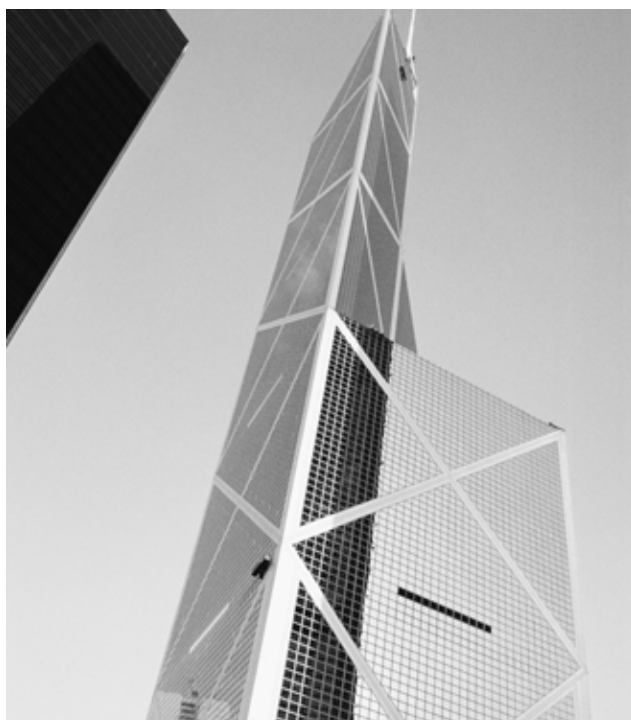
**THE FOLLOWING SECTION PROVIDES A BASIC EXPLANATION OF THE FINANCIAL MECHANISMS AND CONCEPTS USED IN THE CASE STUDIES EXAMINED IN THIS DIGEST. THIS SECTION HAS BEEN DIVIDED INTO SIX MAIN CATEGORIES:**

1. **Regulated banking and money or value transfer services**
2. **Unregulated money or value transfer services**
3. **Trade-based money laundering**
4. **Tax evasion, tax avoidance and tax fraud**
5. **Mobile and internet-based payments**
6. **Other payment (value-transfer) methods**



# 1. REGULATED BANKING SERVICES AND MONEY OR VALUE TRANSFER SERVICES (MVTs)

Traditional banking services and the regulated financial sector provide a range of payment methods to move funds both domestically and internationally.



Common services involve the acceptance of cash, cheques, other monetary instruments or stores of value; and the payment of a corresponding sum in cash or other form to a beneficiary by means of communication, message, transfer, or through a clearing network. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods.<sup>5</sup> Regulated MVTs (i.e. Western Union or MoneyGram) are also frequently used in conjunction with unregulated systems like hawala. An example of a regulated banking transaction includes:

## ELECTRONIC FUNDS TRANSFERS (EFT) OR WIRE TRANSFERS.

The term “wire” or “wire transfer” describes a transfer of funds by telegraphic message over wires from one bank account to another. Electronic Funds Transfer (EFTs) are sometimes referred to as “wire transfers”. Transfers that use

systems such as SWIFT or MVTs such as Western Union are also EFTs.<sup>6</sup> Electronic transfers are fast, usually secure, and able to transfer large amounts of funds across multiple jurisdictions.



### CASE EXAMPLE:

#### Refer to Case 10:

The Siamese Rosewood Smuggling Network for an example of international bank transfers associated with the purchase of illegal products.



## 2. UNREGULATED MONEY OR VALUE TRANSFER SERVICES (UNDERGROUND BANKING)

**There are also many unregulated money transfer services that could be considered “underground banking” techniques, including hawala-based systems.**

These value transfer systems can sometimes operate within an otherwise regulated money service business as part of its set of services. The mechanisms by which transfers are effected are often the same as those used in regulated value transfer services. Commissions are usually low, often 1-2% in contrast to regulated money service businesses, which may charge up to 15%. Examples of unregulated value transfer systems include hawala and Chinese Flying Money (Fei Qien or Fei Chien or Underground Money Shops). The Financial Action Task Force (FATF) also included examples of “Underground Money Shops” in their guidance on hawalas<sup>7</sup> in 2013.



### AN EXAMPLE OF UNREGULATED MONEY TRANSFER SERVICES INCLUDE: HAWALA

Hawala is a globally-used money value transfer service. The transaction is initiated when a customer gives cash to a “hawaladar” (a hawala broker) for it to be sent to a particular destination in a specific currency. In return, the hawaladar provides a code to the customer and the hawaladar in the destination country. The customer communicates this code to the recipient using any available method (such as phone, email, social network or HF/VHF radio). The destination hawaladar pays out (or delivers) the funds to the intended receiver against the receipt of the matching code. Debts between hawaladars can then be settled according to the

balance reflected in their journals, through cash courier, bank transaction or commodity transfer. Hawaladars need to keep detailed records of all transactions for their business to operate effectively. In some jurisdictions, these records are required to be presented to national authorities, where the hawaladar is licenced. Hawala networks often correspond to trading and transport routes and, as such, often interact with small businesses including travel agencies, foreign exchange bureaus, freight forwarding and secondhand car dealerships.



### CASE EXAMPLE:

#### Refer to Case 3:

The Hawala Scheme for detailed examples on hawala systems and its various forms.

### 3. TRADE-BASED MONEY-LAUNDERING

Trade-based money-laundering (TBML) is generally understood to be “the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illicit origins.”<sup>8</sup>

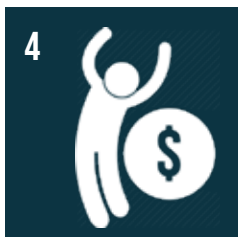
Common examples of trade-based money laundering include:

- **Over- or under-invoicing:** over-stating the value of the invoice relative to the goods shipped;
- **Multiple invoicing:** more than one invoice is issued for the same goods consignment;
- **Over-or under-shipments:** falsifying the quantities of goods shipped;
- **False description** of goods; and
- **Phantom shipments:** goods that are not shipped; however, an invoice is issued.

### 4. TAX EVASION, TAX AVOIDANCE AND TAX FRAUD

Tax evasion can be described as illegally and intentionally avoiding the payment of taxable amounts due under a State’s tax laws.

Tax avoidance involves the structuring of financial affairs to minimise tax liability. Tax fraud entails a false declaration, manipulation or misreporting of information in order to reduce or avoid the payment of taxes.



#### CASE EXAMPLES:

for examples of tax evasion and tax fraud refer to:

#### Case 4:

Small Business Tax Evasion and Money Laundering

#### Case 11:

Timber Trafficking







## 5. MOBILE AND INTERNET-BASED PAYMENTS

Mobile and internet-based payment methods rely on technology in order to process a payment or funds transfer. These payment methods allow users to deposit, transfer, borrow, withdraw and disburse funds through a mobile device. Account information may be stored on the mobile phone user's SIM card. Popular examples of mobile money or internet-based payment systems include LINE (Japan, Taiwan, Thailand and Indonesia), M-PESA (Africa), Alipay and WeChat Pay (China).

- **Alipay.** Alipay is a mobile and online payment platform established in China by Alibaba, an e-commerce retailer. Payment by Alipay is also accepted at certain retailers internationally.<sup>9</sup> The report "Grinding Rhino"<sup>10</sup> concludes that Alipay is widely accepted in shops in China and associated with illicit sales of wildlife products.
- **M-Pesa.** M-Pesa is a popular example of mobile money, which was created in Kenya by the largest mobile phone operator to facilitate access to financial services to populations with limited or no access to the traditional banking system. A user can conduct transactions through a SIM card inserted in a mobile device, as the phone number represents the account. Payments and transfers to other registered accounts (phone numbers) are made through SMS. Today, M-Pesa has more than 37 million active customers and operates across seven countries.<sup>11</sup> Cases in East Africa show that tracing mobile money payments can lead to the identification of additional IWT actors; however, they are usually lower level poachers and facilitators.
- **WeChat, WeChat Pay.** A Chinese multi-purpose messaging, social media and mobile payment application, WeChat requires users to link to a Chinese bank account or credit card. Users can transfer funds between themselves, pay bills and make purchase payments on their mobile device.



### CASE EXAMPLE:

#### Refer to Case 6:

The Nhi Khe Village that illustrates the use of WeChat by traders in Viet Nam to conduct financial transactions with key buyers and final consumers of illegal wildlife products.

## 6. OTHER PAYMENT (VALUE-TRANSFER) METHODS

Other commonly used payment methods similarly enable individuals to transfer value between parties. Payment methods like cash, which typically do not include the

remitter's name, offer a level of anonymity and render transactions more difficult to trace. Examples of other payment methods include:

- **Barter Trade.** Barter trade is a contract in which the parties exchange goods without the use of money. "Barter" commonly refers to the exchange of services or a mix of goods and services.
- **Cash.** Cash transactions are common in many of the IWT source countries which are still predominately cash-based economies.

### CASE EXAMPLE:

#### Refer to Case 8:

Abalone for Drugs that illustrates the use of barter trade and case-based transactions to ensure that the authorities were limited in their ability to detect financial flows associated with the trade in illegal goods, namely drugs and abalone.



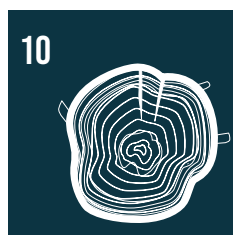
## OTHER FINANCIAL TERMS

- **Correspondent Bank** - A correspondent bank is a financial institution authorised to provide services on behalf of other banks with limited access to financial markets. Among these services, a correspondent bank will often perform as intermediary to enable a domestic bank to transfer funds to a foreign bank, when there is no financial relationship between the two, impeding the domestic bank from transacting directly. Correspondent banks typically have access to a large amount of data from processing transactions on behalf of other banks. For example: A bank in New York may act as the conduit (intermediary) for a local bank in Asia to transfer funds to a local bank in Africa due to its extensive network and US Dollar clearing capability. Therefore, the funds will be transferred via the USA, as an intermediary step and be visible to USA law enforcement authorities should the transaction appear suspicious.
- **Money Mule** - A money mule is a "courier" who is paid for depositing or withdrawing funds on behalf of a third party. Money mules are recruited under various guises so they may be wittingly or unwittingly performing money courier services.
- **Nominee Bank Account Holder** - A nominee is a natural or legal person registered as the holder of securities or assets that belong to, and for the benefit of, another person. A bank account held by a nominee therefore is a bank account opened under the name of a nominee. For example, a bank account can be opened by the beneficial owner, under the name of a shell company (see below) with nominee directors. The beneficial owner could further appoint an account signatory. The beneficial owner could also hide assets in bank accounts opened by family members or third parties under their names. The prevalence of bank accounts held by nominees or third parties is growing both in Africa and Asia. In most cases, the registered account owner will earn a commission or fee for opening and/or operating the bank account. Access to the account by the "true" account holder may be granted via online banking and the use of ATM cards.

### CASE EXAMPLE:

#### Refer to Case 10:

The Siamese Rosewood Smuggling Network for an example of international bank transfers associated with the purchase of illegal products.





- **Shell company** - A shell company is considered by FATF to be an incorporated company with no independent operations, significant assets, ongoing business activities or employees. Shell companies tend to be conduits or holding companies.<sup>12</sup> Although shell companies are legal

and may be used for legitimate business purposes, they can also be used by criminals and tax evaders to conceal the nature, origin or destination of funds, as well as the identity of the real owners or beneficiaries behind the business operations.

## CASE EXAMPLE:

### Refer to Case 8:

Abalone for Drugs that illustrates the use of barter trade and case-based transactions to ensure that the authorities were limited in their ability to detect financial flows associated with the trade in illegal goods, namely drugs and abalone.



- **SWIFT**<sup>13</sup> - The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is a network that allows its 11,000-member financial institutions in more than 200 countries to send and receive financial transactional information to and from each other in a standardised manner. SWIFT gives the instructions for an electronic funds transfer that is settled between member institutions using correspondent bank accounts. SWIFT is not the only service used by banks; Fedwire, Ripple, and CHIPS are competing systems. A “SWIFT code” is a bank identifier,

enabling the system to identify to whom and from whom the transfer is made. SWIFT codes consist of an 8- or 11-digit code. In the case of an 8-digit code, the first four digits identify the financial institution, the next two reflect the country and the last two represent the city. For 11-digit codes, the additional three digits specify a branch. For example, SCBLHKHH is the SWIFT Code for Standard Chartered Bank in Hong Kong Special Administrative Region (SAR)<sup>14</sup>.



A close-up, high-contrast photograph of a gorilla's face, focusing on the nose and mouth. The image is heavily shadowed and has a monochromatic blue-green tint, giving it a somber and dramatic appearance. The gorilla's fur is thick and textured, and its facial features are sharply defined by the lighting.

PART 1

# SUMMARY OF KEY PATTERNS AND TRENDS:

financial flows related to the illegal trafficking of wildlife



**THE 40 CASE STUDIES IN PART I WERE COLLECTED FROM CONTRIBUTING EXPERTS AND ORGANISATIONS, COURT DOCUMENTS, AND THROUGH OPEN-SOURCE RESEARCH. WHILE THE SAMPLE OF 40 CASES IS NOT NECESSARILY CONCLUSIVE, THE DATA SHOWS FINDINGS THAT CAN BE LEVERAGED FOR FUTURE FINANCIAL TYPOLOGY STUDIES WITHIN THE SAME CONTEXT. TO THAT EFFECT, PART I EXAMINES THE EMERGING PATTERNS AND TRENDS IN RELATION TO:**

1. **High-risk entities and industries for money-laundering and other financial crimes linked to IWT;**
2. **Common payment methods along the IWT supply chain;**
3. **Lack of financial investigations related to wildlife crime;**
4. **Convergence between wildlife crime and other forms of organised crime; and**
5. **Corruption risks associated to IWT.**

## **1. HIGH-RISK ENTITIES AND INDUSTRIES FOR MONEY-LAUNDERING AND OTHER FINANCIAL CRIMES LINKED TO IWT**

The following list includes entities and industries considered to be high-risk for the perpetration of money-laundering and other financial offences associated with wildlife and forest

crime, at source, transit, and destination countries where IWT traditionally takes place.

- Game lodges, farms and safari parks
- Second-hand car dealerships and companies that sell spare parts for motor vehicles
- Import-export companies
- Construction and logistics
- Restaurants
- Travel agents
- Sawmills and wood processing companies
- Seafood and marine products
- Art and crafts, curios, antiques
- Currency exchange and money service bureaus
- Transport and logistic companies
- Medical supply companies
- Pet stores, zoos, breeding farms
- Captive-breeding farms and facilities
- Other cash-intensive businesses for proceeds and commingling





Banks, FIUs, law enforcement and other actors with an interest in investigating wildlife crime may use the list above, in conjunction with the Appendix 1: Key Trends and Red Flag Indicators, to identify and monitor high-risk entities and industries in their own countries that may engage in financial transactions facilitating IWT. For example, banks could proactively intensify their Know Your Customer (KYC)

processes before initiating a business relationship with a high-risk entity, and continue Customer Due Diligence (CDD) checks throughout the relationship to increase the chance of identifying any suspicious transactions, especially involving source, transit and destination countries where IWT traditionally takes place.

## 2. COMMON PAYMENT METHODS ALONG THE IWT SUPPLY CHAIN

**Many organised criminal groups involved in IWT include similar types of actors who play key roles throughout the supply chain.** In some ways, this supply chain of actors imitates how a legitimate business operates by ensuring that there are actors to procure the targeted wildlife product, transport it, export it and receive it, before selling it in some cases to its final consumer.

Although this conceptual model is not as linear in reality and may involve additional actors, it proves useful for criminal analyses. Table 1 maps out the common payment methods observed across the IWT supply chain.

**Financial flows:** Based on the data collected, while goods flow from source to destination, funds often (but not always) flow from the destination country to the source country to pay for the illegal goods.

Funds are then dispersed locally to organised criminal group members mostly via cash payments. These cash payments are made within national boundaries to contributing actors that play varying roles in the overall scheme, from sourcing the wildlife product and acting as the financial conduit, to assistance in the logistics and shipping of the final product. For example, the analysed financial data show transactions from Southeast Asia to East, Southern and West African countries (Figure 1). In addition, there are cases in which transactions occur within the destination country. For example, a national of a destination country who resides in a source country will likely maintain a bank account in their home country (the destination country). As such, law enforcement agencies and financial institutions in source countries may have limited visibility of the transactions relating to wildlife crime outside their jurisdiction.

TABLE 1

Common payment methods along the IWT supply chain.

## ROLE



### POACHER AND LOCAL FACILITATOR

## PAYMENT METHOD(S)

- Cash
- Cheque
- Money or value transfer services
- Barter trade
- Mobile and internet-based payments

#### When bank accounts are used:

- Cash and cheque deposits followed by immediate withdrawals of similar amounts.
- Rapid movement of funds (deposits followed by withdrawals of similar amounts)



### EXPORTER AND IMPORTER

- Underregulated money or value transfer services (i.e., hawala system)
- Barter trade
- Nominee bank account holders
- Apparent legitimate companies used to move commingled legal and illegal funds

#### When bank accounts are used:

- Wire transfers from destination to source country
- Transactions occurring within apparent legitimate businesses
- Unexplained and numerous transactions



### CONSUMERS

- Mobile and internet-based payments (i.e., WeChat LINE and Alipay)
- Underregulated money or value transfer services
- Use of nominee bank accounts holders to hide the true beneficiary

#### When bank accounts are used:

- Local (domestic) bank transfers

## CASE EXAMPLE

### CASE 1

#### The Ivory Queen

This demonstrates the prevalence of cash payments distributed to actors playing a role in procuring, transporting, securing and shipping ivory.



### CASE 5

#### Pseudo-Hunting for Rhinoceros Horn

In some cases, both international and domestic bank transfers were conducted, like in Case 5.



### CASE 6

#### The Nhi Khe Village

Chinese buyers used WeChat Pay to purchase illegal wildlife products from Vietnamese suppliers.



# ILLEGAL WILDLIFE TRADE

## PAYMENT METHODS & MONEY FLOWS

ACROSS A FICTIONAL SUPPLY CHAIN

**AFRICA**

CASH TO SUPPLIERS



CHEQUE TO LOCAL FACILITATORS

CASH TO TRANSPORTERS

WIRE  
TRANSFERS

underground  
banking  
methods  
i.e. Hawala

**PAYMENT METHODS**

POACHERS AND LOCAL FACILITATORS

Cash, cheque,

Money transfer services i.e. Western Union

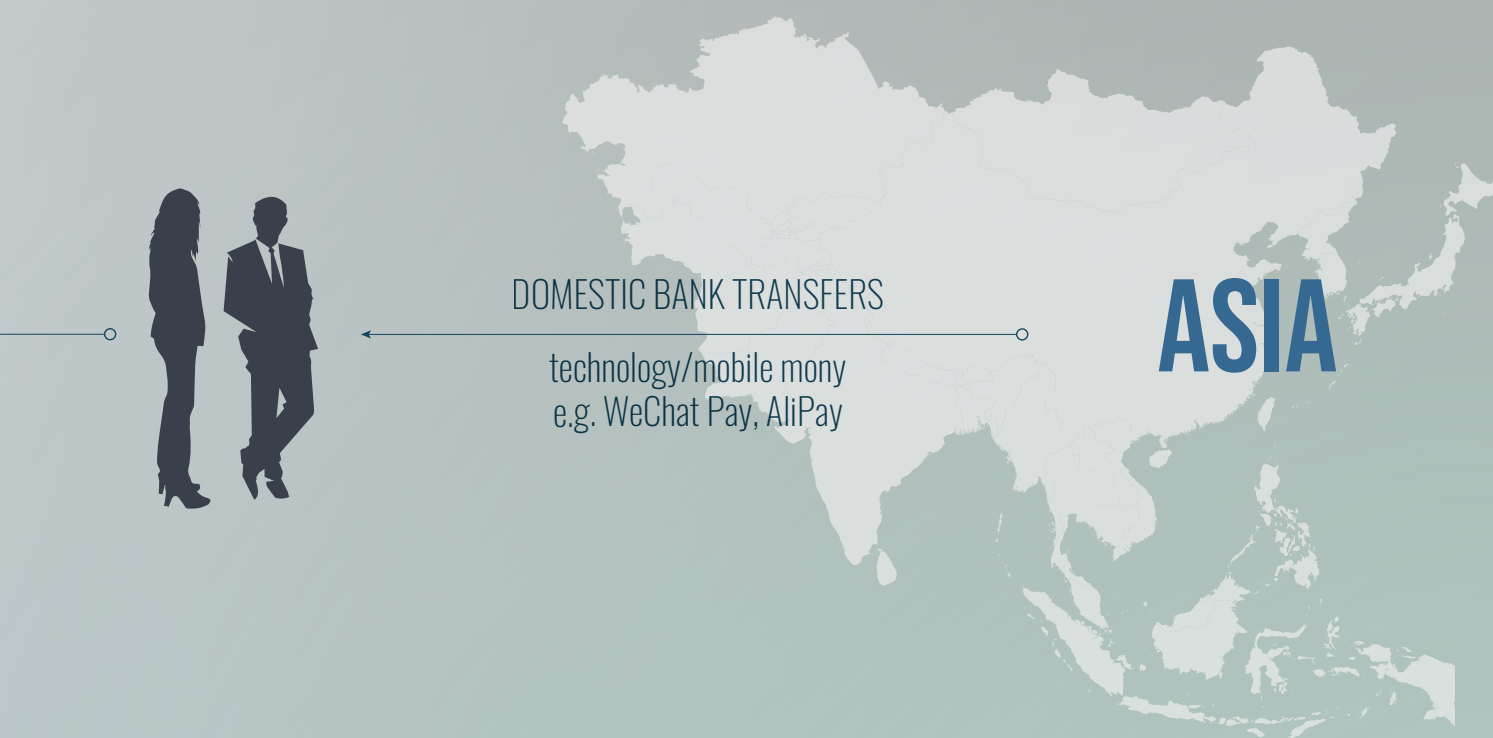
Mobile Money





FIGURE 1

Example of payment methods along the IWT supply chain for one known organised criminal group



#### IMPORTERS AND EXPORTERS

International bank transfers

Use of nominee & family member accounts

Underground banking - Hawala

Money movement via legitimate accounts

#### RETAILERS AND CONSUMERS

Mobile money

Technology platforms i.e. WeChat, Alipay

Domestic bank transfers within destination country

### 3. LACK OF FINANCIAL INVESTIGATIONS RELATED TO WILDLIFE CRIME

**Parallel financial investigations rarely take place in relation to wildlife and forest crime cases.** This can in part be attributed to a limited capacity to collect and analyse relevant data, along with insufficient experience in commencing and progressing financial investigations. Moreover, there are only very few cases in which asset recovery processes have been successful with some case examples being demonstrated from South Africa and Thailand. Law enforcement agencies should make further efforts to conduct parallel financial investigations, which are key to developing insight into organised crime structures and how criminal enterprises finance their activities.

**Financial flows:** Many of the accused involved in wildlife crime face prosecution for violating existing wildlife laws for “possession of illegal trophies and/or wildlife products” and to some extent, organised crime charges.

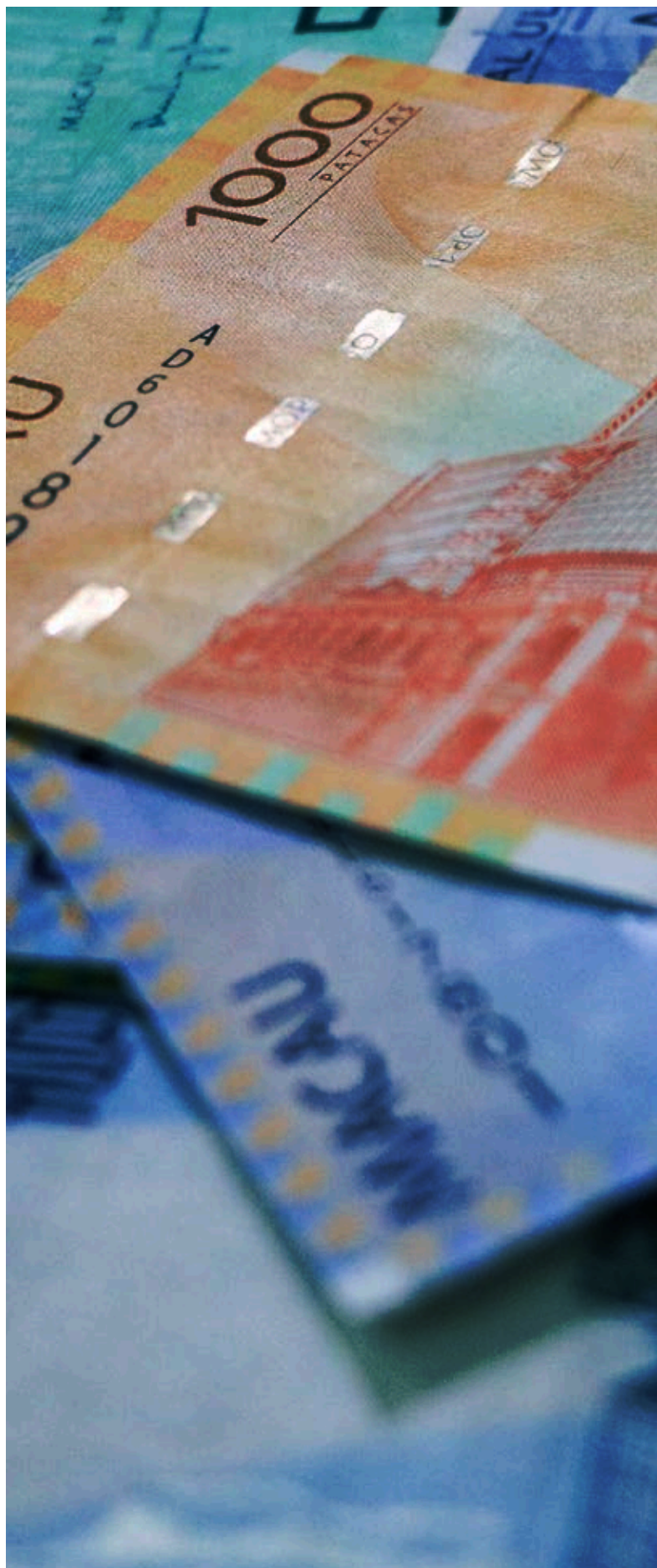
However, most cases tend to focus on financial transactions within national boundaries (including a heavy emphasis on cash payments) as law enforcement agencies have more visibility over activities happening in their territory and limited visibility on transactions that have not been conducted in-country. Organised criminal groups often set up shell companies and use nominee bank account holders across multiple jurisdictions to conceal their illegal operations. The investigation of these highly complex structures become more complicated as it requires effective international co-operation and coordination between several actors.

### 4. CONVERGENCE BETWEEN WILDLIFE CRIME AND OTHER FORMS OF ORGANISED CRIME

**Understanding the topic of crime convergence is critical in the context of the illegal wildlife trade. Frequently, a country’s ability to tackle the illegal wildlife trade reflects its relative capacity to understand and respond to organised crime threats more broadly.**

In recent years, diversification amongst organised criminal groups has increased rapidly.<sup>15</sup> Indeed, criminals use their knowledge about porous borders, merchandise concealment methods, alternative transportation means, vulnerabilities to corruption, as well as the legal and financial techniques to obscure beneficial ownership, to expand their criminal portfolio.

A better understanding of the linkages between wildlife and forest crime and other related crimes may benefit the response undertaken by both the private and the public sector, as often the *modus operandi* employed by the criminals is very similar.



Moreover, the perpetrators, accomplices and public officials involved in the criminal operations may be the same people.

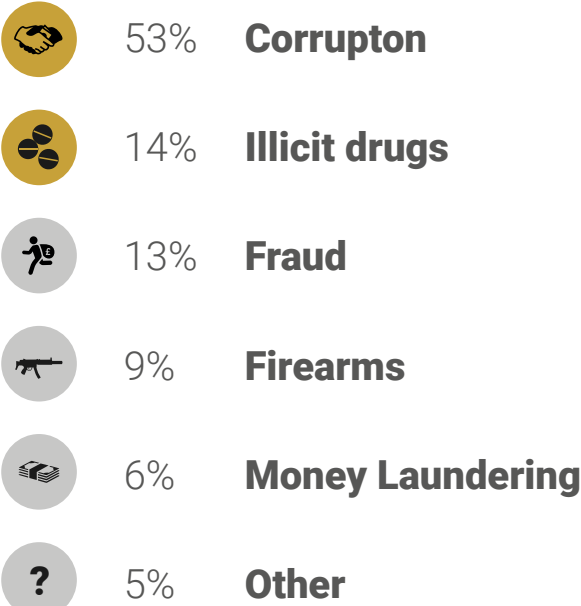
To this effect, both law enforcement and financial institutions should be especially aware of typologies and trends; of complex control structures through legal persons across jurisdictions; of the use of financial instruments and fraud to conceal the ownership of assets; and of money-laundering methods that are converging amongst different forms of transnational organised crime. The development of crime prevention strategies - which includes detection, monitoring and reporting - should be based on a risk assessment approach according to the country's profile and should be effectively coordinated between the public and the private sectors.

On another hand, perpetrators of wildlife and forest crime may have primarily done so by committing a corruption offence, thus linking and investigating corruption can also be a way to hold these actors accountable for their actions, especially when the penalties for corruption are higher. Although significant steps have been taken in recent years within the global community to recognise wildlife and forest crime as a serious crime<sup>16</sup> alongside other high-priority crimes such as the trafficking of human beings, illicit drugs, weapons or counterfeit goods, much more can be accomplished. Both

public and private institutions with the mandate to identify, monitor, report or investigate illegal wildlife trade are making unprecedented commitments to increase their focus on this issue, yet often remain constricted by the realities of political interference, corruption, limited resources, and/or insufficient capacity to respond effectively.

To illustrate the issue of convergence, Figure 2 provides examples of where the illegal wildlife trade has been linked to other forms of crime based on data recorded in TRAFFIC's Wildlife Trade Information System.<sup>17</sup> Globally, 1,321 incidents in TRAFFIC's Wildlife Trade Information System were linked to serious or organised crime and/or the seizure of other non-wildlife items during the last 15 years (2004 to 2019) (Figure 2).

Several case studies detailed in Part 2 of this Digest show a nexus to other crime types, notably drug trafficking. Corruption, along with other offences, including money laundering, fraud and tax evasion, demonstrate that the illegal activities of those involved do not stop at just wildlife crime. Investigating and prosecuting financial crimes related to wildlife crime can help identify broader organised criminal activity, identify typologies relating to criminal behaviour, as well as typical payment schemes and methods, which can lead to further successful prosecutions.



**FIGURE 2**  
*Illegal wildlife trade linked to serious or organised crime*

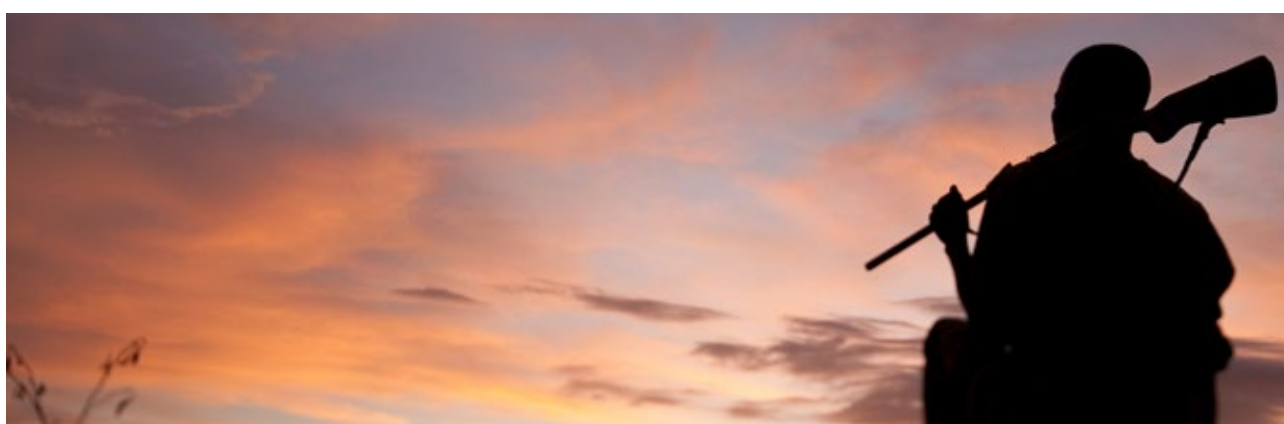




**Financial flows:** Financial data collected for this Digest highlights that one payment method can be the exchange of illegal goods for other illegal goods, such as abalone in exchange for illicit drugs. Furthermore, this exchange of illegal goods can be arranged by criminal groups located in separate countries, to settle debts between them, resulting from the illegal operations of different crimes. Payments for wildlife products can also flow through timber trading companies along with other small- to medium-sized businesses, often commingling legal and illegal funds.

Investigations in South Africa indicate that widely available gift and recharge vouchers, such as Apple iTunes and Google Play, have been used by wildlife crime networks

to launder money. Cases have been documented in South Africa whereby foreign nationals were arrested in a police sting operation after undercover police operatives offered to sell them rhinoceros' horns. Police recovered large sums of cash along with Apple iTunes vouchers valued in the millions of South African Rand. Separate investigations found that foreign nationals had purchased various voucher types in bulk from leading chain stores in South Africa. Investigators believe the vouchers are being resold in Asia online and may, in some cases, be used to purchase in-game virtual currency to launder the proceeds further. Similar laundering methods involving closed-system cards have been detected in Australia, Canada and the United States, often in cases linked to narcotics.

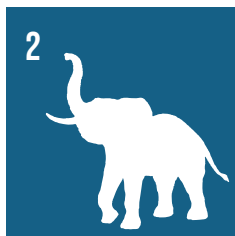


## 5. CORRUPTION RISKS ASSOCIATED TO IWT

The data collected for this Digest shows that the most common forms of corruption that facilitate wildlife and forest crime include:

- Illegally obtained permits for hunting purposes through bribe payments to politically exposed persons and/or public officials.
- Bribe payments to issue or overlook false permits and documents for timber (such as falsely declaring an illegal species as a legal one to avoid detection).
- **Bribe payments to:**
  1. **Customs officials** to enable illegal goods to cross borders;
  2. **Law enforcement** and/or politically exposed persons to drop any ongoing investigations;
  3. **CITES officials** for export permits;
  4. **Airline officials** to facilitate the movement of goods via air travel.

## CASE EXAMPLES:



Report of a USD 50,000 bribe offered to police officers in an attempt to evade arrest was quoted in **Case 2: The Ivory Smuggling Network**. The former Head of Guinea CITES Management Authority was convicted for selling fraudulent CITES export permits to traffickers for approximately USD 5,000 each in **Case 9: The Guinea-Based Networks**.





PART 2

# FINANCIAL CASE STUDIES





## CHAPTER 1 THE **IVORY** TRADE

**THIS CHAPTER FOCUSES ON THE TRADE OF IVORY AND INTRODUCES THREE CASES: TWO FROM EAST AFRICA AND ONE FROM CENTRAL AFRICA. ALL THREE CASES REVEAL DISTINCT PAYMENT MECHANISMS.**

### **Case 1: The Ivory Queen**

demonstrates a high use of cash payments to pay local organised criminal group members.

### **Case 2: The Ivory Smuggling Network**

shows a much higher level of sophistication with the use of apparent legitimate food and seafood companies to move funds via international wire transfers between Africa and Asia.

### **Case 3: The Hawala Scheme**

highlights the use of unregulated value transfer systems, such as hawala, to move funds across national borders without engaging with regulated banking systems.

## **IVORY TRADE DYNAMICS**

**Potential uses and commodities in trade:** tusks, raw ivory, statues, carvings, chopsticks, name seals, and jewellery.





## BACKGROUND TO THE TRADE

**Countries in Asia and Africa host the most active existing market demand for ivory, sourced through domestic and international supply chains. Some ivory trade is legal within national boundaries, while all international commercial ivory trade is prohibited by strict CITES regulations. Illegally traded ivory can be used and commodified in trade in various forms, including as tusks, raw ivory, statues, carvings, chopsticks, name seals, and jewellery.**

Buyers can purchase ivory from both physical and online markets. Market surveys conducted by TRAFFIC in Viet Nam, for example, show that offenders use illegal retail outlets and online social media platforms to identify buyers and supply domestic and international clients.<sup>18</sup> Similar surveys conducted in China show that buyers who had claimed to purchase ivory in 2018 had mostly done so in physical markets.<sup>19</sup> In Japan, TRAFFIC found that the legal trade of illegally acquired ivory was ongoing, largely due to the lack of regulations concerning the online trade of eCommerce companies.<sup>20</sup>

Smaller worked<sup>21</sup> ivory items, such as jewellery, are less expensive than larger carved ivory pieces, such as statues, thus making them more affordable for buyers.<sup>22</sup> Furthermore, online and physical market surveys in Viet Nam in 2017 and 2018 illustrated that ivory jewellery items accounted for more than 90% of all the items found.<sup>23</sup> Prices for ivory products varied widely, from USD7 (ivory earrings per pair found on a social media website) to USD2,637 (an ivory bangle approximately two centimetres in width found at a jewellery outlet in Ho Chi Minh City), but only 154 items were priced over USD200.<sup>24</sup> Market surveys conducted in Central Africa show that increases in the shortage of ivory led to rising prices between the period of 2007 and 2015.<sup>25</sup>

The dynamics of the illegal ivory trade differ depending on the ivory commodity in question. Seizures of small-scale and worked ivory are often linked to individual buyers and tourists compared to large-scale raw ivory shipments which are typically linked to organised criminal activity.<sup>26</sup> Trade bans could increase poaching incentives and legal

ivory sales from stockpiles occur too infrequently to reduce poaching pressure on wild populations.<sup>27</sup> All of these factors contribute to the increase in the price of raw ivory and the demand for continued illegal trade.<sup>28</sup>

Based on the most recent Elephant Trade Information System (ETIS)<sup>29</sup> analysis, current levels of trade by weight are the lowest they have been since 2010 (however with some statistical uncertainty).<sup>30</sup> While this may indicate a reduction in the illegal trade of ivory<sup>31</sup>, reduced trade levels by weight may result from declining average tusk weights of elephants or a lack of reporting of seizures.<sup>32</sup> There has also been a steady incremental decline in the total number of transactions from the peak years of 2012/2013, with the worked small (<10 kg) weight class exhibiting the most pronounced decline. Additionally, trends in small (<10 kg) and medium (10-100 kg) sized raw ivory seizures have been relatively stable or increasing, respectively.<sup>33</sup> However, there have been at least three large seizures of raw ivory, weighing between 7.4 and 9.1 tonnes, that indicate the potential ongoing involvement of organised crime in 2019 at the time of reporting.<sup>34</sup>



### 9.1 tonnes WEIGHT OF THE LARGEST IVORY SEIZURE IN 2019

Poaching for ivory was identified as the major factor causing the decline in African Elephant populations, with other threats including loss of habitat and human elephant conflict.<sup>35</sup> The species also faces threats of habitat loss and fragmentation caused by expanding human populations and rapid land conversion.<sup>36</sup> Habitat loss and fragmentation are the main causes for the population decline in Asian Elephants.<sup>37</sup>

## TRADE ROUTE

A recent analysis of ETIS data highlighted that Malaysia, Mozambique, Nigeria, and Viet Nam are now regarded as priority countries for the trade in ivory owing to their connections to the largest illegal ivory trade flows in the period 2015–2017.<sup>38</sup> With the exception of Malaysia, all of these countries have illegal domestic ivory markets of concern. Domestic ivory markets in Nigeria are well-documented, particularly within Lagos, with craftsmen and traders both processing and exporting ivory for domestic and international markets.<sup>39</sup> Malaysia has previously been identified as playing a major transit role in the illegal ivory trade for containerised consignments moving through Asia, while Mozambique and Nigeria function as ivory exit points within Southern and West Africa, respectively.<sup>40</sup>

Evidence suggests that Chinese and Vietnamese-led syndicates operate from bases in Africa; in particular, Angola, the Democratic Republic of the Congo, Mozambique, and South Africa to facilitate the export of major shipments of

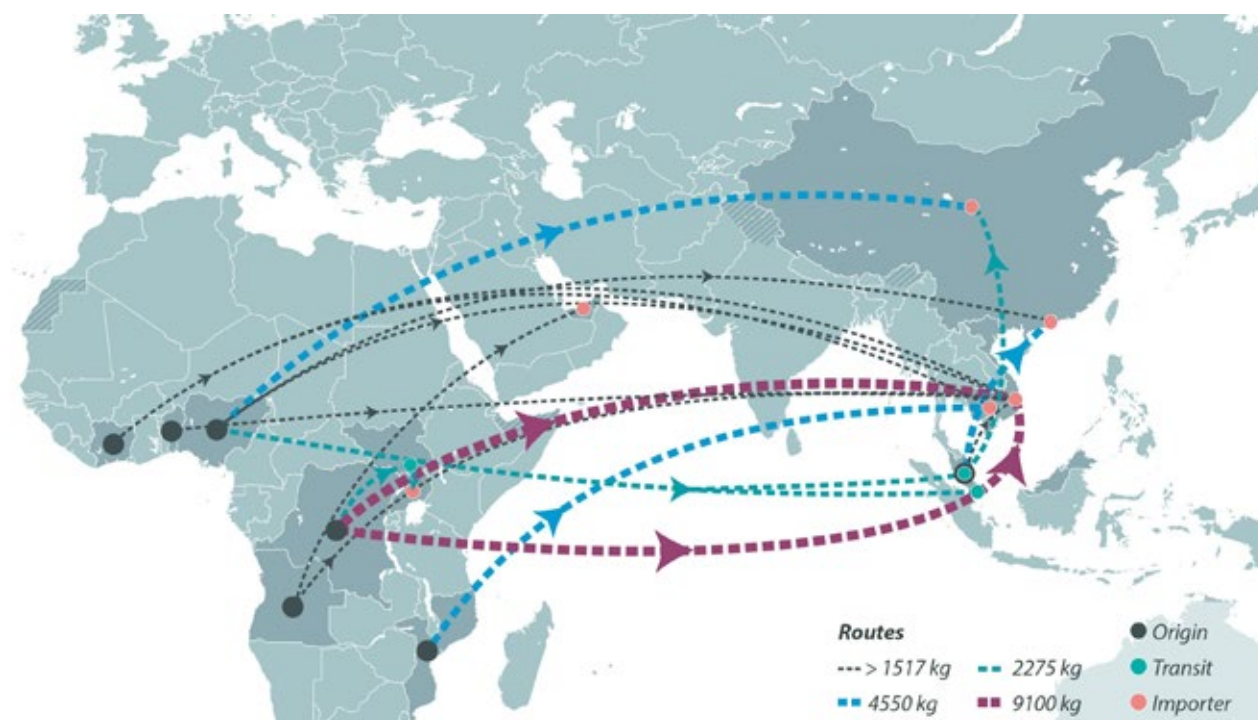
raw ivory to Asia.<sup>41, 42</sup> However, a recent analysis shows an apparent shift from the use of East African ports for smuggling to locations in western Africa,<sup>43</sup> while Viet Nam is the leading destination for illicit ivory<sup>44</sup>, followed by China (including Hong Kong).<sup>45</sup> In Hong Kong, market surveys demonstrated that there was an inconsistency of compliance with local CITES regulations by licensed dealers; only 31% of shops observed had displayed noticeable certificates, which allow customers to identify legitimate shops prior to making a purchase.<sup>46</sup> Central African countries are believed to be key sources of illegal ivory, fuelling unregulated domestic trade in Central and West Africa as well as trafficking to international markets, particularly Asia.<sup>47</sup>

Less substantial ivory trade also exists outside of Africa and Asia. During market surveys conducted in the United States, a total of 1,589 ivory items were observed on sale in physical retail premises from 227 vendors<sup>48</sup> between May and July 2016.<sup>49</sup>

## TRADE MAP

Trafficking routes for reported seizures of more than 500 kg were analysed by the Wildlife Justice Commission from August 2017 to July 2019 and depicted in Map 1. The analysis illustrates the prominence of West and Central

African countries and Viet Nam and to a lesser extent Cambodia, and China (including Hong Kong), in the illegal ivory trade.



MAP 1

Ivory Trafficking Routes August 2017- July 2019. Source WJC 2019<sup>50</sup>





# CASE 1

## THE IVORY QUEEN

### SUMMARY

The first case study is an example of two payment mechanisms. Firstly, cash-based transactions were made to organised criminal group members that assisted in obtaining, storing, transporting and securing illegal wildlife products. Secondly, domestic bank transfers were wired between the perpetrators, which served as evidence of their relationship in court.

**The following information is based on the court documents and judgement of the Economic Crime Case No. 21 of 2014 of the Resident Magistrate's Court of Dar-Es-Salaam at Kisutu.**

 **860**  
tusks seized  
worth USD 3.25 million

 **15**  
year sentence  
for leading organised crime

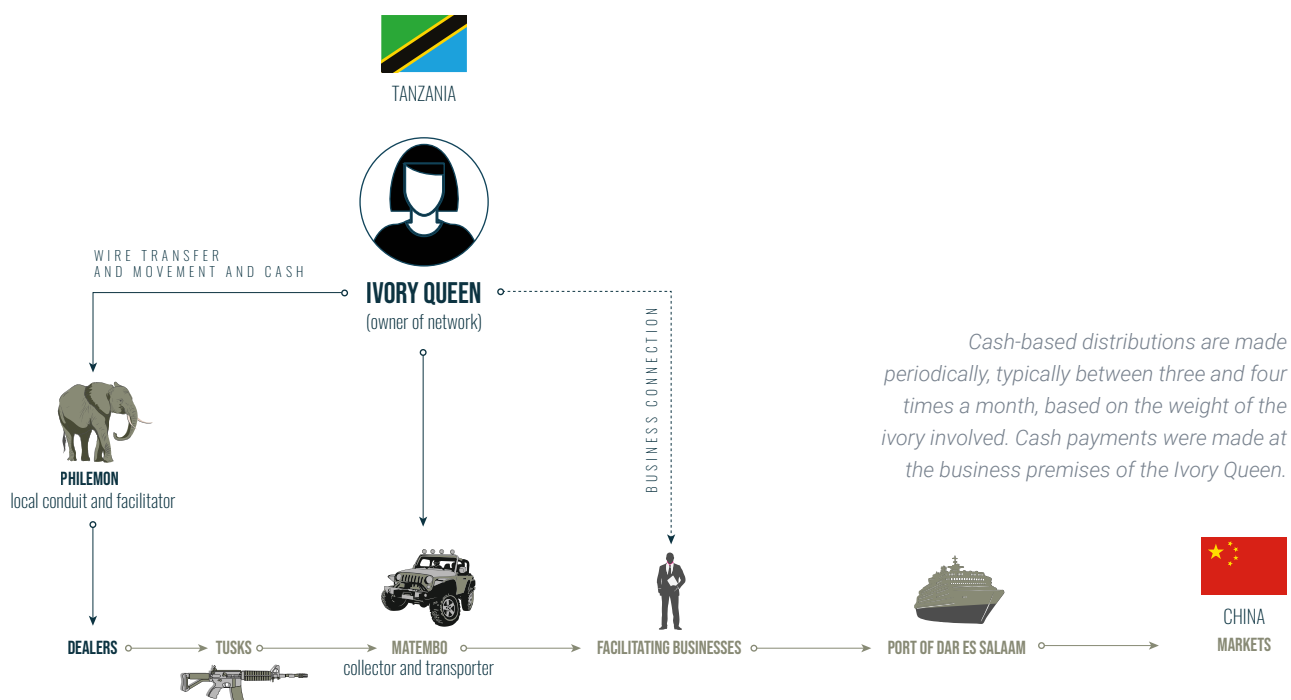
<b>KEY PAYMENT MECHANISMS:</b>	Cash-based transactions Domestic bank transfers between the perpetrators
<b>CRIME TYPE:</b>	Leading organised crime and unlawful dealing in trophies
<b>TRAFFICKED COMMODITY:</b>	<b>Elephant ivory</b>
<b>SEIZURES:</b>	860 tusks, worth TZS 5.4 billion <sup>51</sup> (USD 3.25 million <sup>52</sup> )
<b>JURISDICTIONS:</b>	<b>Primary:</b> United Republic of Tanzania <b>Secondary:</b> People's Democratic Republic of China
<b>DEFENDANTS:</b>	Salvius Francis Matembo (Tanzanian national) Manase Julius Philemon (Tanzanian national) Yang Feng Glan (Chinese national)
<b>DATES OF ARREST:</b>	The perpetrators were charged on diverse dates between 1 January and 22 May 2014. Manase Philemon was arrested on 20 April 2014. Salvius Matembo was arrested on 21 May 2014. Yang Feng Glan was arrested on 27 September 2015.
<b>STATUS OF PROCEEDINGS:</b>	On 19 February 2019, the three perpetrators were convicted and sentenced to 15 years imprisonment for leading organised crime; and two years of imprisonment or the payment of a fine amounting twice the value of the trophies, for unlawful dealing in trophies. Furthermore, the court ordered the confiscation of the buildings used for the illegal operations. An appeal was subsequently filed and rejected on 3 January 2020 <sup>53</sup> .
<b>PERIOD OF CRIMINAL ACTIVITY:</b>	2000–2014

**A Tanzanian court sentenced Yang Feng Glan, a Chinese businesswoman nicknamed the “Ivory Queen” and her two local accomplices to a maximum sentence of 15 years in prison<sup>54</sup> for operating an ivory-smuggling ring responsible for the trafficking of 860 elephant tusks between 2000 and 2014.**

Tanzania’s National Taskforce for Anti-Poaching (NTAP) was a driving force behind the law enforcement activities that contributed to the successful outcome of this case through collaboration and information sharing between key agencies<sup>55</sup>. The three perpetrators were found guilty of engaging in the unlawful collecting, buying, transporting and

selling of elephant tusks, initially valued at TZS 5.4 billion by the prosecution. All three perpetrators were convicted of organised crime in violation of sections 57(1) and 60(2) of the Economic and Organised Crime Control Act and unlawful dealing in trophies in violation of the Wildlife Conservation Act, 2009 on 19 February 2019 at the Resident Magistrate’s Court of Dar es Salaam at Kisutu. The perpetrators filed an appeal challenging their convictions; however, this appeal was rejected on 3 January 2020.

Financial investigations into the source of funds, along with asset recovery processes for the “Ivory Queen” remain ongoing.



## NETWORK STRUCTURE

Eleven individuals who had been hired by the perpetrators to work under apparent legitimate businesses in the capacity of their respective professions, such as security guard, taxi driver, waiter or banker, testified against the trio. Some of them declared to have participated in carrying, transporting

and hiding the tusks. They were able to report that Yang Feng Glan, the head of the operations, received ivory tusks from the other two perpetrators and shipped them through the port of Dar Es Salaam to Asia.



### YANG FENG GLAN

**Leader of operations and main buyer.** Judicial proceedings found that Yang Feng Glan ran the ivory trafficking ring, employing several local contractors to support illegal operations at different locations. She was found to have distributed cash payments to various individuals for their work sourcing, transporting and hiding illegal ivory.



### MANASE JULIUS PHILEMON

**Local conduit and facilitator.** The court found that Manase Philemon sourced tusks from dealers in Tanzania to sell them to Yang Feng Glan.



### SALVIUS FRANCIS MATEMBO

**Collector and transporter.** Salvius Matembo was found to have transported elephant tusks from local dealers from different regions of Tanzania to Yang Feng Glan’s properties.

## FINANCIAL INVESTIGATION

The financial mechanisms identified during the court proceedings showed that the perpetrators relied heavily on cash-based transactions to compensate local individuals. Payments were made in cash three-to-four times per month

at the business premises of Yang Feng Glan, based on the weight of the ivory that was collected. Investigations also revealed domestic bank transfers between the perpetrators, which served to demonstrate their business relationship.

### A. FINANCIAL FLOWS



#### Payment methodology:

**Cash Transactions:** local cash transactions were the predominant payment method to local affiliates. A security guard who assisted the operations declared to receive TZS 60,000 per month as salary in cash.

**Domestic Bank Transfers:** The syndicate used bank accounts in a well-established global bank for personal and business transactions.

Yang Feng Glan only wired funds to Manase Philemon twice, nonetheless these bank's records allowed to prove the relationship between them in court:

- TZS 5 million on 3 September 2010
- TZS 17 million on 8 September 2011
- Manase Philemon also received the following amounts from other parties:
- TZS 10 million on 8 September 2011



#### Connected entities:

A Chinese restaurant, a black pepper farm, and a groundnut oil factory owned by Yang Feng Glan. A motel and bar owned by Manase

Philemon. A grains kiosk and second-hand vehicle trading owned by Salvius Matembo.



#### Corruption vulnerabilities:

During the hearing, a police officer testified that one of the perpetrators offered to pay a bribe in

exchange for his freedom. This allegation did not lead to investigation or charges for attempted bribery.



#### Convergence:

No other linked crimes known.



#### Concealment:

The tusks were buried in the garden and flowers were planted on top for concealment

purposes. The tusks were transported in boxes also containing bananas.

### B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY AND INTERNATIONAL CO-OPERATION

#### Asset recovery:

The court ordered the farm and the buildings owned by Yang Feng Glan at Muheza Maili Saba to be confiscated and become property of the State.

#### International assistance:

Not known.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

Salvius Matembo collected the ivory upon request from Manase Philemon and arranged transport. He assured drivers that he held the respective trading permits. The ivory was hidden in luggage commingled with bananas.

The ivory was packed in polythene bags and transported to Yang Feng Glan's black pepper farm. In the evening, the ivory was buried in her garden with the assistance of various contractors and flowers were planted on top.

The organised criminal group used taxis and their own vehicles to collect the ivory from multiple locations in the United Republic of Tanzania.



# KEY LESSONS



Those involved in the illegal wildlife trade in source countries frequently **pay poachers and local facilitators in cash**.



Law enforcement officials should attempt to identify the buyers of the wildlife products and associated sources of funding to enable a **global view of the illegal wildlife trade supply chain**.



The **substantial prison sentences for the convicted accused** can serve as powerful deterrents to others and should be considered in cases involving illegal wildlife products.



## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**Scrutinise regular cash deposits into local accounts and encourage more transparent and trackable transactions** i.e. bank-to-bank transfer. Pay additional attention when large sums of cash are deposited and withdrawn relatively quickly after being deposited or when there is a pattern of most or all of smaller deposits being withdrawn soon after deposit as this may be an indicator on illegal conduct.

**Ensure that the source of funds and wealth are consistent with the customers' profiles.** For example, if a customer lists his occupation as 'unemployed' but receives regular cash payments, banks should question such suspicious transactions.



## RECOMMENDATIONS FOR LAW ENFORCEMENT

**Create anti-poaching task forces** to ensure collaboration and information sharing between key agencies.

**Trace assets of key targets** at the beginning of an investigation, including of those who may be related to the suspects, i.e. family members and close contacts.

**Interviews can provide important details on how a particular organised criminal group operates** and can lead to the identification of additional offenders.

**Evidence from other countries or jurisdictions can help unveil the entire supply chain**, including the final customers (through formal and informal networks.)

**SOURCES:** Court documents and Judgement of the Economic Crime Case No. 21 of 2014 of the Resident Magistrate's Court of Dar-Es-Salam at Kisutu (available at [https://sherloc.unodc.org/cld/case-law-doc/criminalgroupcrimetype/tza/2019/r\\_v\\_salvius\\_francis\\_matembo\\_et\\_al\\_economic\\_crime\\_case\\_no\\_21\\_of\\_2014\\_dsm.html?lng=en&tmpl=sherlock](https://sherloc.unodc.org/cld/case-law-doc/criminalgroupcrimetype/tza/2019/r_v_salvius_francis_matembo_et_al_economic_crime_case_no_21_of_2014_dsm.html?lng=en&tmpl=sherlock))



## CASE 2

# IVORY

## SMUGGLING NETWORK

### SUMMARY

The second case study is an example of three key financial mechanisms and payment methods to conceal illegal activities and proceeds: the use of international bank transfers through apparent legitimate companies, the alleged use of front companies in destination jurisdictions and the use of cash for payments related to the purchase and sale of ivory.

**The information in this case is provided only for the purpose of increasing general knowledge on the modus operandi and the payment mechanisms related to wildlife and forest crime. The information, received from open and third-party sources, is based on actual events but details of the case have been eliminated. The details have not been verified.**

**KEY PAYMENT MECHANISMS:** **International bank transfers** wired between apparent legitimate food and seafood companies in Africa and Asia. Alleged use of **front companies** in Asia to receive and send funds to locally-registered companies. High use of cash

**CRIME TYPE:** Illegal trafficking in wildlife

**TRAFFICKED COMMODITY:** **African Elephant ivory**

**SEIZURES:** A first seizure at Dar es Salaam revealed documents that led to a second seizure at the Port of Zanzibar:

- **Seizure 1:** 1.8 tonnes (706 ivory tusks valued at approximately USD 2,500,000).
- **Seizure 2:** 2.9 tonnes (1,023 ivory tusks valued at approximately USD 3,400,000).

**TOTAL:** 4.7 tonnes (1,729 pieces), valued at approximately USD 5,900,000

**JURISDICTIONS:** **Primary:** United Republic of Tanzania, including the semi-autonomous region of Zanzibar.  
**Secondary:** China, including Hong Kong.

**DEFENDANTS:** **Total of 14 accused.**  
Nine nationals from the United Republic of Tanzania and six nationals from China.

**DATES OF ARREST:** Between **2013 and 2014**

**STATUS OF PROCEEDINGS:** Two of the Chinese nationals were sentenced to 30 years imprisonment plus an additional five years for attempted bribery.

INTERPOL red notices were issued as three suspects fled to China. At the time of publication, six of the accused are still awaiting trial and one of the Chinese nationals was acquitted following trial.

**PERIOD OF CRIMINAL ACTIVITY:** Unknown

**In 2013, a surveillance operation, conducted in conjunction by the police and intelligence agencies of the United Republic of Tanzania during several months, resulted in the raiding of a house in Dar es Salaam.**

During the inspection, police officers seized 706 ivory tusks and arrested three Chinese nationals who offered a USD 50,000 bribe. Documents found at the premises indicated that a shipping company had been transporting ivory tusks from the port of Zanzibar to China.

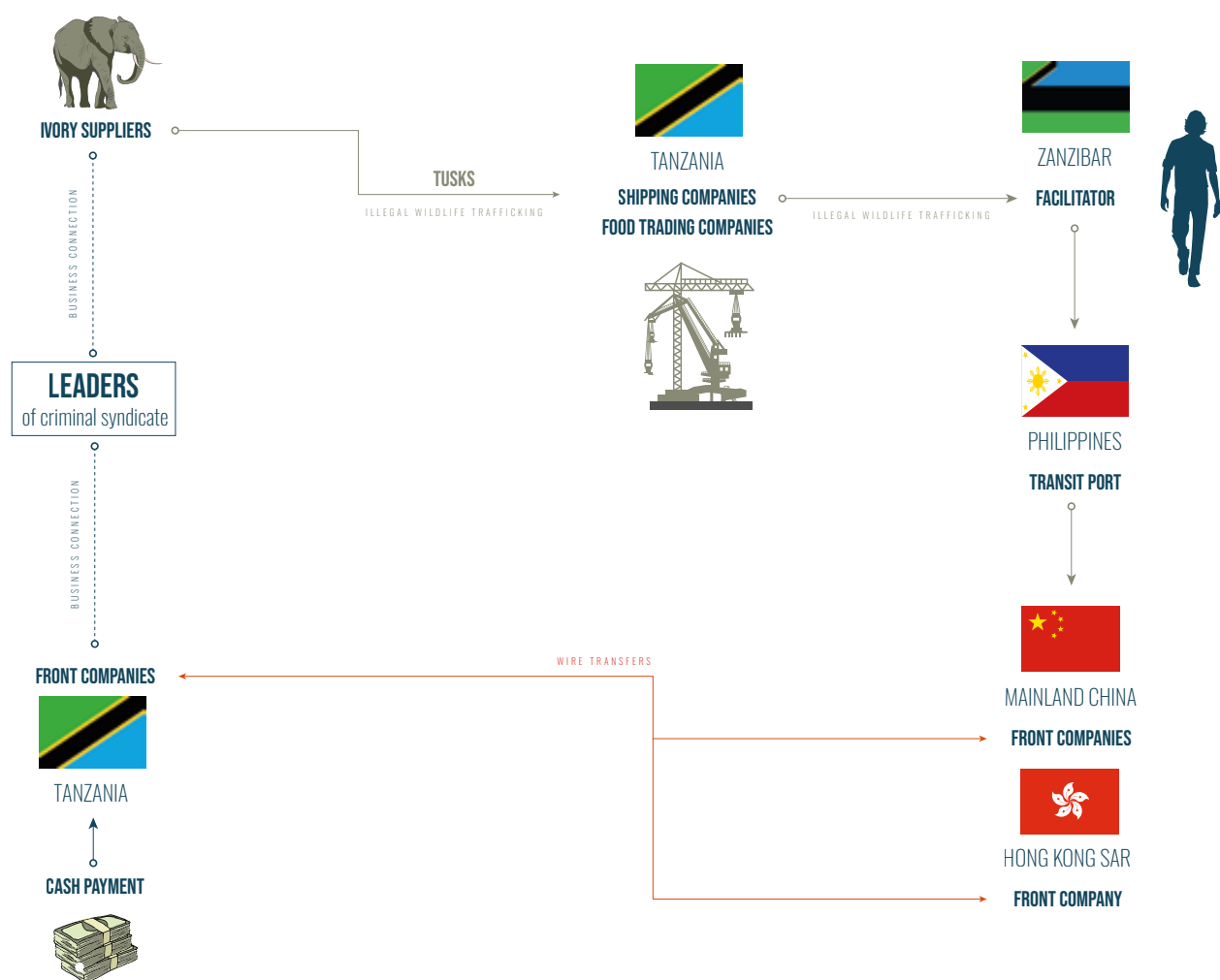
Based on this information, a second search was carried out by the police in the port of Zanzibar, where 1,023 ivory tusks were found being transported to be loaded into a shipping container. Subsequently, six individuals were detained, including two officers of the Tanzania Revenue Authority (TRA) and two employees of a sea food enterprise, which acted as freight forwarder. The investigation revealed that the suspects used an apparently legitimate company which imported garlic and citric acid and exported seafood to conceal illicit activities. A series of suspicious transactions

were also detected between additional connected companies operating in China mainland and Hong Kong.

As soon as the case was discovered, three other suspects, believed to be the leaders of the organised criminal group, fled to China. One of them was the director of the company that owed the raided house in Dar es Salaam. Another one was a stakeholder of the shipping company. INTERPOL issued red notices for both of them.

Finally, after an intensive investigation into the supply chain, the case was widened in 2014 with the arrest of two Tanzanian nationals, accused of providing the tusks.

In total law enforcement officials seized 4.7 tonnes of ivory, equivalent to more than 700 dead elephants<sup>56</sup> valued by the Tanzanian authorities at USD 5.9 million. Investigations by the Tanzanian authorities identified 15 suspects. As of April 2019, the court has convicted five of the accused and sentenced them to prison terms ranging from 15 to 30 years.



## NETWORK STRUCTURE

The organised criminal group was composed by Tanzanian and Chinese nationals who ran the illegal operations between the two countries. Under the management of the main culprits, the network included ivory suppliers, merchandise packers, apparent employees of a food trading enterprise and a shipping company, as well as corrupt public officials and complicit freight agents who facilitated exportations from the Zanzibar port.



## FINANCIAL INVESTIGATION

Money was moved through a combination of cash deposits into bank accounts and wire transfers between related entities in the United Republic of Tanzania, China, and Hong Kong. One of the accused was the director and owner of two front companies registered in the United Republic of

Tanzania, which held bank accounts in Tanzania in both Tanzanian Shillings and United States Dollars. These accounts were allegedly used to wire funds between related shell companies in China and Hong Kong.

### A. FINANCIAL FLOWS



**Payment methodology:**  
**international bank transfers between company accounts:** Initial investigations revealed transfers between two front companies in the United Republic of Tanzania, four in China (two in Shandong Province and two in Hunan Province) and three in Hong Kong. The companies in the United Republic of Tanzania held accounts with two banks and had both USD and TZS denominated accounts. Significant transfers were also made from the Tanzanian company to shell company accounts in China and Hong Kong.



**Connected entities:**  
Trading companies in food and seafood products, a freight forwarding company



**Corruption vulnerabilities:**  
Two of the accused offered bribes to police officers to evade arrest in the amount of USD 50,000 in cash. Two officials of the Tanzania Revenue Authority were arrested in connection with the seizure in the port of Zanzibar.



**Convergence:**  
None known.



**Concealment:**  
The tusks were packed in sacks with snail shells and garlic to disguise the ivory.



### B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY AND INTERNATIONAL CO-OPERATION

#### Asset recovery:

The value of assets (properties and vehicles) is unknown. Three vehicles used to transport ivory tusks were forfeited to the Tanzanian Government. The State also confiscated a farm used by one of the accused to store ivory tusks.

#### International assistance:

Co-operation via INTERPOL to locate two of the three suspects who fled the United Republic of Tanzania.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

The prosecution alleged that members of the syndicate transported ivory tusks to the house in Dar es Salaam inside modified vehicles with hidden compartments and interchangeable licence plates.

The elephant tusks were then packed in sacks mixed with snail shells and garlic and sent to Zanzibar. Once in Zanzibar, the sacks were packed into a shipping container and transported to mainland China via transit ports in the Philippines.

# KEY LESSONS



**Apparent legitimate seafood companies conducting business with China** from source countries may be used to cover up illegal trafficking of wildlife products. Inspections by the State to these enterprises can help detect illicit operations.



**Legislative measures to establish the liability of legal persons can help dismantling or sanctioning corporations** that are employed for the purpose of committing serious offences such as wildlife and forest crime, corruption and money laundering.



**The illegal export of wildlife products is often facilitated through corruption.** To this end, bribes may be offered by criminals to public officials of customs, tax authorities, ports and law enforcement. Anti-corruption measures should be adopted to ensure that public officials in these vulnerable positions operate with integrity, accountability and transparency.



**The substantial prison sentences** for the convicted can serve as powerful deterrents to others and should be considered in cases involving illegal wildlife products.



## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**As part of the Know Your Customer (KYC) form**, request information about the purpose of the account and an estimation of the foreseen monthly cash flow. Flag the use of personal accounts for business purposes.

**Perform ongoing monitoring procedures** to ensure the client's risk profile matches their behaviour, whether the account is used for its intended purpose and to maintain responsiveness to any changes in risk profile.

**Perform enhanced due diligence** to the accounts of high-risk businesses to wildlife and forest crime in source countries. In this case, a seafood company doing business with destination countries was a high-risk business.

**In line with your local anti-money laundering regulations, inquire about single deposits of large amounts** (generally more than USD 10,000) or repeated smaller cash deposits that may be structured to avoid detection. More importantly, report suspicious transactions to the FIU.



## RECOMMENDATIONS FOR LAW ENFORCEMENT

**Engage in inter-institutional co-operation** to benefit from specialised expertise and the exchange of information while investigating both the criminal and financial aspects of the case.

**Engage in both formal and informal international co-operation** and use a "follow the money" approach to unveil the entire illegal value chain and penalise all actors, including the buyers.

**Use special investigative techniques such as undercover operations** to gather sufficient evidence for stronger cases.

**Conduct parallel financial investigations** and press charges for money laundering, especially when a company is employed to conduct illegal operations.

**SOURCES:** The information in this case is based on information received from third parties and open sources, including: EIA report: <https://eia-international.org/report/vanishing-point-criminality-corruption-and-the-devastation-of-tanzanias-elephants/> (pages 19 and 20)



## CASE 3

# THE HAWALA SCHEME

### SUMMARY

The third case study demonstrates an example of an unregulated money or value transfer service commonly known as hawala. Hawala uses unregulated channels to move money between parties and across national boundaries, often relying on trust-based and family networks. The hawala system used in this case shows money flows between West and Central Africa and the Arabian Gulf.

**The information in this case is provided only for the purpose of increasing general knowledge on the modus operandi and the payment mechanisms related to wildlife and forest crime. The information, received from open and third-party sources, is based on actual events but details of the case have been eliminated. The details have not been verified.**



**SEIZURE OF**  
**ivory, a revolver**  
and additional equipment



**10**  
**accused of**  
trafficking of ivory and  
organised crime

<b>KEY PAYMENT MECHANISMS:</b>	Unregulated money transfer service (Hawala) in Central and West Africa.
<b>CRIME TYPE:</b>	Illegal trafficking of ivory and organised crime
<b>TRAFFICKED COMMODITY:</b>	<b>Elephant ivory</b>
<b>SEIZURES:</b>	Seizure of ivory pieces, one handgun (revolver), two electronic scales, 66 telephones, four computers, and two cars.
<b>JURISDICTIONS:</b>	<b>Primary:</b> Cameroon, Gabon, Nigeria <b>Secondary:</b> Kuwait, United Arab Emirates.
<b>DEFENDANTS:</b>	<b>Ten accused.</b>
<b>DATES OF ARREST:</b>	1 November 2017
<b>STATUS OF PROCEEDINGS:</b>	Ongoing
<b>PERIOD OF CRIMINAL ACTIVITY:</b>	Allegedly January 2015–November 2017.

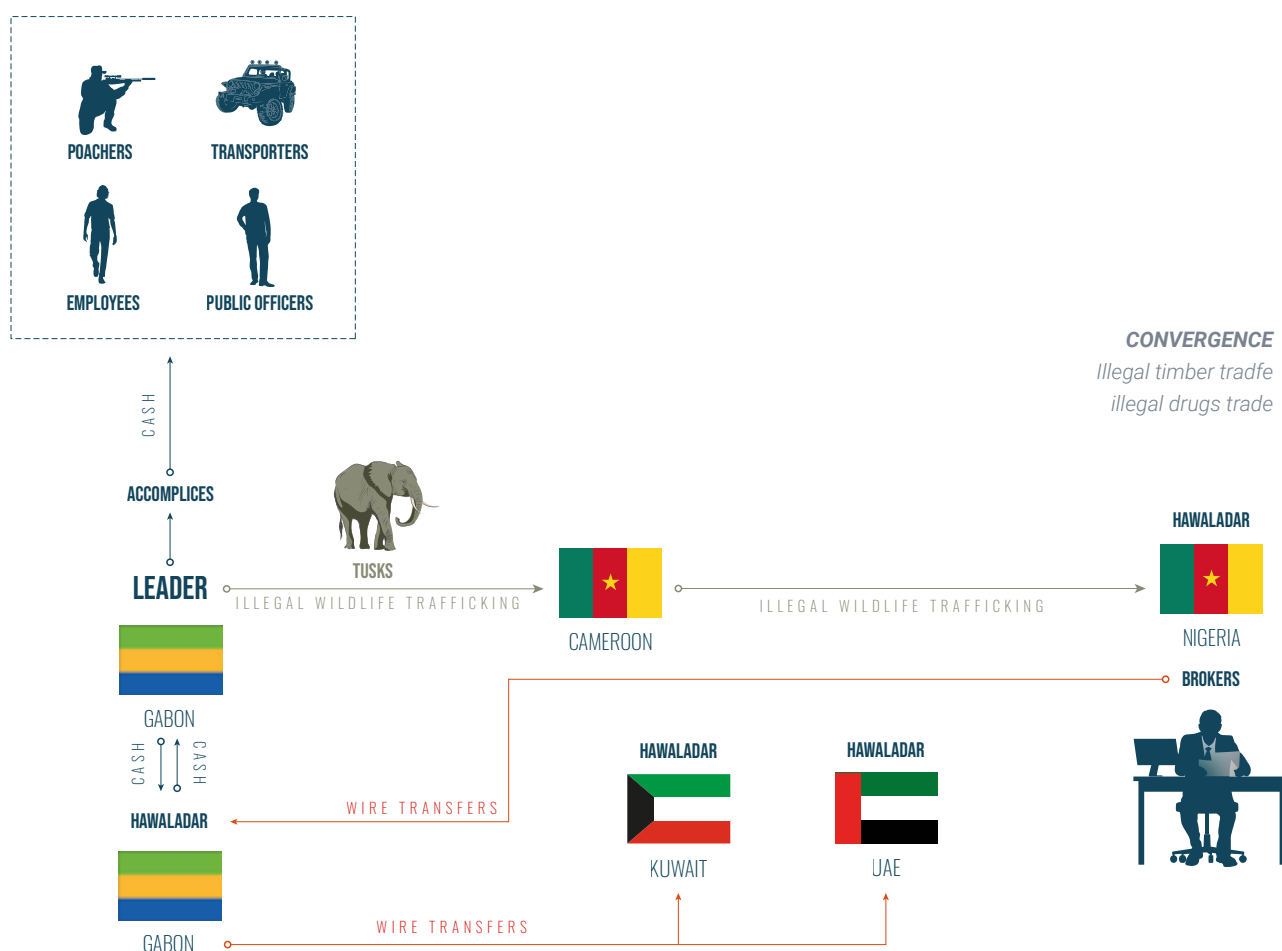


In November 2017, after a two-year investigation in Gabon, an elite unit of the National Gendarmerie, the Gabonese secret service and forest rangers arrested the suspect of leading an organised criminal group accused of trafficking in ivory, along with eight alleged accomplices including the suspect's spouse, son and daughter-in-law. The alleged financier of the network fled but was arrested several days later.

The successful investigation was conducted in conjunction by the National Agency of National Parks (ANPN), the

Ministry of Justice and the Interior, the Ministry of Defense, the National Agency of Spatial Study and Observation, the Directorate General for External Security of France and INTERPOL.

According to source information, in 2017, the organised criminal group had exported over 6 tonnes of ivory from Nigeria through Cameroon. Nigerian brokers allegedly sent payments using the hawala system to one of the accused, a hawaladar based in Gabon.



## NETWORK STRUCTURE

This network allegedly operated in the nine provinces of Gabon, and virtually never varied its behaviour nor the smuggling routes it used, enabling authorities to conduct surveillance and build evidence. However, according to source information, the network relied on entrenched

corruption to pay off those who could have halted the illegal trade, including a range of government actors. The criminal group mainly used family and trust-based networks to conduct its criminal operations.

## FINANCIAL INVESTIGATION

The money moved from Nigeria to Gabon using a well-known hawaladar. The hawaladar received cash in Gabon and occasionally balanced the books with the hawala partners in Kuwait, Nigeria, United Arab Emirates and other

trading centres using bank transfers. Once funds or pay-outs were received, various payments were distributed to pay network's associates including transporters, poachers and other employees in cash.

### A. FINANCIAL FLOWS



#### Payment methodology:

**Hawala**-based transactions were used by a hawaladar based in the Libreville central bazaar to move money from Nigeria to Gabon which was then distributed in cash to other criminal group members. It is believed this hawaladar was a key financial facilitator to the criminal trafficking of multiple illicit commodities.



#### Connected entities:

Commodity trading companies of basic foods and timber trade companies with legal licences to export timber.



#### Corruption vulnerabilities:

The criminal group allegedly bribed judges, police officers, guards manning highway checkpoints, border guards and even a government minister to avoid detection and halt investigations, however there is no public



#### Convergence:

Illegal timber exports, local drug trade (mainly an opioid called tramadol). The Gabonese government stated that the analysis of mobile



#### Concealment:

Ivory was hidden in vehicle compartments and driven across land border for onward

**Cash payments:** One of the accused was arrested with about XOF 10 million in cash (USD 17,000) but released without charges. There were allegations that bribes were paid to secure the release..

evidence available to confirm this happened. It was allegedly noticed that suspects would be released from jail or their court case would be dismissed often within days of their arrest.

phones and laptops revealed a link between the organised criminal group and a Boko Haram active cell in West Africa.

shipment. Ivory tusks were buried in the forest and mangrove swamps.

### B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY AND INTERNATIONAL CO-OPERATION

#### Asset recovery:

No assets have been frozen nor recovered. In 2017 alone, the syndicate is believed to have generated an income of XOF 173 million (close to USD 300,000). One of the suspects owned multiple homes and a hotel allegedly purchased with criminal proceeds.

#### International assistance:

INTERPOL and the French Directorate General for External Security (DGSE) supported the investigations of this case.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

The ivory was sourced from nine provinces in Gabon, including from protected areas with significant wild populations of forest elephants that are patrolled on a limited basis. The organised criminal group generally modified the vehicles used to transport the ivory to Libreville, Gabon, to avoid detection.

From Libreville, a member of the criminal group drove the ivory consignments to the border of Cameroon with the

help of lookout vehicles that drove ahead and alerted of problematic checkpoints along the highway. Once inside Cameroon, the ivory was sold and then trans-shipped in consignments to Lagos, Nigeria. The Nigerian buyers then allegedly sold the ivory to Chinese exporters based in Lagos. The network is also suspected of smuggling other parts of elephant, including 48 large hocks, or elephant legs, into Cameroon and the Republic of Congo, where elephant meat is consumed as a delicacy.

# KEY LESSONS



**Even in cases that circumvent regulated financial systems, there is likely to be a financial footprint which will appear as transactions** “to settle the books” when settlement may need to be done between two hawaladars. These may be difficult to detect and would only be identifiable through close scrutiny of account behaviour of high-risk individuals and entities that have been identified as fronts for hawaladars.



**Family and trust-based networks are highly prevalent when looking at organised crime networks** and especially those involved in the illegal wildlife trade.



## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**As part of the Know Your Customer (KYC) form**, request information about the purpose of the account and an estimation of the foreseen monthly cash flow. Also flag the use of personal accounts for business purposes.

**Perform ongoing monitoring procedures to ensure the client's risk profile matches their behaviour**, whether the account is used for its intended purpose and to maintain responsiveness to any changes in risk profile.

**Perform enhanced due diligence to the accounts of hawaladars** in wildlife source, transit and destination countries.

**The kinds of businesses used in Hawala networks are often those that routinely engage in foreign trade.** Indicators that a bank account might belong to a hawaladar include repeated local small deposits from multiple individuals in round numbers and fewer transfers to the same parties in a known Hawala centre. Another red flag is disproportionate turnovers to the business size and type.

**In line with your local anti-money laundering regulations, inquire about single deposits of large amounts** (generally more than USD 10,000) or repeated smaller cash deposits that may be structured to avoid detection. More importantly, report suspicious transactions to the FIU.



## RECOMMENDATIONS FOR LAW ENFORCEMENT

**Joint investigations and inter-institutional co-ordination are key** to gather strong and sufficient evidence to dismantle an organised criminal group that operates beyond national borders.

**Utilise a range of special investigative techniques when conducting financial investigations**, such as physical

surveillance to detect and unravel the individual involved in financial transactions.

**Be aware that corruption can be a key enabling factor** and, in some cases, high-level support of the government is needed to secure arrests.

**SOURCES:** The information in this case is based on information received from third parties and open sources.





## CHAPTER 2

# THE RHINO HORN TRADE

**CHAPTER 2 FOCUSES ON THE TRADE OF RHINOCEROS AND MORE SPECIFICALLY, RHINOCEROS' HORN AND INTRODUCES A CASE FROM NAMIBIA WHERE TWO SUSPECTS WERE IMPLICATED IN THE TRADE OF RHINOCEROS HORN AND ABALONE.**

Rhinoceros horn has historically been used in traditional medicine in Asia to treat fevers and cerebrovascular disease. More recently, belief in its efficacy to treat other ailments, from hangovers to cancer, appear to have increased the demand. Recent surveys of markets indicate a growing demand for rhinoceros horn jewellery and décor items, including traditional libation bowls.<sup>57</sup> Both African and Asian rhinoceros are targeted for their horns by criminal syndicates, the trade of which is facilitated by transnational criminal networks responding to consumer demand from Asia, particularly Viet Nam and China,<sup>58</sup> where rhinoceros horn is increasingly held up as an embodiment of wealth and success.<sup>59</sup>

This Digest contains three cases that involve rhinoceros and rhinoceros horn products. The two other cases are detailed in Chapters 3 and 4 respectively. This chapter provides an analysis of the global rhinoceros horn trade dynamics.

### RHINO HORN TRADE DYNAMICS

**Potential uses and commodities in trade:** carving, traditional medicine, non-traditional medicinal use, jewellery and décor, dagger handles, libation bowls, horn.



## BACKGROUND TO THE TRADE

**Poaching is the leading threat to Africa's rhinoceros species: the decline in estimated White Rhinoceros numbers from 2012–2017 is largely due to a decrease in its biggest population in Kruger National Park (South Africa) because of poaching since 2007.<sup>60</sup> Between 2008 and 2018, 9,151 African rhinoceros have been poached across the continent.<sup>61</sup>**

The total population of White Rhinoceros *Ceratotherium simum* and Black Rhinoceros *Diceros bicornis* in 2017 was estimated to be 18,067 and 5,495 respectively.<sup>62</sup> Both White Rhinoceros and Black Rhinoceros are legally hunted for trophies. Since 2014, an average of 4.8 Black Rhinoceros per year have been hunted in South Africa and Namibia, and between 2012–2017 an average of 83 White Rhinoceros per year were hunted across both countries.<sup>63</sup> Pseudo-hunting—the hunting of rhinoceros to acquire horns for illegal trade purposes, often by hunters from countries without a history of trophy hunting—was estimated to account for nearly 20% of all illicit horn transported out of Africa in 2006, peaking in 2011 until South Africa introduced restrictions in 2012.<sup>64</sup> Trade data from 2010 to 2014 shows a discrepancy between the number of reported exports from South Africa (1,652) and the reported imports into other countries (686), indicating that, among other reasons, some shipments may have been illegally redirected to end-use markets in other countries.<sup>65</sup>

Between 2016 and 2017, 4,757 African rhinoceros horns were estimated to have entered the illegal trade (which includes horns from natural mortalities, government and private stocks as well as trophies illegally entering the trade as well as from poached rhinos), 1,093 of which were known to be recovered by enforcement agencies within and outside Africa, a 23% recovery rate.<sup>66</sup>



# 4,757

ESTIMATED NUMBER OF AFRICAN  
RHINOCEROS HORNS TRADED ILLEGALLY  
IN 2016 & 2017

Traffickers use various techniques to evade detection: horn is often cut into smaller pieces, wrapped in various materials, disguised as other items, hidden among legal goods and

concealed inside or worked into other commodities.<sup>67</sup> Syndicates in South Africa have begun to process rhinoceros horn in local workshops before shipping it abroad, cutting it into disks, beads, powder and more, presenting an increasingly difficult challenge for law enforcement.<sup>68</sup>

While recorded poaching levels have declined since 2015, poaching persists at high levels with around three rhinoceros' poached per day in 2017.<sup>69</sup> Poaching statistics released in South Africa for 2019 indicate that the number of rhinoceros killed by poachers per day declined to its lowest level since 2011 to 594 individuals,<sup>70</sup> although true poaching losses may be higher, as not all carcasses are detected or reported.<sup>71</sup> Thefts from government stockpiles in Southern Africa are also an ongoing issue and could be linked to corruption—offenders took 148 horns from African governments between October 2012 and December 2015.<sup>72</sup> In the same period, 241 horns were reported stolen from private stockpiles in Africa, although actual losses are likely higher.<sup>73</sup>

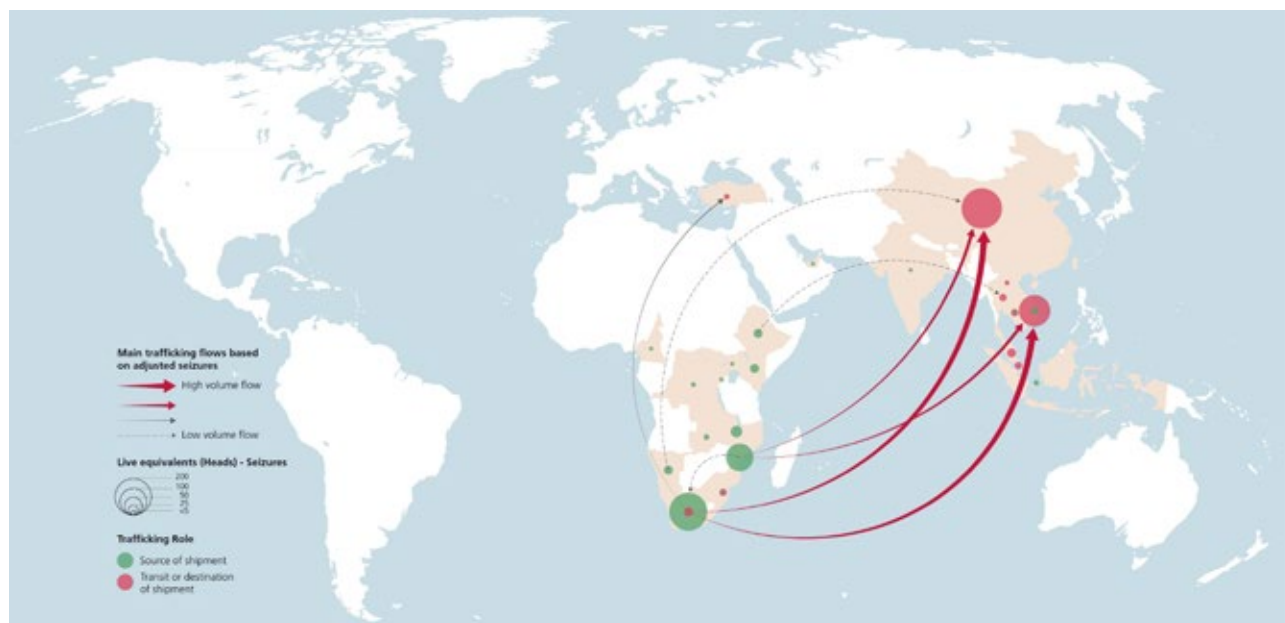
Corruption can have a direct impact on commercially valuable species, such as rhinoceros.<sup>74</sup> Corrupt officials who contribute towards the illicit rhinoceros horn trade are often tempted by its high market value, in combination with the relatively low risk of detection and penalty.<sup>75</sup> According to one report, the price of rhinoceros horn in 2016 was estimated to be USD 26,000 per kg,<sup>76</sup> with further subsequent investigations by the WJC in Southeast Asia finding an average price of USD 17,282 per kg, considered to be a real decrease in price.<sup>77</sup>

The three extant Asian rhino species: Greater One-Horned Rhinoceros *Rhinoceros unicornis*, Javan Rhinoceros *R. sondaicus*, and Sumatran Rhinoceros *Dicerorhinus sumatrensis* are also threatened by poaching for their horn, as well as habitat destruction and degradation and reduced population viability.<sup>78</sup> Population estimates for the latter two species are less than 100 individuals.<sup>79</sup> Based on available data, it appears that poaching Greater One-Horned Rhinoceros has declined each year since 2013: two out of 120 recorded deaths in Nepal from 2011 to 2018 were due to poaching. This can be attributed to increased enforcement success. Although the volumes in trade are lower than they are for African rhinoceros species, horns from Asian species have been identified in trade: between 2009 and 2018, 117 horns from Greater One-Horned Rhinoceros, four horns from Sumatran Rhinoceros and two horns from Javan Rhinoceros were reportedly seized in seven Asian countries.

## TRADE ROUTE

Circuitous transit routes and numerous exchanges aim to confuse law enforcement personnel further, and available evidence suggests that trade routes have become more complex over time.<sup>82</sup> The routes and methods used by traffickers tend to exploit weaknesses in border controls and law enforcement capacity—weaknesses that are aggravated by corruption, inefficient administrative systems

and inadequate international co-operation. According to the UNODC World Wildlife Crime Report 2020, South Africa and Mozambique are the main sources of seized shipments (Map 2). And, in order of importance, Viet Nam, China, Thailand are indicated as the main destination countries, with Malaysia and the UAE as transit countries.<sup>83</sup>



## TRADE MAPS

Map 3 shows rhinoceros horn trafficking routes by air recorded in the C4ADS Air Seizure Database.

**MAP 2**  
Trafficking flow map for African rhinoceros horn based on UNODC World WISE Database data – 2014-2018. Source: UNODC World WISE Database<sup>84</sup>



**MAP 3**  
Rhinoceros Horn Trafficking Routes by Air between 2009-2016<sup>85</sup>. The rhino horn trafficking routes map represents the flights used to traffic rhino horn products through the air transport sector. This includes instances where the product did not actually enter a country because it was seized earlier in the route. Each line represents one flight and the bubbles represent the total number of flights to and from each city.





## CASE 4

# SMALL BUSINESS TAX EVASION AND MONEY-LAUNDERING

### SUMMARY

The fourth case study is an example of utilising small businesses that were not registered for taxation to move money across borders along with cash-based payments. These money movement methods were used for the purchase and sale of rhinoceros horn and abalone in Southern Africa.

The information in this case example was verified and confirmed by multiple government entities in Namibia.



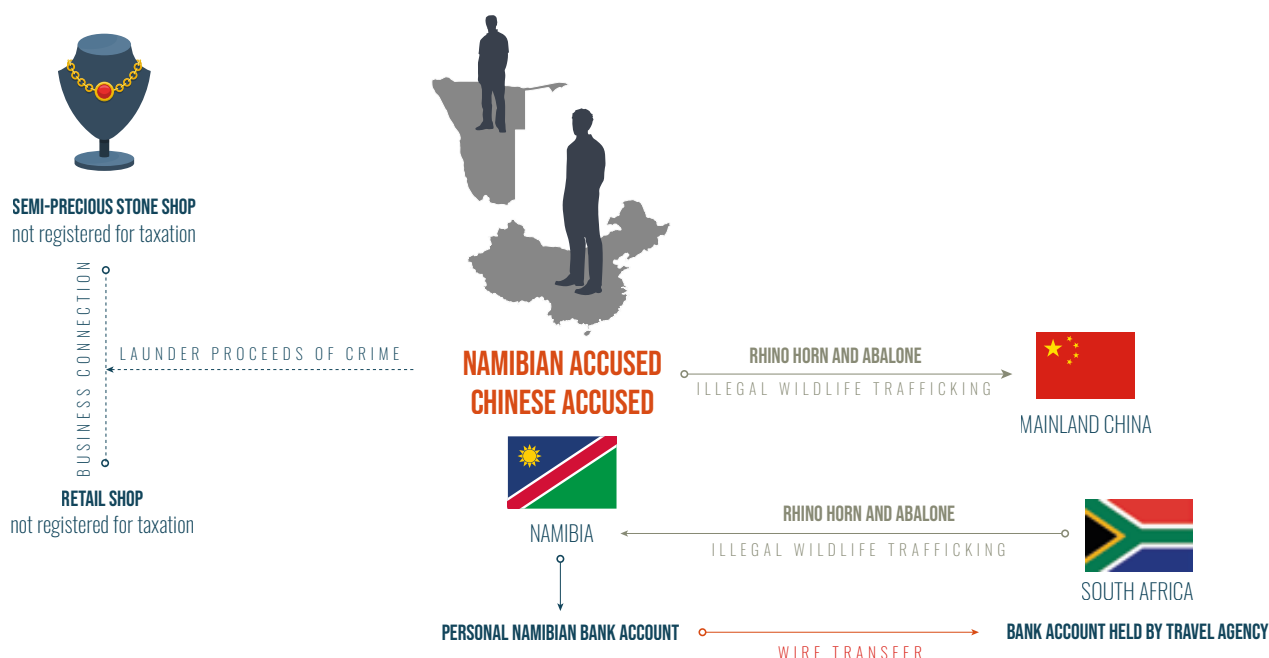
**129 KG**  
abalone seized  
worth USD 16,000



**1.1 KG**  
rhino horn seized  
worth USD 6,000

<b>KEY PAYMENT MECHANISMS:</b>	Use of small and medium-sized enterprises (SMEs) to move funds across borders, such as travel agencies and small retail shops not registered for taxation. Cash payments.
<b>CRIME TYPE:</b>	Illegal trafficking in protected species.
<b>TRAFFICKED COMMODITY:</b>	<b>Abalone and rhinoceros' horn</b>
<b>SEIZURES:</b>	Abalone (129 kg) NAD 235,000 (USD 16,000) Rhinoceros horn (1.1 kg) NAD 92,000 (USD 6,000) cut into 29 pieces
<b>JURISDICTIONS:</b>	<b>Primary:</b> Namibia <b>Secondary:</b> Hong Kong, South Africa
<b>DEFENDANTS:</b>	Two accused
<b>DATES OF ARREST:</b>	1 February 2016
<b>STATUS OF PROCEEDINGS:</b>	Ongoing. One accused absconded and the authorities issued a warrant for arrest.
<b>PERIOD OF CRIMINAL ACTIVITY:</b>	Allegedly in 2016





During February 2016, two accused, one Namibian and one Asian national, were arrested and charged with illegal possession of dry abalone and rhinoceros' horn. Accused No. 1 (Namibian accused) was found with 35kg of dry abalone while attempting to ship it through a local transportation company. When questioned, Accused No. 1 directed law enforcement to the residence of the Accused no 2 (Asian

accused), where additional abalone weighing 94kg valued at NAD 235,000 (USD16,000) and 29 pieces of rhinoceros horn weighing 1.17kg valued at NAD 92,000 (USD 6,000) were found. According to the investigation, the abalone appears to have been smuggled from South Africa in transit to Hong Kong via Namibia.

## FINANCIAL INVESTIGATION

Financial investigations revealed that Accused No. 1 owned a semi-precious stone dealership and Accused No. 2 owned a small retail shop. These apparent legitimate businesses were used to launder the proceeds of crime. It was further unveiled that these companies were not registered for taxation.

Accused No. 2 held bank accounts with several local banks where he made regular cash deposits. Most bank transfers made by Accused No. 2 were allegedly wired through a company bank account linked to a South African travel

agency owned by Chinese nationals with NAD 1.1 million (USD 75,000) transacted through the account during a 12-month period.


Once the payments were received in a neighbouring jurisdiction, they were allegedly transmitted to China. In addition, there were references to the trade in second-hand vehicles as car brands were indicated as sources of funds on the transaction descriptions of the accused bank accounts. These declared sources were not in line with the purpose of the bank accounts.







## A. FINANCIAL FLOWS

**N\$** **Currency:**  
Namibian Dollar (NAD)

 **Payment methodology:**  
Cash deposits – analysis of the bank accounts within Namibia that were linked to the accused revealed several large cash deposits that were made regularly by three unknown individuals. Funds amounting to NAD 800,000 (USD 8,000) were deposited into one of the accused's personal accounts between May 2014 and February 2016 from unknown domestic sources.

International bank transfers – Significant

 **Connected entities:**  
A retail shop, a semi-precious stone business, a travel agency and potential links to second-hand car dealerships.

 **Corruption vulnerabilities:**  
Potential collusion with local citizens to help facilitate illegal activity.

international fund transfers were made to a neighbouring foreign country with no known business linkage. Funds were wired through a company bank account linked to a South African travel agency.

Use of small business accounts – Two small businesses, namely a semi-precious stone dealer and a retail shop, were used to launder the proceeds of crime by disguising illicit transactions. These companies were not registered for taxation.

**Convergence:**  
Rhinoceros horn, abalone.



**Concealment:**  
Dried food (rice, seafood and pasta).



## B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY AND INTERNATIONAL CO-OPERATION

**Asset recovery:**  
For both accused, several cars and bank accounts have been identified. Forfeiture proceedings are ongoing; however, cash amounting to NAD 13,000 has already been forfeited from one of the accused.

**International assistance:**  
Exchange of information between Namibian FIU and foreign FIUs to co-ordinate investigation efforts.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

The 35kg of dried abalone found in possession of one of the accused was concealed in a box for shipping via a courier company and was declared as assorted dried food (rice,

seafood and pasta). 94kg of dried abalone and 29 pieces of rhinoceros horns were found at the home of the other accused packed in travel suitcases.

## KEY LESSONS



**Collaboration between local citizens and foreign nationals is common to facilitate crimes** relating to wildlife. In some cases, bank accounts were opened under the name of a local but controlled by a foreign national.



**Collaboration across FIUs from different countries can bring positive results** through additional insight into global financial flows.



**Efforts should be made to identify assets at the beginning of the investigation** so timely actions can be taken to freeze, seize and recover where applicable.



### RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**As part of the Know Your Customer (KYC) form**, require the company's tax registration ID number, inquire if it is registered under a "Micro, Small and Medium Enterprise" regime and request an estimation of the foreseen monthly cash flow of the account.

**Perform ongoing monitoring procedures to ensure the client's risk profile matches their behaviour** and if the account is used for its intended purpose. Maintain responsiveness to any changes in risk profile.

**Perform enhanced due diligence to the accounts of high-risk businesses in source countries** such as travel agencies, second-hand car dealerships or semi-precious stone trading.

**In line with your local anti-money laundering regulations, inquire about single deposits of large amounts** (generally more than USD 10,000) or repeated smaller cash deposits that may be structured to avoid detection. More importantly, report suspicious transactions to the FIU.



### RECOMMENDATIONS FOR LAW ENFORCEMENT

**Identify assets linked to the subject** and freeze and/or confiscate assets in a timely manner.

**Collaborate with FIUs of other countries** to advance the investigation.

**Encourage inter-institutional co-operation between law enforcement agencies** and ministries or departments responsible for business registration to verify the tax status.

**SOURCES:** Information received from multiple Namibian government authorities.



## CHAPTER 3 THE **LION BONE TRADE**

**CHAPTER 3 HIGHLIGHTS A WELL-KNOWN AND HIGHLY PUBLICISED CASE FROM SOUTH AFRICA.**

The perpetrator organised rhinoceros hunts on private game farms under the guise of legal trophy hunting, hiring sex workers to pose as hunters for the issuance of the permits. The perpetrator primarily used bank transfers with overseas withdrawals and cash-based transactions to fund the wildlife trophies.

### **LION BONE TRADE DYNAMICS**

**Potential uses and commodities in trade:** medicine, trophies, wine, glue/cake,<sup>86</sup> decorations, talismans and bones.





## BACKGROUND TO THE TRADE

**The global lion population is estimated to be between 23,000 and 39,000 mature individuals, the majority in Africa, with a decreasing population.<sup>87</sup>**

Traditionally Lion *Panthera leo* products in Africa have been used for medicinal purposes, ceremonies, as decorations and talismans and there is evidence that lion products are being used as substitutes in “Tiger bone wine” which is used in Asia as both a health tonic and virility product.<sup>88</sup> Until 2011, most lion products reported in international legal trade were trophies, with the United States traditionally being the biggest market for trophy imports, followed by Spain and France<sup>89</sup>. From 2011, significant exports of lion bone were observed in CITES trade data, predominantly being exported to Lao PDR and Viet Nam<sup>90</sup>, coming from captive sources, some the likely by-products of the trophy industry.<sup>91</sup> The substantial quantities of lion products exported legally to Asia in recent years indicates a major demand for bone items, along with teeth and claws.



### major demand FOR LION BONE ITEMS IN ASIA

The trade in lion bones and lion body parts for medicine in both Africa and Asia was identified in 2014 by CITES as an emerging threat to lion populations.<sup>92</sup> The trade in lion is linked closely with the trade in tiger, while the use of tiger bone for traditional medicine in Asia is well documented, lion bone is not listed in the traditional Chinese medicine (TCM) pharmacopeia. Since in 2005, however, lion bone has been listed as an ingredient in “bone strengthening wine.”<sup>93</sup> In addition, some seizures indicate that lion bone is being used as a substitute for tiger bone.<sup>94</sup> A recent study concluded that it is likely the majority of lion parts imported into Asia are being used as a substitute for products that would have traditionally contained tiger. It is not clear who in the trade

chain is aware of the substitution, for processed products such as cake/glue or wine it is very difficult to determine the actual species used.<sup>95</sup> There was however some limited evidence to suggest demand specifically for lion products, but this warrants further research. It has been suggested that the lion bones exported from Africa may be processed into cake or wine in tiger farms in Asia but this has not been verified, and there were indications that some processing was now done in Africa as processed products are less likely to be detected when exported. There are concerns that the legal export of bones from South Africa could allow for tiger skeletons to be mis-declared as lions and mixed into shipments circumventing the DNA testing process that is meant to prevent this.<sup>96</sup> Although the majority of bone items in trade appear to be from legal captive sources, seizures in Mozambique, South Africa, Tanzania, and Zambia showed that some illegal trade has taken place with reports of individuals poaching wild or captive.<sup>97, 98, 99</sup>

It is likely that organised criminal groups are involved in some of the illegal poaching and trafficking activities, and seizures alongside other commodities indicate that these groups are dealing in multiple big cat species.<sup>100</sup> In 2013, the estimated price paid by “bone agents” (middlemen between farm/landowners and buyers in Asia) to South African farmers/landowners was ZAR 12,000 to ZAR 15,000 (USD 1,260 to USD 1,560) per skeleton without skull and ZAR 18,000 to ZAR 20,000 (USD 1,890 to USD 2,100) with skull, dependent on the size of the skeleton.<sup>101</sup>

It is assumed that a significant proportion of demand in Asia is for processed lion products, such as cake or wine, and there are indications that cargo ships or diplomatic connections are used for some of the smuggling from Africa to Asia: these dynamics could reduce the likelihood of detection by law enforcement.<sup>102</sup>

### cargo ships OR DIPLOMATIC CONNECTIONS MAY REDUCE THE LIKELIHOOD OF DETECTION

## TRADE ROUTE

An analysis of CITES Trade Data between 2007 and 2016 shows an estimated 4,583 lions in international legal trade (many of which are likely “by-products” of trophy hunting) including 3,977 bones (plus 1,096 kg) and 3,469 skeletons (plus 480 kg).<sup>103</sup> South Africa was the main reported<sup>104</sup>

exporter of lion parts, with smaller amounts reported by other range States such as Namibia, United Republic of Tanzania, Zambia, and Zimbabwe.<sup>105</sup> Most bodies/skeletons reported in trade were exported to Lao PDR and Viet Nam. China is also believed to be a significant consumer country.<sup>106</sup>

## TRADE MAP

Map 4 shows the legal trade routes of lion products from source countries to key destination countries including bodies, bones, claws, skeletons, skins, skulls, teeth and live lions between 2007 and 2016. According to CITES trade data, source locations were predominantly East and Southern African countries, with some exceptions such as

Burkina Faso, exporting lion commodities to satisfy demand in China, Lao PDR, Thailand, Viet Nam, and the United States (CITES Trade Database). South Africa was the largest exporter of lion commodities between 2007 and 2016<sup>107</sup> (CITES Trade Database).



MAP 4

*Trade Routes for Lion Products Between 2007 and 2016. Trade of selected lion products (bodies, bones, claws, live, skeletons, skins, skulls, teeth and trophies) to key importing countries (China, Lao PDR, Thailand, Viet Nam and the USA) (reported as number of individual items, reported by exporting country, direct exports only) 2007–2016. Blue circles– exporting country, orange circle = importing country. Source: CITES Trade Database.<sup>108</sup> A total of 93 countries reported direct exports of lion commodities to 140 countries during this period. <sup>109</sup>*





# CASE 5

## PSEUDO-HUNTING FOR RHINO HORN

### SUMMARY

The fifth case study is an example of two payment mechanisms: bank transfers with oversea withdrawals and cash-based transactions for the payment of wildlife trophies gained via pseudo-hunting techniques. Although the case study describes pseudo-hunting for rhinoceros horn, it also notes linkages to the trade of lion bone, showcasing that criminals often deal with diverse species groups to maximise profits.

by Julian Rademeyer (see sources); the statement of John Olivier before the Bramley Police Station; the Court Verdict of Black Case No. 29/2558 and Red Case No. 71/2558 issued by the Civil Court of Thailand in the name of its Majesty the King on 26 August 2015; the Judgement of Case No. 849/2013 delivered on 25 September 2014 by the Supreme Court of Appeal of South Africa; and the Judgement of Case No. A/822013 delivered on 30 August 2013 by the South Gauteng High Court of Johannesburg.

The information of this case study is based on the book “Killing for Profit – Exposing the Illegal Rhino Horn Trade”

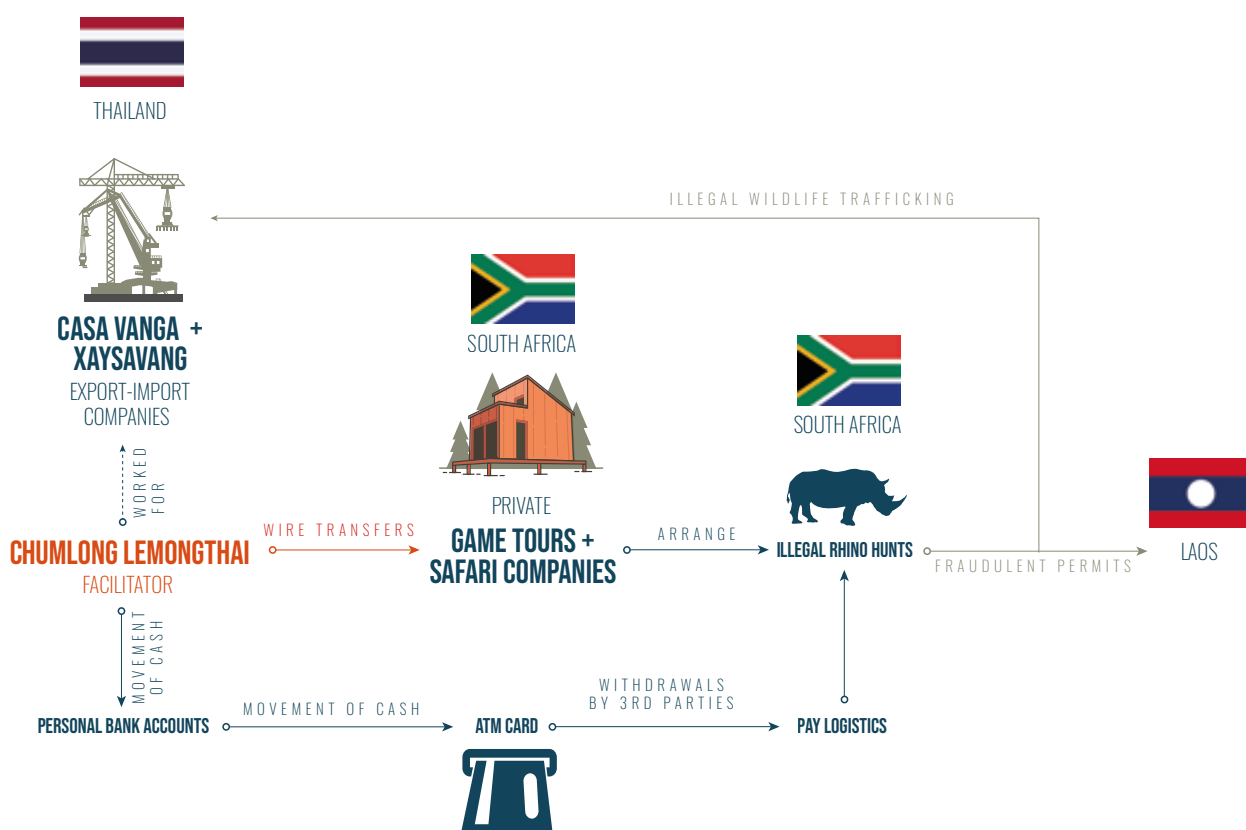
<b>KEY PAYMENT MECHANISMS:</b>	<p>International bank transfers were wired from accounts in Thailand to accounts of corporations owned by game farms in South Africa.</p> <p>Funds were transferred to the perpetrator’s personal bank accounts in Thailand, and subsequently withdrawn from ATMs in South Africa by third parties hired by the perpetrator.</p> <p>Cash was distributed to pay facilitators in South Africa.</p>
<b>CRIME TYPE:</b>	<p><b>Criminal case in South Africa:</b></p> <ul style="list-style-type: none"> <li>• Improper use of documents related to the export of rhino horns (permits were granted to hunt and export rhinos’ horns as trophies, but were improperly used to illegally export the horns obtained from pseudo-hunts)</li> <li>• Illegal trading in rhino horns</li> <li>• Counts for money-laundering were withdrawn after one of the suspects entered a plea agreement confessing his role</li> </ul> <p><b>Criminal case in Thailand:</b></p> <ul style="list-style-type: none"> <li>• Money-laundering with the predicate crime of using, holding or possessing natural resources or illegally exploiting natural resources with commercial characteristics.</li> </ul>
<b>TRAFFICKED COMMODITY:</b>	<b>Rhinoceros horn</b>
<b>SEIZURES:</b>	Six rhinoceros’ horns were recovered out of 52 that were fraudulently exported.
<b>JURISDICTIONS:</b>	<p><b>Primary:</b> South Africa</p> <p><b>Secondary:</b> Lao PDR and Thailand</p>
<b>DEFENDANTS:</b>	Chumlong Lemtongthai
<b>DATES OF ARREST:</b>	9 July 2011
<b>STATUS OF PROCEEDINGS:</b>	<p><b>South Africa:</b> Defendant convicted on 9 November 2012 with sentence reductions on 30 August 2013 and 25 September 2014. Released on 11 September 2018 and deported to his country of origin, Thailand, on 12 September 2018.</p> <p><b>Thailand:</b> A civil case was finalised on 26 August 2015 leading to recovery of 144,000,000 Thai Baht (THB) from five bank accounts under the name of the perpetrator by the State.</p>
<b>PERIOD OF CRIMINAL ACTIVITY:</b>	In the Thai civil case, the forfeited bank accounts of the perpetrator showed transactions in connection with the offences between 2007 and 2012.

The perpetrator was Chumlong Lemtongthai, a Thai national who organised rhinoceros hunts on private game farms of South Africa under the guise of legal trophy hunting, by fraudulently applying for and receiving permits from conservation authorities. The permits were issued on the basis that the rhinoceros were shot for trophies; however, the rhinoceros were actually shot for the purpose of illegally trading their horns in Lao PDR and Thailand. Moreover, the people identified on the permits as hunters were sex workers hired by the perpetrator for the purpose of committing the fraud. After the permits were cleared by Customs and Nature Conservation, the perpetrator changed the address of the consignees as read on the CITES permits, to enable the shipping of the horns to Asia.

The perpetrator was sentenced to 40 years imprisonment

by South African courts; his sentence, however, was reduced on appeal by the Supreme Court of Appeal to 13 years and a fine of ZAR 1million or an additional five years in prison, on 25 September 2014. He was released in early 2018 and deported to Thailand. Other individuals who were allegedly involved in the scheme were not pursued.

In Thailand, the perpetrator was found to be in breach of national and international laws relating to the import, export and transport of wildlife. He was required to obtain a license or certificate from the Director-General pursuant to Article 24 of the Wild Animal Reservation and Protection Act of B.E. 2535 (A.D. 1992). This breach served as the predicate crime for charges under Article 3 (15) of the Anti-Money Laundering Act of B.E. 2542 (A.D. 1999) where assets were ordered to be forfeited.



## NETWORK STRUCTURE

During his trial in South Africa, the perpetrator declared that he worked as an agent for various export-import Thai enterprises, including Xaysavang Trading Export-Import and Casa Vanga, both of which deal in the trade of rhino horn and lion bone, teeth and claws. He also stated that the Director of this Xaysavang Trading Export-Import is Vixay Keosavang and the Director of Casa Vanga is Qua Savang. The perpetrator explained that he was sent to South Africa to enquire about the purchasing of lion bones. Upon his arrival, he was informed about the opportunities advertised for

hunting the big five, including rhinoceros. In turn, the Director of Casa Vanga indicated his willingness to fund any trade in rhino horn.

Chumlong Lemtongthai was found guilty for overseeing efforts in South Africa to collect rhinoceros horn, through these pseudo-hunts with fraudulent trophy permits. He was the only member of his company who was pursued by the authorities.

## FINANCIAL INVESTIGATION

South Africa: The wildlife products (rhinoceros' horn) were purchased with a combination of cash payments and international bank transfers by the perpetrator. The international bank transfers were made from the personal accounts of the perpetrator in Thailand to the game farms and safari companies in South Africa. The perpetrator also received funds in his personal bank accounts in Thailand and hired third parties to help him withdraw those funds from ATMs in South Africa. To that effect, thousands of dollars in cash were used to purchase rhinos, to pay the syndicate members and to cover logistical activities.

Thailand: During the civil case, the transactions of five bank accounts in Bangkok under the name of the perpetrator were examined. The financial investigation revealed that between 2007 and 2012, repeated local transfers by a Thai national were wired to the perpetrator's personal bank accounts for the purchase of rhinoceros horns. The perpetrator called this Thai national each time to confirm that the money was transferred, before ordering a third party to withdraw the funds in South Africa. The Civil Court ordered the balance of these five bank accounts to become property of the State.

### A. FINANCIAL FLOWS



#### Payment methodology:

**1. Wildlife Purchases:** A number of cash payments took place for wildlife products. For example:

Rhinoceros purchases were made in cash ZAR 575,000 and ZAR 450,000

**2. ATM withdrawals at a casino:** The perpetrator provided third parties with ATM cards of his accounts and instructed them to withdraw large amounts of cash from ATM machines in casinos.

**3. Payments to sex workers:** Thai women posed as hunters and received ZAR 5,000 each in cash for their services.

#### 4. International bank transfers (WIRE transactions)

Personal accounts in Thailand wired funds to South African game lodges. The personal accounts in Thailand were funded by another Thai national. Money was transferred within Thailand before being withdrawn in South Africa to pay for the "trophies."



#### Connected entities:

Hunting lodges, such as game farms, lodges and safari businesses, game brokers, a brothel and the import-export companies.



#### Corruption vulnerabilities:

A witness in the criminal case declared he saw a public official from the nature conservation agency receive a bribe of ZAR 400 or 500 to turn a blind eye on the illegality of the hunt,

#### Currency:

South African Rand (ZAR), Thai Baht (THB).

ZAR /  
BHT



#### Convergence:

Money-laundering with predicate crime related to natural resources and the environment.

#### Concealment:

Wildlife products were generally declared as trophies or animal products and transported via air travel.



### B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY AND INTERNATIONAL CO-OPERATION

#### Asset recovery:

**South Africa:** Law enforcement officials<sup>110</sup> recovered one vehicle, a Hummer, in South Africa. Law enforcement officials seized the accused's vehicle and three trophies in South Africa.

**Thailand:** In 2015, a balance of 144,000,000 THB from five bank accounts under the name of the perpetrator were recovered by the State as a result of a civil case for money laundering.

#### International assistance:

Assets were identified in both South Africa and Thailand in separate actions.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

The perpetrator imported trophies from South Africa either directly or via pseudo-hunters into Lao PDR and Thailand.

The rhinoceros' horns were declared as "hunting trophies" on official documentation used to obtain CITES permits for export.



# KEY LESSONS



**This case is an example of criminals exploiting trophy hunting laws** to obtain and traffic illegal wildlife products.



**Legislation that enables cases of non-conviction-based asset forfeiture is key to dismantling organised criminal groups** by pursuing and seizing their assets. In these cases, the lack of evidence for criminal convictions does not prevent the State from recovering proceeds of crime, as defendants have the burden to prove the honest and legal origin of their wealth.



**Criminals may carry out ATM withdrawals abroad instead of international bank transfers in order to avoid the automatic detection of a suspicious transaction** (typically triggered by transactions of more than USD 10,000), they may also use this alternative to conceal the identity of any bank account recipient. In conducting ATM withdrawals abroad, criminals would be structuring or “smurfing” the transaction, by dividing it in smaller limited amounts, in an attempt to elude controls.



**A money-laundering charge was originally considered in South Africa; however, it was withdrawn.** This type of investigation could have unveiled new information on other potential legal persons and individuals involved.



## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**Proactively monitor the accounts of high-risk entities**, including game farms and safari lodges in known source countries, that receive repetitive high payments from the same account(s) in known wildlife destination countries.

**In line with your local anti-money laundering regulations, inquire about repeated cash withdrawals**, performed locally

or abroad, amounting to large sums of money (typically more than USD 10,000). More importantly, report suspicious transactions to the FIU.

**Investigate personal bank accounts that appear to commingle funds earned from business activities.**



## RECOMMENDATIONS FOR LAW ENFORCEMENT

**Identify gaps and vulnerabilities that can allow for national laws to be exploited** to obtain illegal wildlife products and scrutinise permit applications and CITES documentation.

**Encourage connected countries to commence financial investigations** in parallel through international co-operation. Pursue charges against both legal persons and individuals involved in the illegal network.

**SOURCES:** Court Verdict of Black Case No. 29/2558 and Red Case No. 71/2558 issued by the Civil Court of Thailand in the name of its Majesty the King on 26 August 2015. Judgement of Case No. 849/2013 delivered on 25 September 2014 by the Supreme Court of Appeal of South Africa, available at [https://sherloc.unodc.org/cld/case-law-doc/wildlifecrimetype/zaf/2014/lemtongthai\\_v\\_s.html?lng=en&tmpl=sherloc](https://sherloc.unodc.org/cld/case-law-doc/wildlifecrimetype/zaf/2014/lemtongthai_v_s.html?lng=en&tmpl=sherloc). Judgement of Case No. A/822013 delivered on 30 August 2013 by the South Gauteng High Court of Johannesburg, available at: [https://sherloc.unodc.org/cld/case-law-doc/wildlifecrimetype/zaf/2013/lemtongthai\\_v\\_s.html?lng=en&tmpl=sherloc](https://sherloc.unodc.org/cld/case-law-doc/wildlifecrimetype/zaf/2013/lemtongthai_v_s.html?lng=en&tmpl=sherloc). Also available at: <http://www.saflii.org/za/cases/ZAGPJHC/2013/294.html>. Killing for Profit - Exposing the illegal rhino horn trade by Julian Rademeyer, published in 2012 by Zebra Press.



## CHAPTER 4 THE **TIGER** TRADE

**CHAPTER DETAILS A CASE BASED OUT OF A SMALL VILLAGE CALLED NHI KHE ON THE OUTSKIRTS OF HANOI, THE CAPITAL OF VIET NAM, WHICH HAD A REPUTATION FOR SELLING ILLEGAL WILDLIFE AND TIMBER PRODUCTS.**

The Nhi Khe Village case resulted in a number of arrests and highlights seizures of rhinoceros horn alongside tiger and ivory products. The Nhi Khe Village case focuses on the use of mobile and internet-based payments (i.e. WeChat wallet) along with transfers from bank accounts and nominee bank accounts holders for the purchase of illicit wildlife products.

### **TIGER TRADE DYNAMICS**

**Potential uses and commodities in trade:** traditional medicine, tonic wine, meat, glue/cake, jewellery, collectibles, trophies, pet trade, bones, skins, claws, teeth.



## BACKGROUND TO THE TRADE

**Tigers *Panthera tigris* are targeted for a variety of uses, including in traditional Asian medicines, for home décor, as a statement of power and wealth, and for meat consumption in China and Southeast Asia.<sup>111</sup>**

In recent years, consumer-given reasons for buying tiger products have shifted from health reasons to buying as a sign of wealth and status.<sup>112</sup> Tiger bones are used to produce wine in China, Lao PDR, North Korea and Viet Nam, consumed for personal use or given as a prestigious gift or as a virility product.<sup>113</sup> Tiger glue is made from tiger bone by boiling the bone into a glue-like consistency, which hardens as it cools into a cake. An online survey of consumers that had purchased tiger products in Viet Nam found that tiger glue was the most popular product.<sup>114</sup> The annual economic value of the tiger medicine industry of the 1990s was estimated by industry representatives at CNY 100 million (USD 12.4 million).<sup>115</sup>



### **demand for tiger products**

**HAS DRIVEN A SIGNIFICANT DECLINE IN WILD POPULATIONS**

The demand for tigers and their parts and derivatives has resulted in the significant decline of wild populations. Asian big cat captive facilities are believed to play a key role in supplying parts and derivatives from wild and captive-bred tigers into the trade.<sup>116, 117, 118</sup>

As of early 2018, China is estimated to host about 6,000 captive tigers and Thailand about 1,600.<sup>119</sup> Lao PDR is estimated to have 380 captive tigers and Viet Nam has around 200 captive tigers including in four government owned facilities.<sup>120, 121</sup> A total of 1,142 known seizure incidents between 2000 to 2018 across 32 countries and territories equated to conservative estimate of 2,359 tigers.<sup>122</sup>



**at least 2,359 tigers**  
**LOST ACROSS 1,142 SEIZURES BETWEEN 2000 AND 2018**

A more recent estimate in the 2020 UNODC World Wildlife Crime Report was 1,032 seizures from 2007 to 2018 of live tigers, bodies (including trophies), rugs, skins, skulls, and skeletons representing 913 tigers, with an increase in seizures over that period.<sup>123</sup> Reported seizures represent an unknown proportion of trade overall. Corruption has been identified as driver of the trade with products such as tiger bone wine sometimes used as “gifts” for government officials.<sup>124</sup>



## TRADE ROUTE

Reports indicate that tiger commodities are moved across well-established trafficking routes through China, India, Lao PDR, Myanmar, Nepal, and Viet Nam.<sup>125</sup> According to the 2020 UNODC World Wildlife Crime Report, China, Thailand, and Viet Nam are the three largest destination markets for tiger bone.<sup>126</sup> For all tiger products combined, a TRAFFIC analysis found that between 2008 to 2018, India reportedly had the biggest number of seizures (463 or 41% of total seizures), followed by China (126 or 11%) and Indonesia (119 or 10.5%).

The Golden Triangle Special Economic Zone (GT SEZ) located in Bokeo Province in Lao PDR, has reportedly become a

hotspot for the trade of tiger parts. Tiger parts sold in the GT SEZ are likely sourced from India and Thailand and destined for China and Viet Nam.<sup>128</sup> According to a report published by TRAFFIC, some of the seizures in Thailand and Viet Nam reported Lao PDR to be either a source or transit for tiger-derived commodities.<sup>129</sup> As Lao PDR has no viable tiger population, it is likely that the GT SEZ market is supplied by international imports or through captive breeding.<sup>130</sup> Reports document tigers bred in farms located outside of their range, such as those in South Africa, which are reportedly expanding,<sup>131</sup> and in certain European countries.<sup>132, 133</sup>

## TRADE MAP

Map 5 below illustrates the most well-known tiger trafficking routes based on 157 seizure incidents involving the trafficking of 453 tigers, to the extent information is available. Destinations are indicated by a circle whose diameter is

proportional to the total number of tigers seized on the route. These trafficking routes may be influenced by factors such as evidence quality, reliability of testimonies, and the reporting of seizures.



MAP 5

*Known Tiger Trafficking Routes Between 2000 and 2018 based on documented seizures where information was reported twice, and only based on 157 seizure incidents where route information was available.<sup>134</sup>*







# CASE 6

# THE

# NHI KHE VILLAGE

## SUMMARY

The sixth case study is an example of payment mechanisms utilised in Asia. Three methodologies are outlined including the use of bank transfers and mobile and internet-based payments (i.e. WeChat Pay) for the purchase of illicit wildlife products, the use of apparent legitimate businesses to launder the proceeds of crime, and the use of foreign nominee bank accounts holders to receive payments.

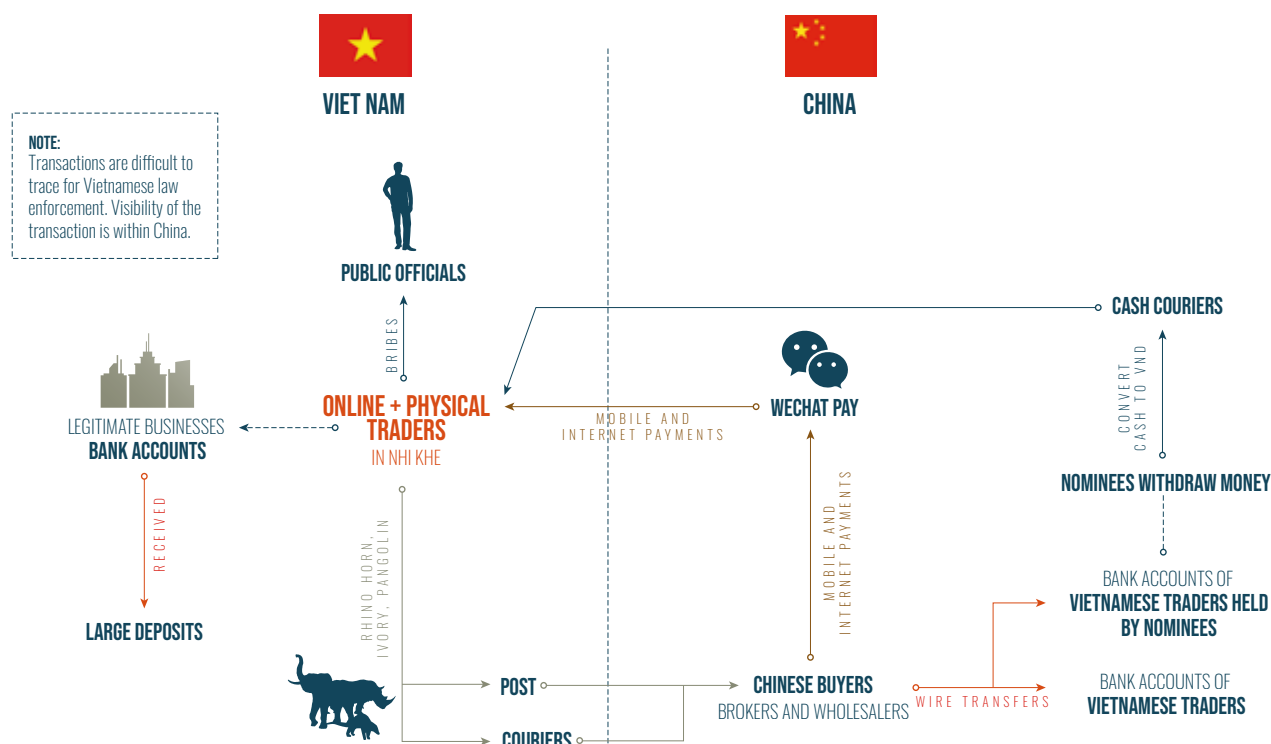
**This case study is based on the 2015-2016 investigation conducted by the Wildlife Justice Commission (WJC)<sup>135</sup>, documented publicly by the report “Black Business: Illegal Horn Trade Dynamics in Nhi Khe, Viet Nam from a Criminal Perspective”, as well as additional information collected by WJC.**

<b>KEY PAYMENT MECHANISMS:</b>	Use of bank transfers as well as mobile and internet-based payments (i.e. WeChat Pay) for the purchase of illegal wildlife products. Use of apparent legitimate businesses to launder the proceeds of crime. Use of foreign nominee bank accounts holders to receive payments.
<b>CRIME TYPE:</b>	Illegal wildlife trafficking.
<b>TRAFFICKED COMMODITY:</b>	Large amounts of rhino horn, ivory, tiger, pangolin and other illegal wildlife parts and products.
<b>SEIZURES:</b>	Seizures unknown. The quantity observed during the WJC investigation of raw and processed rhino horn alone, amounted to 1,061 kg, with an estimated value of USD 42.7 million.
<b>JURISDICTIONS:</b>	<b>Primary:</b> Viet Nam <b>Secondary:</b> China
<b>DEFENDANTS:</b>	Defendants unknown. The case file produced by WJC and its update contained evidence against 51 subjects, 33 of which were identified in 2015, and an additional 18 in 2016.
<b>DATES OF ARREST:</b>	November 2016: Arrest of four individuals (trafficking of ivory) <sup>136</sup> May 2017: Arrest of one individual (trafficking of rhinoceros horns) <sup>137</sup> January 2018: Arrest of two individuals (trafficking of ivory) <sup>138</sup>
<b>STATUS OF PROCEEDINGS:</b>	All seven defendants have been prosecuted.
<b>PERIOD OF CRIMINAL ACTIVITY:</b>	Evidence collected by the WJC indicated that the criminal activity in Nhi Khe as a hub for illicit wildlife trade, dated back as early as 2012. The WJC investigation concluded in June 2016.

**The findings resulting from a one-year investigation conducted by the WJC on illegal wildlife trade taking place at the Nhi Khe village in Viet Nam, were submitted to Vietnamese and Chinese authorities in two parts: a case file in January 2016 and an update on August 2016.**

In total, the case file and its update contained more than 5000 pages of evidence against 51 subjects. Data collected by the WJC confirmed reports





dating back as early as 2012, about Nhi Khe being used as a major hub for the processing and sale of rhino horn, ivory, tiger, pangolin and other protected species, predominantly targeting a Chinese clientele. During the investigation, the quantity observed of raw and processed rhino horn alone amounted to 1,061 kg, with an estimated value of USD 42.7 million.

According to the findings, this unique situation in Nhi Khe was mainly enabled by a culturally embedded industry of traditional craftsmanship; the geographic proximity to the Chinese border; the family ties between locals and Vietnamese owners of wildlife shops in China; and the use of

social media platforms in Viet Nam where wildlife products were promoted and sold. The WJC investigation also highlighted indications of corruption, including suggestions of bribery of public officials by the traders of Nhi Khe and the bribery of Vietnamese Customs officials to enable the smuggle of wildlife into China. The investigation found that the traders demonstrated behaviour suggesting a prior knowledge of police inspections.

The investigation report stated that whereas in 2015 the illegal trade was carried out openly, in 2016 it became progressively covert and displaced outside Nhi Khe, in response to increased law enforcement activity.

## NETWORK STRUCTURE

**An analysis developed under the context of the WJC investigation revealed that the network was organised and sophisticated, with individuals having different roles and levels of power.**

**TRADERS (PREDOMINANTLY ONLINE).** The online traders represented 41% of the network. WeChat (51%) and Facebook (20%) or both simultaneously (10%) were found to be the preferred social media platforms for conducting illegal wildlife trade. In Viet Nam, there was open use of these media platforms to promote and sell the products.

**TRADERS (PREDOMINANTLY ON PREMISES).** The on-site traders represented 31% of the network. The illegal trade mirrored operations of a legitimate business. Discounts were offered if higher quantities of goods were purchased in bulk; 20-30% payments deposits were required upfront; and refunds were granted if the shipment was intercepted by enforcement officials.

**CHINESE INTERPRETERS.** Accounted for 10% of the network, they played a key role. They had good access and great visibility across the network.

**COURIERS.** Accounted for 10% of the network. While some traders would use post services to send small items, the bigger shops in Nhi Khe employed couriers to deliver purchased products to the Viet Nam – Chinese border or to anywhere in China for a greater fee. The investigation suggested the goods were carried overland.

**BROKERS / WHOLESALERS.** Represented 8% of the network. While some customers were believed to be tourists shopping for small items, others were found to be Chinese businessmen looking to purchase products at wholesale for their retailers' business in China. Larger quantities of contraband meant greater profits, and this was used as a bargaining tool.

## FINANCIAL INVESTIGATION

The investigation showed a trend in Chinese buyers using WeChat Pay to pay Vietnamese suppliers for the purchase of illegal wildlife products. Further monitoring of social media accounts by WJC in 2016 found that traders identified earlier in the investigation had ceased trading via WeChat or Facebook, or the accounts had become publicly inaccessible.

Vietnamese traders were also found to use Chinese bank accounts to receive payments, this enabled them to elude the financial monitoring system of Viet Nam. It is worth noting that Vietnamese legislation prohibits the opening of foreign bank accounts by its citizens. Therefore, bank accounts were also opened in China by nominees, concealing the

identity of the Vietnamese true owners. A suspect in the WJC investigation, claimed that the nominee converted the currency to Vietnamese Dong. Although it was not confirmed, the perpetrators may have used cash couriers to send back the money to Viet Nam.

In addition, the investigation inferred that apparent legitimate businesses were used to launder the proceeds of crime. At least four of the 16 shops trading in rhino horn, also traded legally in rosewood and / or timber products. These shops were able to receive large deposits of money in their business bank accounts without raising suspicions.

### A. FINANCIAL FLOWS



#### Payment methodology:

##### Use of WeChat as a payment mechanism:

Chinese buyers used WeChat Pay, a payment application within WeChat, to pay Vietnamese suppliers for illegal goods.

##### Use of bank accounts in China by Vietnamese traders:

to circumvent Viet Nam's financial monitoring systems, Vietnamese traders used Chinese bank accounts to receive payments for illegal wildlife products. This would limit the visibility of Vietnamese law enforcement

to see the financial transactions linked to the crime.

**Use of nominee bank account holders and cash couriers:** it appears that the payment of purchased goods to bank accounts mainly occurred through third parties who acted as nominees and converted the currency to Vietnamese Dong.

Although not confirmed, the perpetrators may have used cash couriers to transport cash between parties in Viet Nam and China.



#### Connected entities:

Timber and/or rosewood businesses.

#### Currency:

Prices were quoted in Chinese Renminbi or Yuan and in Vietnamese Dong (VND).

CNY / VND



#### Corruption vulnerabilities:

According to the WJC investigation, indications of corruption included the reported bribery of local and provincial government officials by traders in Nhi Khe to ensure protection, and

the bribery of Vietnamese Customs officials to allow for the smuggling of wildlife products into China. Traders also demonstrated prior knowledge of police inspections before they happened.



#### Convergence:

Unknown

#### Concealment:

In some cases, ivory was painted black to facilitate smuggling.



### B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY AND INTERNATIONAL CO-OPERATION

#### Asset recovery:

An analysis of suspect's lifestyle found that some individuals within the network owned high-value vehicles, such as a Mercedes Benz estimated to be worth more than USD 100,000.

#### International assistance:

The WJC held a Public Hearing at The Hague, on 14 and 15 November 2016 to publicly present the results of the investigation in front of a panel of international experts. The panel ultimately validated the case file and made a set of recommendations aimed at the Vietnamese authorities, the CITES Standing Committee and all Parties to CITES, UNCAC and UNTOC.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

While some traders would use postal services to send small items, the bigger shops in Nhi Khe employed couriers to deliver purchased products to the Viet Nam – Chinese border or to anywhere in China for a greater fee. The investigation suggested the goods were carried overland. Other traders were reluctant to engage in delivery, claiming they had no impunity outside Viet Nam.

Family connections in China extended the reach and customer base of the Nhi Khe network, facilitating the smuggling of goods through certain routes, such as the Friendship Pass between Guangxi (China) and Lang Son (Viet Nam), described by traders as “hassle-free”.

## KEY LESSONS



**Collaboration between national law enforcement authorities and international organisations** specialised in the investigation of the illegal trade in protected species can bring together more expertise and resources for the successful prosecution and adjudication of wildlife and forest crime cases.



**Apparent legitimate businesses may be used to cover up the illegal trading of wildlife products and to launder the proceeds of crime.** Inspections by the State to these shops in source countries can help detect illicit operations.



**Social media platforms can be used to openly promote and sell illegal wildlife products.** The monitoring and investigation of the accounts engaging in these practices can provide key information to reveal the identity of perpetrators and prosecute wildlife crime.



**The illegal trade of wildlife products may be facilitated through corruption.** Anti-corruption measures should be adopted to ensure that public officials in vulnerable positions operate with integrity, accountability and transparency. Organised criminal groups involved in the trafficking of wildlife may operate within family networks. Therefore, it is important to investigate the connections between the operations and finances of family members.



**Offer and demand for wildlife products in destination countries often implies cultural factors and social aspects** that must be addressed with a holistic approach combining prevention through awareness raising campaigns, and effective law enforcement. Rhinoceros horn trafficking seems to be largely driven by the demand for jewellery, while demand for medicinal purposes was low.



**“Blood ivory” attracts a premium market price of 20% more than the cost of traditional ivory.** Blood ivory refers to ivory from African forest elephants, whose tusks are more tender and pinkish as a result of abundant food supply and better living conditions. Investigators discovered that blood ivory was much rarer in the market than other types of ivory, indicating that the supply of forest elephant ivory is much lower compared to other types of elephant ivory.





## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**As part of the Know Your Customer (KYC) form**, request information about the purpose of the account and an estimation of the foreseen monthly cash flow. If the person opening the account is a foreign national, determine whether that person's home country has any restrictions on its national opening foreign bank accounts.

**Perform ongoing monitoring procedures to ensure the client's risk profile matches their behaviour**, whether the account is used for its intended purpose and to maintain responsiveness to any changes in risk profile.

**Perform enhanced due diligence to the accounts of high-risk businesses to wildlife and forest crime** in source countries, such as timber trading companies.

**In line with your local anti-money laundering regulations, inquire about single deposits of large amounts** (generally more than USD 10,000). More importantly, report suspicious transactions to the FIU.

**Develop red flag indicators around suspicious WeChat payments** related to potential illegal trade of wildlife.



## RECOMMENDATIONS FOR LAW ENFORCEMENT

Engage in international co-operation and use a "follow the money" approach to unveil the entire illegal value chain and penalise all actors, including the buyers.

Use special investigative techniques, such as undercover operations, electronic surveillance (including monitoring of social media and mobile and internet-based payment platforms) and controlled deliveries to gather sufficient evidence for stronger cases.

Conduct financial and corruption investigations in parallel to the predicate offence. Convictions for money laundering and / or corruption may entail higher penalties than wildlife and

forest crime, and may facilitate asset recovery, which is key to dismantling organised criminal groups.

Where police presence has increased, determine whether those involved in the illegal wildlife trade have moved to a new location to conduct operations.

Use peer-to-peer informal channels and networks to exchange information with other FIUs and detect foreign bank accounts opened by nationals, especially if this practice is prohibited by law.

**SOURCES:** Black Business: Illegal Horn Trade Dynamics in Nhi Khe, Viet Nam from a Criminal Perspective by the Wildlife Justice Commission (2017). <https://wildlifejustice.org/wp-content/uploads/2018/08/BlackBusiness-2017.pdf>





A diver is shown underwater, holding a large, glowing green abalone shell. The diver is wearing a black wetsuit and a yellow light. The background is dark blue water with some light reflections.

## CHAPTER 5 THE ABALONE TRADE

**CHAPTER 5 DETAILS TWO CASES FROM SOUTH AFRICA RELATING TO THE TRADE IN ABALONE. THE FIRST CASE LOOKS AT THE USE OF INTENSIVE CASH PAYMENTS AND FAMILY NETWORKS TO FACILITATE THE ILLEGAL TRADE IN ABALONE.**

The second case illustrates a more complex financing barter trade scheme whereby drugs were received from Asia and sold for cash in South Africa and the profits were re-invested in purchasing abalone to send back to Asian markets in a trade-based value exchange. The chapter starts with a background of the abalone trade.



### ABALONE TRADE DYNAMICS

**Potential uses and commodities in trade:** Predominantly eaten as a high value status seafood delicacy; also, as a flavour enhancer for soups.

Abalone, a marine mollusc, is a highly sought-after high-value seafood delicacy, produced and harvested worldwide for predominantly East Asian markets.<sup>139</sup> Abalone can be exported live, dried, frozen or in a prepared and preserved form such as canned, shrink-wrapped, or other packaged forms. Dried abalone is the leading form in international trade.<sup>140</sup>



## BACKGROUND TO THE TRADE

**There are approximately 14 species of abalone that have been commercially harvested in Australia, Japan, Mexico, New Zealand, Oman, South Africa, and the United States, among others<sup>141</sup>. Due to the overfishing of abalone to supply the growing demand in East Asia, many of these commercial fisheries have either declined or closed.<sup>142</sup> Five species are native to South Africa; *Haliotis midae*, *H. parva*, *H. spadicea*, *H. queketti* and *H. speciosa*.<sup>143</sup> In South Africa, the abalone industry is based on subtidal stocks of the endemic *H. midae*.**

The South African abalone *Haliotis midae* is endemic to South Africa and is legally harvested from a small wild-capture fishery and produced from a number of shore-based aquaculture facilities. Although the industry has been regulated through a restricted fishing season and a quota system, natural stocks and quotas have steadily declined and there is a substantial illegal harvest and trade as well.<sup>144, 145</sup> There is very little consumption of abalone in the country and almost all of the abalone produced is exported, predominantly to East Asian countries.



### most abalone

#### IS EXPORTED TO EAST ASIAN COUNTRIES

Besides South Africa, *H. midae* is also legally produced at a single small aquaculture facility in Namibia.<sup>146</sup> *H. midae* is the only species of abalone within East and Southern Africa with a known commercial demand and is the only species harvested commercially.<sup>147</sup> There is no production, processing or trade in legally sourced *H. midae* in any African countries other than South Africa and Namibia. However, and as discussed further in this Chapter, such activities occur in many other African countries based on significant quantities of *H. midae* sourced from illegal fishing operations in South Africa.

Historically, South Africa was considered one of the world's major abalone producing countries<sup>148</sup>, but populations of its endemic species have suffered severe declines in the last 20 years, largely as a result of illegal harvesting, co-ordinated

mainly by organised crime syndicates. Key elements believed to have contributed to abalone poaching and associated criminal activities during this time include the high value of the resource, the low risk of detection and weak deterrence due to low penalties, and poor conviction rates<sup>149, 150</sup>. Chinese criminal networks have operated in South Africa since the 1970s<sup>151</sup>, initially trading in shark fins and evolving to include a range of other illicit activities, including abalone poaching and recreational drug trade<sup>152</sup>. It is widely known that East Asian criminal groups have bartered precursor ingredients first for Mandrax and later methamphetamines for abalone, forging cash-free trade relationships with Cape gangs that control the local drug market<sup>153, 154</sup>. Numerous seizures of poached abalone have also included other high-value illegal wildlife commodities such as ivory, rhinoceros horn, shark fins, shark jaws and fish maws, suggesting that the syndicates involved widen their focus beyond the illegal abalone trade.<sup>155</sup>

There have been numerous compliance, enforcement and policy interventions at various stages of the supply chain to curb illegal fishing and regulate trade, including fishery closures, enforcement operations in response to increasingly organised illegal fishing networks, the establishment of environmental courts specifically focused on abalone poaching<sup>156</sup>, and the listing by South Africa of its species of abalone (*H. midae*) within Appendix III of CITES between 2007 and 2010. Each intervention was, however, relatively short-lived and resulted in little long-term impact.

In order to understand the volumes of illegally harvested abalone being traded, estimate its value and understand smuggling routes being used, data on the legal production and trade have been analysed<sup>157</sup>.

Between 2000 and 2016, global imports (legal and illegal) of *H. midae* from sub-Saharan Africa increased.<sup>158</sup> During this period, global imports of *H. midae* significantly outweighed legal production levels with an estimated 18,905 tonnes of *H. midae* being produced legally compared to a total of 55,863 tonnes imported.<sup>159</sup> *H. midae* illegally harvested between 2000 and 2016 is accordingly estimated to total 36,958 tonnes, representing an average of 2,174 tonnes per annum and equating to a total of more than 96 million individual abalone poached.

## TRADE ROUTE

Between 2000 and 2016, the main importers of all *H. midae* products were Hong Kong (90%), Japan (3%), Singapore (2%), Taiwan (2%), Macau Special Administrative Region (hereafter "Macau") (1%), Canada, China, Malaysia and the United States (combined 2%).<sup>160</sup> Very little trade from South Africa or Namibia to other African countries has been recorded in trade statistics, yet Hong Kong also reported imports of abalone products during this period from Angola, Democratic Republic of the Congo, Kingdom of eSwatini, Mozambique, Republic of Congo, Zambia, and Zimbabwe.<sup>161</sup> In 2016, non-abalone-producing countries<sup>162</sup> accounted for 18% of the source locations for global *H. midae* imports by Hong Kong and Macau. There is concern that the vast majority of trade from non-abalone producing countries is likely to have been sourced from illegal fishing, processing, and trade operations<sup>163</sup>.

In 2013, an estimated 10,000 kg of *H. midae* was produced at an aquaculture facility in Namibia while Hong Kong reported that it imported 9,708 kg of dried abalone (equivalent to 97,080 kg whole mass) from Namibia. In 2014, the facility produced around 3,000 kg of *H. midae* while Hong Kong reported imports from Namibia of around 45,000 kg of dried

abalone, which equates to 450,000 kg of whole abalone – approximately 150 times what was legally produced. The massive difference between the legal production volumes of abalone in Namibia and Hong Kong imports from the country are almost certainly reflective of poached abalone consignments from South Africa being smuggled into Namibia and subsequently re-exported to Hong Kong, but showing Namibia as the country of origin.

All imports of *H. midae* from non-abalone-producing countries between 2000 and 2016 were in dried form.<sup>164</sup> Dried *H. midae* is worth more per unit when compared to other forms of marketed abalone, with an average annual declared import value of around USD 244,000 per tonne between 2000 and 2015. In contrast, the value of live *H. midae* was estimated to be USD 25,000 per tonne in the Hong Kong market, frozen *H. midae* was estimated to be worth around USD 39,000 per tonne and the value of prepared or preserved *H. midae* was estimated to be USD 49,000 per tonne.

The illegal harvesting of *H. midae* has led to the loss of a valuable commodity that would be worth approximately USD 41.2 million per annum if legally harvested and traded.





2 1/2 頭 儲存三年舊鮑魚王 每斤 5,500元 精製金

五

Dried abalone for sale in Hong Kong - Markus Burgener TRAFFIC





# CASE 7

# THE

# ABALONE FAMILY

# NETWORK

## SUMMARY

The seventh case study is an example of the significant use of cash payments and cash intensive businesses to facilitate and obscure illegal trade in abalone. It also showcases legal and illegal means to conceal the true ownership behind vehicles and properties used to commit the crimes. Finally, the rich property portfolio of the family attests the highly lucrative rewards of abalone poaching.

**The following information is based on the Judgement of Case No. CA&R173/2019, the Judgment of Case No. CC 20/2018, the Judgment of Case No. CC 36/2017, the Sentence of Case No. CC35/2017, the Sentence of Case No. CC 19/2017, all delivered by the Port Elizabeth High Court of South Africa and Case No. PE.2174/14 held at the Port Elizabeth Regional Court.**

**KEY PAYMENT MECHANISMS:** Cash payments, use of cash-intensive businesses, concealment of ownership, rich family property portfolio.

**CRIME TYPE:** Enterprise for racketeering activities; fish processing establishment without a permit; illegal fishing, collecting, keeping, storing and transportation of abalone.

**TRAFFICKED COMMODITY:** South African abalone *Haliotis midae*

**SEIZURES:** **Case 1:** 37,356 units of abalone which weighed in excess of six tons, worth an estimated ZAR 5,258,300 (USD 345,400).  
**Case 2:** 6,013 units of abalone were seized, weighing approximately 700 kg.

**JURISDICTIONS:** **Primary:** South Africa  
**Secondary:** Hong Kong/China

**DEFENDANTS:** Nine nationals from South Africa who held various roles in the organised criminal group, along with two nationals from China who processed the abalone.

**STATUS OF PROCEEDINGS:** All defendants were found guilty and sentenced to varying imprisonment terms ranging between 3 and 20 years with the exception of one defendant who opted to pay a fine of ZAR 20,000. The two Chinese nationals were deported, after serving three years imprisonment.

**PERIOD OF CRIMINAL ACTIVITY:** Although the first arrest conducted in this case revealed that abalone was illegally poached and processed from July 2013, according to a submission from Marshelle Blignault (Accused No. 2) during her sentencing in 2019, her former husband (Accused No. 1) had been involved in illegal abalone activities as far as 17 years before.

Criminal activity ceased in February 2017

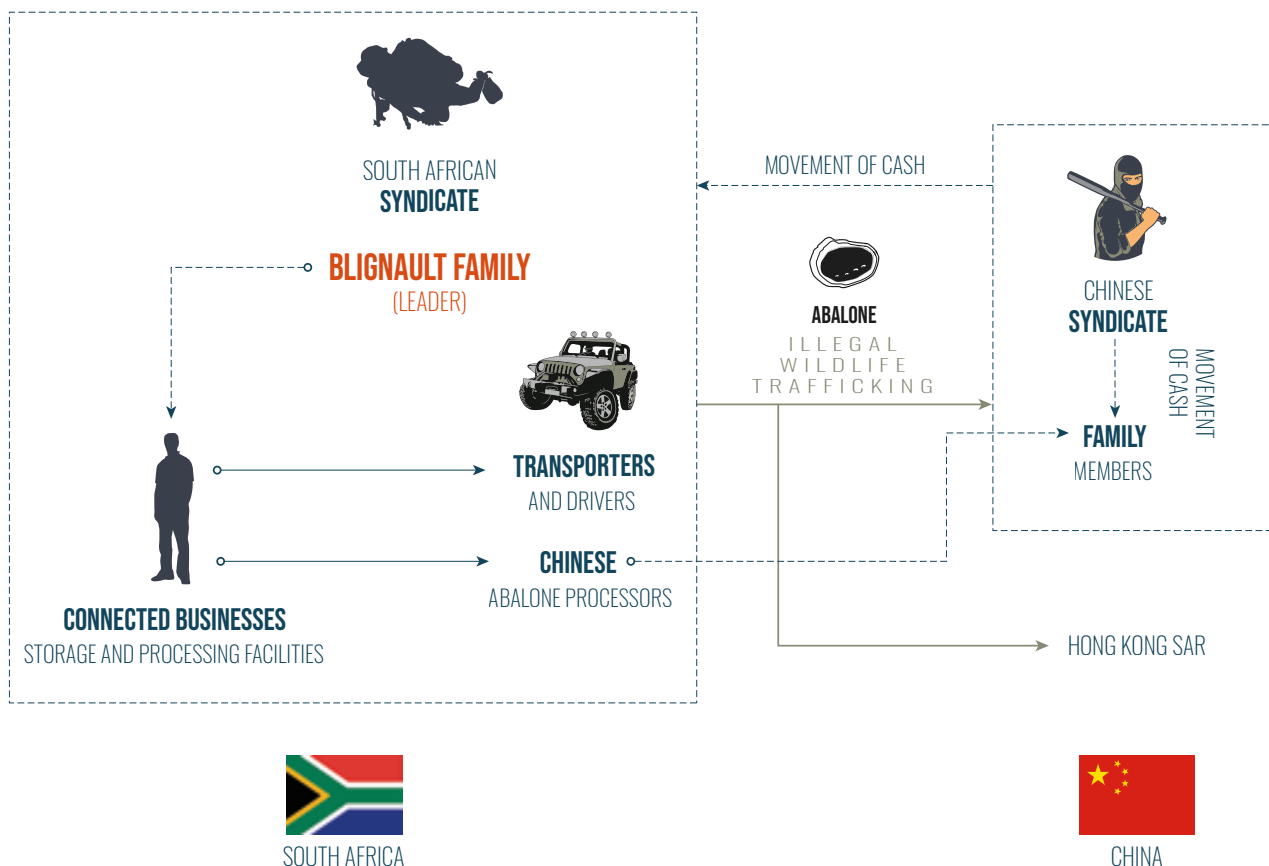
**The first suspects arrested in relation to this case were two Chinese nationals and one South African on 11 August 2014. They were found in the possession of 37,356 units of abalone, which weighed in excess of six tons with an estimated value of ZAR 5,258,300. On 28 April 2015, one of the suspects revealed to the police the details of the enterprise's patterns of racketeering activities and the direct managerial participation of Morne Blignault Sr.**

From 2014 to 2016, the Serious Organised Crime Investigation Unit of the Hawks conducted a project-driven investigation named 'Little Rhino' into the organised criminal group led by Morne Blignault Sr. and his accomplices. Investigations established that from July 2013 to August 2014, the criminal group made a total of ZAR 67,2 million from their criminal activities. The Hawks arrested Morne Blignault Sr., Marshelle Blignault, Jacob Naumann, Petrus Smith, Frederick Nance and William Nance in Port Elizabeth in June 2016. All suspects went out on bail. All of them, except for the group's leader, pleaded guilty before the Port Elizabeth High Court on 22 August 2018 to racketeering and/or to operating a fishing establishment without a permit and/or unlawful engaging in the fishing, collecting, disturbing, keeping, controlling, storing, transporting or be in possession of abalone without a permit. Finally, Morne Blignault Sr. also pleaded guilty and was sentenced in September 2018 to 20-years direct imprisonment for the same charges. Nonetheless, while out

on bail in 2017, Morne Blignault Sr. managed to mastermind and finance the illegal poaching of more abalone worth ZAR 450,000. Investigations this time led to the seizure of 6,013 abalones and to his arrest along with Morne Blignault Jr., Paul Bezuidenhout, Jacob Johannes Naumann and Daniel Jan Prinsloo. They were all found guilty of racketeering charges under the Prevention of Organised Crime Act and of contravening the Marine Living Resources Act on 26 October 2018.

On 29 March 2019, Marshelle Blignault and Jacob Naumann were sentenced to an effective 12 years imprisonment, Petrus Smith and Frederick Nance received effective sentences of five years each and William Nance was sentenced to either a fine of ZAR 20 000- or 18-months imprisonment.

In May 2019, Morne Blignault Jr. was given a five year suspended sentence while his father was sentenced to an effective 20 years, of which 15 years would run concurrently with his previous 20 year sentence, Jacob Naumann was sentenced to 12 years; seven of which would run concurrently with his previous 12 years sentence, Daniel Jan Prinsloo, who had a previous conviction of theft was sentenced to three years, while Paul Bezuidenhout also received a five year suspended sentence.



## NETWORK STRUCTURE

The organised criminal group operated an illegal enterprise whose purpose was to engage in the illegal fishing, collecting, keeping, controlling, processing and transportation of abalone without a permit. To this effect, each perpetrator played a specific role and functions that led to the packing and delivery of abalone for its export, through the involvement of syndicates from China and Hong Kong.

**MORNE BIGNAULT SR.** – Leader of operations. Colloquially described as the king-pin, he upheld direct managerial participation in the enterprise's pattern of racketeering activities. He either owned or was de facto lessee of the properties and vehicles used to facilitate the illicit trade of abalone. The procurement of the processing facility and its location was deemed by the Court to be reflective of meticulous planning and machinations of the perpetrator.

**MARSHELLE BIGNAULT** – Administrator. Although her appeal pleading portrayed her as a mere “pay clerk” following orders from her former husband, Morne Blignault Sr., the Court determined that she had a vital role in the on-going management of the enterprise. Moreover, it was testified that when Morne Blignault Sr. was not available, she took charge and gave instructions.

**JACOB “JAPIE” NAUMANN** – Second-in-charge. Jacob Naumann was charged with the count of managing the enterprise alongside Morne Blignault Sr. The Court found that he played a key role in the control of operations as he was responsible for contact with the sellers (divers) of abalone, organised the purchasing, and exercised control over the transportation of the abalone to and from the storage facility.

**MORNE STEVEN BIGNAULT JR.** – Facilitator. He is the son of Morne and Marshelle Blignault. He pleaded not guilty of participating in the illicit business, indicating that he was not employed by the enterprise. However, evidence against him demonstrated that he drove in convoy with a vehicle transporting abalone in order to look out for police activity. Moreover, a witness declared that Morne Blignault Jr. was present at the premises when deliveries were made and had attended meetings of the enterprise.

**PAUL BEZUIDENHOUT, DANIEL JAN PRINSLOO, FREDERICK NANCE, WILLIAM NANCE, PETRUS SMITH** – Transporters of abalone – these individuals were responsible for transporting abalone between divers, temporary storage facilities, the processing facility and the Chinese buyers on behalf of the enterprise.

**HUANG ZHENYONG AND PAN KEKUN** – Responsible for processing of abalone – The role of these two Chinese

nationals was to receive, process, cook, dry and pack the abalone at an illegal processing facility (farm). The Court determined that they were assigned to the enterprise for their expertise, by syndicates of China and Hong Kong. They resided illegally in the Republic of South Africa, living in the farm in horrific conditions and were not allowed to leave the premises.

## FINANCIAL INVESTIGATION

As part of the financial investigation, connected assets to the crimes were identified but the true ownership of a few was attempted to be covered by the perpetrators. Morne Blignault Sr. either owned the properties or was the de facto lessee. The vehicles used to transport the abalone were likewise his property, notwithstanding the deception created surrounding their ownership. Furthermore, the sale of property to his son was a mere ploy to conceal the perpetrator's affluence. However, the Court found that the property portfolio attested to the rich rewards his poaching activities yielded.





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### A. FINANCIAL FLOWS



#### Payment methodology:

**Cash transactions:** Syndicate received payment for the abalone in cash in South African Rand and paid employees in cash. Abalone divers also received cash.

**Unknown value transfer system:** According to court records, the two Chinese nationals did not receive an income or salary while in South Africa. Their families in China received payment on their behalf by unknown members of the syndicate in China/Hong Kong.



#### Estimated amount:

ZAR 67.2 million



#### Corruption vulnerabilities:

None identified.

#### Convergence:

Other linked crimes included:

**Theft:** theft of a vehicle by hijacking and theft of illegal goods by third parties (where the abalone was stored at the auto body business).

**Immigration violations:** The Chinese nationals were illegally domiciled in South Africa and received work permits upon their arrival to South Africa without applying for them.

#### Currency:

South African Rand (ZAR).

#### Concealment:

In storage facilities.

?

ZAR



### B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY<sup>165</sup>

#### Asset recovery:

Numerous valuables were found in properties owned by the perpetrators: The lead accused's home contained the following assets: rugby memorabilia, including signed jerseys and pictures; large plasma screen TV sets; two pool tables; a display of model cars; a large variety of jewellery including gemstones such as a 4.5-carat red/pink ruby, bangles, bracelets, cufflinks and a diamond ring; valuable coins (including

a gold Queen Anne coin in a pendant, a Mandela coin and two Manchester United coins); at least seven cameras; and 18 watches.

These assets were identified for forfeiture (worth approx. ZAR 67 million) and a final restraining order was obtained by the state on 13th November 2018.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

**The perpetrators transported abalone** from both the Western Cape and the Eastern Cape to the farm premises for processing.

**The perpetrators temporarily stored abalone** at an auto body shop. However, after an employee of the shop stole abalone from the organised criminal group, the storage was moved to a local attorney's office.

**The perpetrators dried the abalone using salt and gas heaters**, packaged and transported it within South Africa and sold it to buyers in Johannesburg, who further exported the abalone to China and Hong Kong.

**The perpetrators used two vehicles** when transporting

abalone: One vehicle transported the abalone while the other served as a lookout for police activity or facilitated the movement of the former.

**The perpetrators used false vehicle registration numbers** and/or licence plates. One of the vehicles they used was stolen during a car hijacking in Port Elizabeth on 20 January 2017.

**Vehicles for abalone transportation were fitted with hidden compartments** and their suspension modified to conceal abalone.

**Abalone was disguised as bags of potatoes** during transportation.

# KEY LESSONS



**The involvement of family** and the settlement of trust-based networks is often observed in organised criminal groups.



**The use of cash-intensive businesses** can enable the criminals to commingle the proceeds of the crime and to avoid detection by law enforcement authorities.



**Organised criminal groups may also engage in additional criminal activities** such as theft, hijacking and immigration violations to facilitate the commission of the main illegal operation.



## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**Evaluate the patterns of cash flow for small businesses** and the reasonableness of cash inflows and outflows based on the business location and industry of small and medium-sized enterprises (SMEs).

**Ensure that SMEs are registered for taxation.**

**Be suspicious of clients who declare that they are unemployed in the customer due diligence (CDD)** process but accumulate expensive assets and/or have higher financial flows than average.

**Identify and monitor high level of cash inflows** and outflows in personal and business accounts.



## RECOMMENDATIONS FOR LAW ENFORCEMENT

**Create specialised task forces and use special investigative techniques** such as undercover operations to gather sufficient evidence for a strong case.

**Investigate cash-intensive businesses** connected to the accused to determine whether they were used to obscure the origin of illicitly earned funds.

**Investigate assets that may be owned or in the name of relatives or close connections** to determine whether they derived from illicit profits.

**Use a “follow the money” approach** to unveil the entire illegal value chain, including the identity of the buyers (exporters in this case).

**SOURCES:** Judgement of Case No. CA&R173/ 2019 by the Port Elizabeth High Court of South Africa (available at <http://www.saflii.org/cgi-bin/disp.pl?file=za/cases/ZAECGHC/2020/7.html>)

Judgment of Case No. CC 20/2018 by the Port Elizabeth High Court of South Africa (available at <http://www.saflii.org/cgi-bin/disp.pl?file=za/cases/ZAECPEHC/2018/57.html>)

Judgment of Case No. CC 36/2017 by the Port Elizabeth High Court of South Africa (available at <http://www.saflii.org/cgi-bin/disp.pl?file=za/cases/ZAECPEHC/2018/58.html>)

Sentence of Case No. CC 19/2017 by the Port Elizabeth High Court of South Africa (available at <http://www.saflii.org/za/cases/ZAECPEHC/2017/55.html>)

Sentence of Case No. CC35/2017 by the Port Elizabeth High Court of South Africa

Plea, Judgement and Sentence of Case No. PE.2174/14 by the Port Elizabeth Regional Court

<https://www.saps.gov.za/newsroom/msspeechdetail.php?nid=19922>

<https://www.saps.gov.za/newsroom/msspeechdetailm.php?nid=20380>

<https://www.saps.gov.za/newsroom/msspeechdetail.php?nid=8455>

<https://www.heraldlive.co.za/weekend-post/your-weekend/2018-11-17-asset-cops-chase-perly-kingpins-loot/>





## CASE 8

# ABALONE FOR DRUGS

### SUMMARY

The eighth case study is also a South African case relating to the illegal trade in abalone. It provides an example of five financial mechanisms: 1) the nominee bank account holders, 2) barter trade, 3) cash-based transactions, 4) the use of shell companies and 5) cash-intensive businesses to launder funds. These financial schemes were designed to ensure that the authorities were limited in their ability to detect the financial flows associated with the trade in illegal goods – namely drugs and abalone.

**The information in this case is provided only for the purpose of increasing general knowledge on the modus operandi and the payment mechanisms related to wildlife and forest crime. The information, received from a third-party source privy to the information, is based on actual events but details of the case have been eliminated. The details have not been verified.**

<b>KEY PAYMENT MECHANISMS:</b>	Use of nominee bank account holders Barter trade Cash transactions Use of shell companies Use of cash-intensive businesses
<b>CRIME TYPE:</b>	Illegal trafficking in wildlife and drugs
<b>TRAFFICKED COMMODITY:</b>	Abalone <i>Haliotis midae</i> , drugs
<b>SEIZURES:</b>	Drugs and abalone worth >ZAR 30 million
<b>JURISDICTIONS:</b>	<b>Primary:</b> South Africa <b>Secondary:</b> China, Hong Kong
<b>DEFENDANTS:</b>	One South African national
<b>DATE OF ARREST:</b>	Not specified
<b>STATUS OF PROCEEDINGS:</b>	Defendant was convicted and sentenced to serve an imprisonment term
<b>PERIOD OF CRIMINAL ACTIVITY:</b>	Not specified

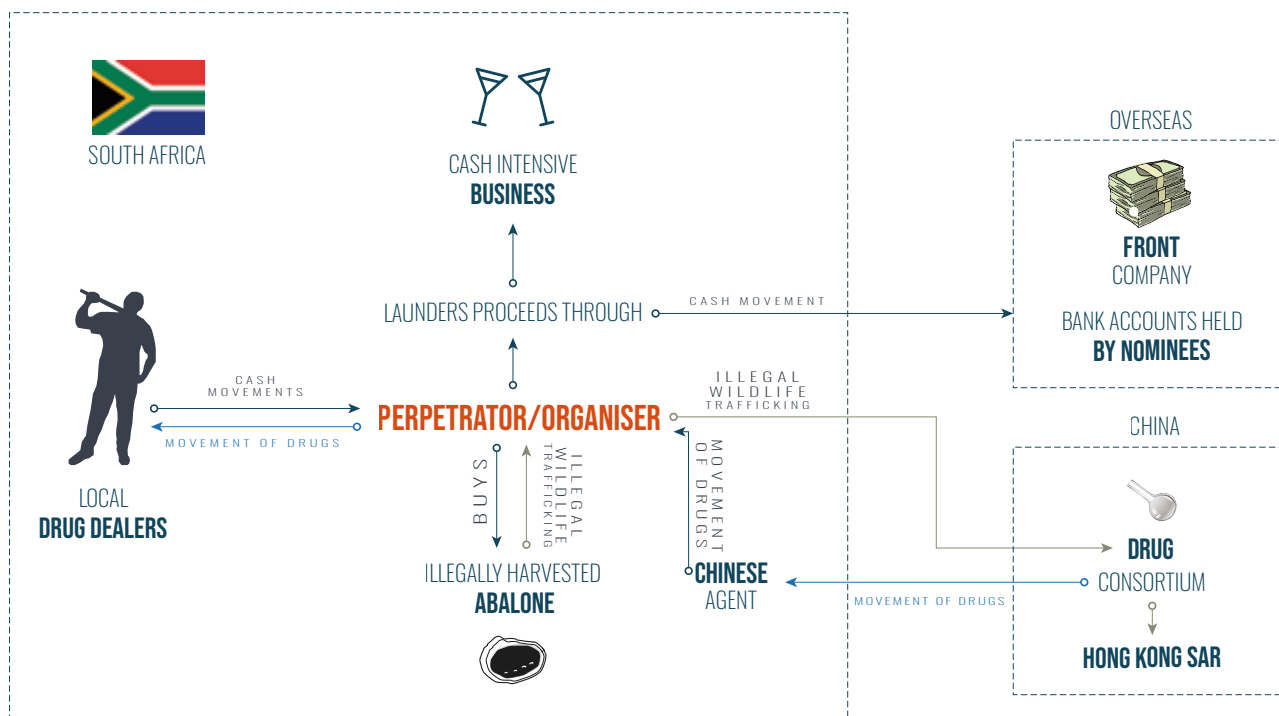
This case showcases the convergence of wildlife crime with the trafficking of drugs. It summarises how an organised criminal group re-invested profits from the sale of drugs in South Africa to purchase abalone and to export it back to Hong Kong; the original source of the drug products.

Chinese counterparts transported drugs to South Africa for distribution at a price of ZAR 12 per item and the perpetrator sold the drugs at a mark-up to criminal group leaders who then distributed the drugs within South Africa. The perpetrator earned approximately ZAR 15–16 per item, minus his operational costs of ZAR 2–3 each. It is believed that the perpetrator distributed approximately 16 million Mandrax tablets annually worth an estimated ZAR 288 million (USD 36 million).



Drugs users always paid for the drugs in cash. The criminal group used these profits to purchase abalone illegally from divers who had poached them from the Western and Eastern Capes of South Africa. The criminal group then exported the abalone to Hong Kong. Money earned from the distribution

of drugs in South Africa thus arrived back in Hong Kong in the form of abalone ready for sale to consumers. Any monetary settlements owed by the Asian-based syndicates were sent in the form of additional drugs to South Africa for sale in lieu of direct payment.



## NETWORK STRUCTURE

**CONSORTIUM IN CHINA** – A consortium based in China, through a Chinese agent based in Johannesburg, South Africa, supplied drugs to the perpetrator. The perpetrator was responsible for distributing those drugs throughout South Africa and collecting the cash that was paid for those drugs. Illegally harvested abalone was purchased with the collected cash. Abalone was then shipped from South Africa to Hong Kong and received by consortium.

**MORNE BIGNAULT SR.** – This individual served as a facilitator and locally-based representative of the Chinese consortium which the perpetrator liaised with.

**CHINESE AGENT BASED IN SOUTH AFRICA** – Administrator. Although her appeal pleading portrayed her a mere “pay clerk” following orders from her former husband, Morne Blignault Sr., the Court determined that she had a vital role

in the on-going management of the enterprise. Moreover, it was testified that when Morne Blignault Sr. was not available, she took charge and gave instructions.

**PERPETRATOR** – The perpetrator received drugs in South Africa and distributed them throughout the country via various gangs. The cash collected from the drugs was used to purchase illegally harvested abalone, through the perpetrator’s network of divers, for export to Hong Kong.

**EMPLOYEES OF THE PERPETRATOR** – The perpetrator hired various individuals to collect, transport, store, weigh, process and package abalone. Other employees stored, transported and sold the drugs received from the Chinese consortium and/or produced, processed and packaged compressed cannabis for export.

## FINANCIAL INVESTIGATION

Most notably, barter trade was used between Hong Kong and South Africa, which minimised or eliminated the need for traditional international financial transactions. The use of cash-intensive businesses and opening of shell companies were all designed to evade law enforcement while profiting

from the crimes and engaging nominees to transfer funds globally on behalf of the perpetrator. In addition, the perpetrator was not registered as a taxpayer in South Africa for the purpose of declaring income tax or VAT.

## A. FINANCIAL FLOWS



### Finance mechanisms:

**Cash transactions:** The perpetrator paid his employees in cash (South African Rands) as well as for all operational costs, such as the purchase of abalone, premises rental, freezers, equipment and vehicles.

**Barter trade:** The perpetrator received drugs from his counterparts in China and sold them in South Africa. Those profits were used to purchase abalone for export to Hong Kong. If his counterparts owed him money for processing and storing drugs and/or abalone, the perpetrator kept some of the drug profits himself, rather than using all of those profits to purchase abalone for export.

**Use nominee bank accounts holders:** The perpetrator accumulated large sums of cash

and transferred those profits to various overseas business accounts opened under the names of third-party middlemen who were paid a 10% fee.

**Use of cash-intensive businesses:** The perpetrator operated various cash-intensive businesses under the names of close friends and family, such as a food take-away business to launder some of the accumulated cash from drug sales by inflating the businesses' earnings.

**Use of shell companies:** The perpetrator deposited his profits into various foreign business accounts so as not to accumulate cash or attract suspicion of South African banks. In order for the perpetrator to access his profits, he registered a corporation and then obtained a grant or loan from the same foreign businesses in which he had deposited his illegal profits.



### Convergence:

Elements of additional criminality include:

**Dealing in drugs** – profits from drug sales were used to fund the purchase of abalone for export to Asia



### Corruption vulnerabilities:

Bribery of customs officials to facilitate transport of illegal commodities into and out of South Africa



### Currency:

South African Rand (ZAR).

**Corruption** – bribery of officials to facilitate transport of goods

**Money laundering** – through use of nominees, shell companies and cash intensive businesses

### Connected entities:

Cash-intensive businesses - food take-away, construction, property development, clothing imports and a second-hand car dealership.



### Concealment:

In storage facilities.



## B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY

### Asset recovery:

#### Assets identified by the State

Four properties valued at >ZAR 250,000

Two companies valued at >ZAR 200,000

Logistic support – vehicles, boat, trailer > ZAR 499,000

Two bank accounts with balance > ZAR 460,000

Contents of house and equipment used > ZAR 99,000

#### Assets seized and auctioned/used by the State and auctioned/used:

One third of the money paid by the perpetrator for bail

Proceeds of selling the four properties

Logistic support – vehicles, boat, trailer

Balance of bank account

Other equipment and electronic goods

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

The perpetrator purchased a truck to use as a mobile weighing station for abalone (as opposed to a fixed premises) to avoid suspicion and detection by law enforcement.

The perpetrator purchased and registered vehicles in the names of his employees to transport drugs and abalone.

The perpetrator modified some vehicles to create hidden compartments to store abalone and drugs.

The perpetrator rented premises and regularly moved the illegal processing facility every 3–4 months to avoid detection and suspicion.

The perpetrator admitted to exporting abalone through Cape Town International Airport to Hong Kong.

The perpetrator used rental vehicles to transport drugs, cash and/or abalone.



# KEY LESSONS



**Sophisticated structures are established** to pursue the goals of organised criminal networks that operate across borders.



**Criminal networks engage in poly-criminal behaviours** (i.e. they are involved in infractions beyond their main criminal activity)



**Value transfer methods are innovative and can include goods-for-goods-exchange**, which leave no traditional financial evidence.



## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**Conduct enhanced due diligence for newly registered businesses** and question source of funds from overseas locations.

**Always verify the identity of clients.**

**Verify the tax status of clients and their small to medium businesses.** Obtain verification of tax status.



## RECOMMENDATIONS FOR LAW ENFORCEMENT

**Engage in international co-operation to conduct financial investigations** along the entire supply chains into Asia.

**Use special investigative techniques** such as undercover operations to gather sufficient evidence for a strong case.

**Investigate cash-intensive businesses** connected to the perpetrator to determine whether they were used to obscure the origin of illicitly earned funds.

**Investigate assets that may be owned or in the name of relatives** or close connections to determine whether they derived from illicit profits.

**Additional financial investigations outside of South Africa may be warranted** given some of the claims made about foreign nominee bank accounts holders and foreign investments.

A photograph of two chimpanzees in a lush green forest. One chimpanzee is in the foreground, looking towards the right, while the other is slightly behind and to the left, looking towards the left. The background is a soft-focus green forest.

## CHAPTER 6 THE GREAT APE (CHIMPANZEE) TRADE

**CHAPTER 6 HIGHLIGHTS WEST AFRICAN NETWORKS OPERATING OUT OF GUINEA AND ITS SURROUNDING COUNTRIES ENGAGED IN THE ILLEGAL TRAFFICKING OF LIVE ANIMALS, SUCH AS GREAT APES AND CHIMPANZEES, TO VARIOUS DESTINATION COUNTRIES.**

The regulated banking system was extensively used to facilitate the purchase of live animals, as well as to pay for fraudulent CITES permits to enable the legal export of the animals. Chapter 6 starts with an analysis of the trade dynamics associated with the great ape trade.

### **GREAT APE TRADE DYNAMICS**

**Potential uses and commodities in trade:** live animals (pets, zoos, displays of wealth) bushmeat (local and international) and medicinal use.



## BACKGROUND TO THE TRADE

**While it has been alleged that there is significant trade in live great apes, this is not demonstrated in the UNODC World WISE Database, with only 208 live apes seized in 17 years of data gathering. Nevertheless, prominent examples exist, such as the four gorillas exported as captive-bred to Malaysia in 2002 from a Nigerian zoo that had no mating pair.<sup>166, 167</sup> This suggests the need for additional review of other sources on the trade, as discussed below.**

Chimpanzees *Pan troglodytes* make up a large proportion of the illegal pet trade in comparison to other great apes, likely as a result of their comparatively larger population size. Juvenile chimpanzees that are separated from their mothers are also less likely to die compared to juvenile gorillas.<sup>168</sup> Chimpanzee traders are increasingly using technology to market their illegal product, including the use of social media sites, for buyers in the Middle East and Asia.<sup>169</sup>

The bushmeat trade involving chimpanzees is also present in European countries. Experts estimate that 40 tonnes of bushmeat arrive into airports in Geneva and Zurich every year<sup>170</sup>, while 270 tonnes of bushmeat arrive into Charles de Gaulle Airport in Paris.<sup>171</sup>



# USD15,000–70,000

AVERAGE PRICE FOR AN INFANT  
OR JUVENILE

The illegal trade of live chimpanzees is extremely lucrative, with estimates of their average annual international retail

value ranging from USD 1.4 million up to USD 6.4 million, based on final buyers paying between USD 15,000 to USD 70,000 for an infant or juvenile, and the average number captured per year being 92 individuals.<sup>172</sup>

Prices within the trade also vary greatly and can often be dependent on who the seller is. A poacher might sell a live chimpanzee for USD 50–100, which a middleman might resell at a mark-up for as much as 400%.<sup>173</sup>

Chimpanzees have been listed in CITES Appendix I since 1977, meaning trade is permitted only in exceptional circumstances. Chimpanzees are completely protected by national legislation in all of their range states<sup>174</sup> meaning that it is illegal to kill, capture or trade in live chimpanzees or their body parts.<sup>175</sup> Despite this, poaching remains a major threat to wild chimpanzee populations. Many protected areas in these range states fail to manage and enforce strict wildlife laws that combat poaching.<sup>176</sup> Documented reports of chimpanzees trafficked from the wild between 2005 and 2011 calculated that at least 614 live and more than 29 dead individuals were observed in trade.<sup>177</sup>

Other threats include habitat loss and degradation, the medicinal use of chimpanzee products, disease, and the intentional and retaliatory killing of chimpanzees to protect crops either before or after crop-raiding.<sup>178</sup> As human populations increase and expand, the frequency of encounters between chimpanzees, humans and human waste is increasing, leading to higher risks of transmitting diseases to chimpanzees.<sup>179</sup> The changing dynamics of the demand for minerals and a reduction in civil violence in West and Central African countries has led to an increase in mining activities, which in turn has put pressure on the natural habitats of great apes.<sup>180</sup>

## TRADE ROUTE

The primary buyers of Africa's live great apes are located in Africa, China, Eastern Europe, the Middle East, and Southeast Asia where apes are used for pets, displays of wealth and commercial entertainment.<sup>181</sup> The primary market for pets specifically is in Eastern Europe, Gulf Countries and Russia, while China and Southeast Asia (especially Thailand) are the centre of the commercial trade for entertainment purposes

(zoos, safari parks, shows etc.)<sup>182</sup> The illegal trade dynamics of Africa's live great apes are said to involve specialised family businesses located in West and Central Africa that have established networks of poachers and corrupt officials enabling them to smuggle chimpanzees across international borders effectively.<sup>183</sup> These networks allegedly supply chimpanzees and other great apes to wholesalers located



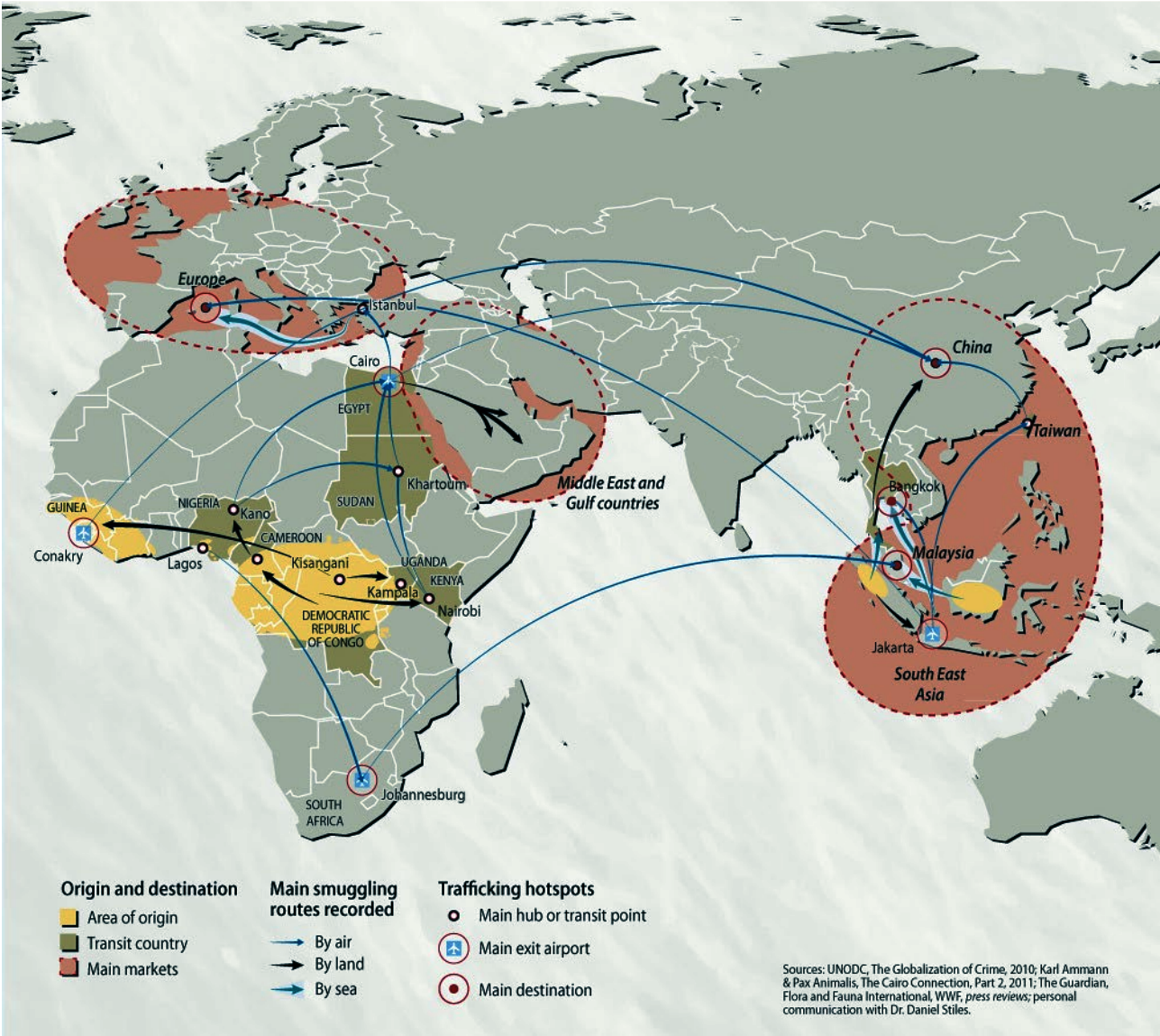
in transit countries including Armenia, China, and the United Arab Emirates, who act as intermediaries or provide great apes directly to final buyers.<sup>184</sup> Smuggling live great apes from West and Central Africa into other countries and continents is the most difficult and costly portion of their illegal trade.<sup>185</sup>

Smuggling routes have remained fairly consistent and great ape traffickers tending to use repeated patterns of airline companies and transit hubs such as Ethiopia, Libya, and Sudan.<sup>186</sup>

# TRADE MAPS

Map 6 shows the main international routes for the illegal trafficking of great apes. The main destination markets are in China, Europe, the Middle East and Southeast Asia. Source

countries are predominantly found in Central and West Africa, as well as Southeast Asia.



MAP 6

The main international routes for the illegal trafficking of great apes Source: Stolen Apes – The Illicit Trade in Chimpanzees, Gorillas, Bonobos and Orangutan<sup>187</sup>. This map was produced by compiling information from UNODC, The Globalisation of Crime, 2010; Karl Ammann & Pax Animalis, The Cairo Connection, Part 2, 2011; The Guardian, Flora and Fauna International and WWF and other sources.<sup>188</sup> Source countries are indicated in yellow, with transit countries in green and destination countries in red









## CASE 9

# THE GUINEA-BASED NETWORKS

### SUMMARY

The ninth case study is an example of how legally registered wildlife trade companies were employed for the illicit trafficking of protected species, especially great apes, mainly to China but also to Africa, Eastern Europe and the Middle East. These corporations provided a legitimate veneer to manage payments through trade mis-invoicing, using the regulated financial system to process transactions and launder illicit proceeds. Moreover, this case provides an example of corruption, in which fraudulent CITES permits were sold to traffickers by the former Head of the CITES Management Authority in Guinea.

**The information in this case is provided only for the purpose of increasing general knowledge on the modus operandi and the payment mechanisms related to wildlife and forest crime. The information, received from open and third-party sources, is based on actual events but details of the case have been eliminated. The details have not been verified.**

**KEY PAYMENT MECHANISMS:** As legally registered wildlife trade companies were employed to cover up illicit operations, the regulated financial system was openly used to process business transactions, which commonly flowed from Asia to Africa.

To that end, international and national bank transfers were wired for purchases and payments. Money service businesses (MSB) such as Western Union and internet-based payments like WeChat were also used by buyers to acquire the animals.

**CRIME TYPE:** Illegal trafficking in wildlife; usurpation of functions or title (performance of any act pertaining to an authority under pretence of official position, without being lawfully entitled to do so); forgery and forgery of public documents; and capture, detention, movement, commercialisation, import and export of protected species.

**TRAFFICKED COMMODITY:** Chimpanzees, bonobos and gorillas, as well as manatees, rare birds and other protected species

**SEIZURES:** Unknown.

**JURISDICTIONS:** **Primary:** Guinea, Côte d'Ivoire  
**Secondary:** China, Ghana, Democratic Republic of the Congo (DRC) and Liberia

**DEFENDANTS:** Six traffickers and one public official.

**STATUS OF PROCEEDINGS:** Two separate court proceedings, which resulted in the conviction of the seven defendants.

**PERIOD OF CRIMINAL ACTIVITY:** Allegedly 2009–2016

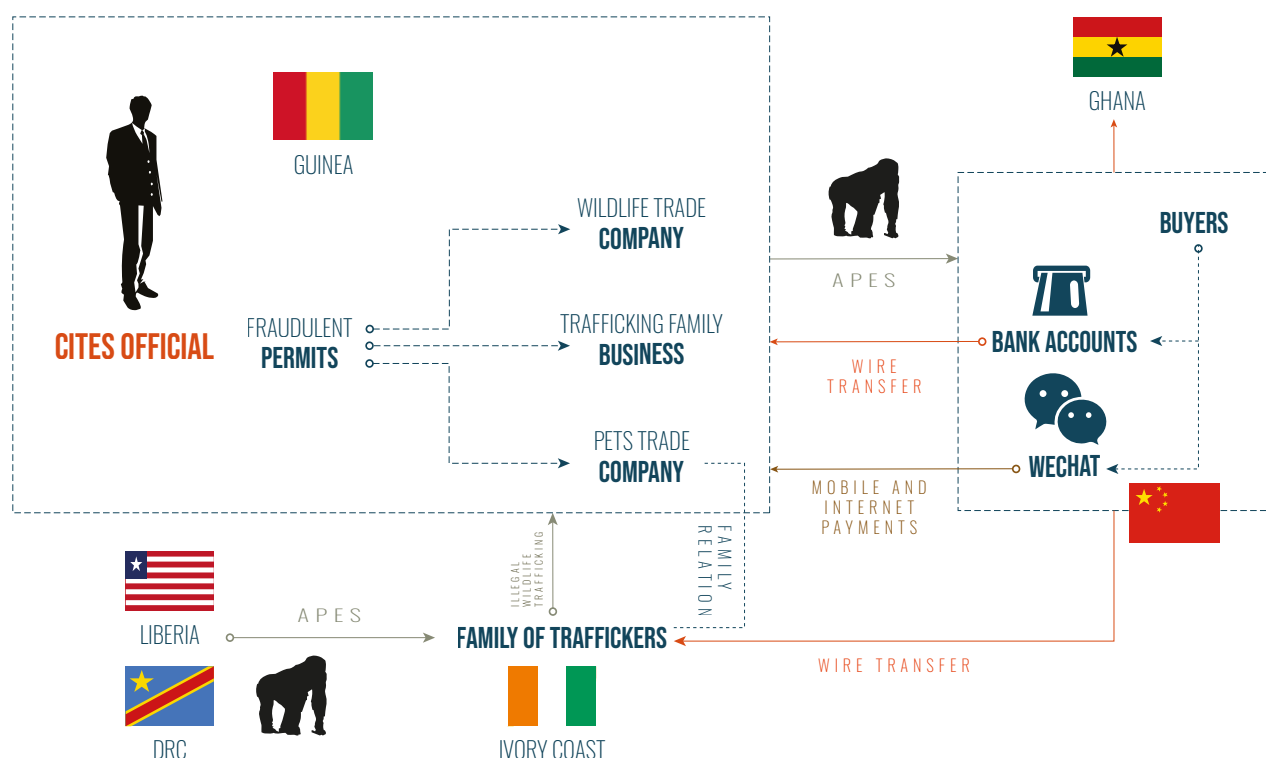


**Investigations by the Network of Eco Activists for Governance and Law Enforcement (EAGLE) and the WARA Conservation Project pointed to Guinea as a central junction from which inter-connected organised criminal groups had been illegally trafficking apes and other protected species to China and around the globe for years.**

Based in Guinea, these wildlife trafficking networks operated across Central and West Africa, illegally exporting chimpanzees, bonobos and gorillas with fraudulent CITES permits that falsely identified the animals as captive-bred,

despite the absence of approved captive breeding facilities of great apes in Africa. This method is called the “C-scram” after the C source code that denotes captive bred animals on CITES permits.

The collaborative efforts between authorities of Guinea and Côte d'Ivoire, together with INTERPOL and other actors such as EAGLE, WARA and the BBC News, led to the arrest, prosecution and conviction of six major traffickers and one public official who helped them.



## NETWORK STRUCTURE

The perpetrators operated inter-connected networks behind legally registered wildlife trading companies which served as covers for the illegal trade of endangered species, in particular, various types of apes. The perpetrators were prosecuted and convicted through two criminal court proceedings.

### CASE NO. 1

The first criminal proceedings focused on the offence of usurpation of title or function (performance of any act pertaining to an authority under pretence of official position, without being lawfully entitled to do so); forgery and forgery of public documents; and capture, detention, movement, commercialization, import and export of protected species. The Court of First Instance of Kaloum delivered its verdict on 8 July 2016, in Guinea.

**ACCUSED NO. 1: CITES OFFICIAL.** The former Head of the Guinea CITES Management Authority and the Division of Forestry Legislation sold fraudulent CITES export permits to wildlife traffickers. After being discharged from his CITES position, he continued to issue, sign and sell blank permits he had kept. Arrested in August 2015, he was found guilty and sentenced to 18 months imprisonment, a symbolic penalty of 1 Guinean Franc (GNF) and a fine of GNF 150,000. He appealed the verdict and received a presidential pardon before the ruling on the appeal.

**ACCUSED NO. 2:** Owner of a wildlife trade company. The company operated with over nine dealers in six countries, he worked closely with Accused No. 1. The company used

the regulated financial system to process transactions. The perpetrator was arrested in March 2016 and convicted to six months imprisonment and a fine of GNF 250,000.

**ACCUSED NO. 3: OWNER OF A PETS TRADE COMPANY.** He worked in collaboration with Accused No. 2. He was arrested on 18 August 2015 in possession of protected apes and a CITES permit signed by Accused No. 1. He was convicted to one-year imprisonment and a fine of GNF 250,000.

**ACCUSED NO. 4: FATHER OF ACCUSED NO. 5.** Head of a family business that had been active in wildlife trafficking for many years, he worked closely with Accused No. 1, having facilitated the export of ten gorillas and 130 chimpanzees to China between 2009 and 2011. He was convicted in absentia to five years imprisonment and a fine of GNF 500,000. He was finally arrested on 18 February 2017. Upon the perpetrator's appeal against his sentence, the Court delivered a new verdict on 14 April 2017, reducing the former sanction to one year in prison of which nine months were suspended, and a symbolic penalty of GNF 1 in payment for interests and damages.

**ACCUSED NO. 5: SON OF ACCUSED NO. 4.** He operated as a dealer for the pets company owned by the Accused No 2 in Ghana and was a key element of his family network. Along with his father, he was convicted in absentia to five years imprisonment and a fine of GNF 500,000. He was finally

arrested on 7 March 2017. Upon the perpetrator's opposition to his sentence, the Court delivered a new verdict on 14 April 2017, reducing the former sanction to four months in prison, of which two months were suspended, and a symbolic penalty of GNF 1 in payment for interest and damages.

## CASE NO. 2

This court proceeding became the first case of wildlife trafficking brought to justice in Côte d'Ivoire.

**ACCUSED NO. 1: NEPHEW OF ACCUSED NO. 2.** Known to have links with Accused 4 and 5 of Case 1, he claimed to hold chimpanzees at farms in Guinea, the Democratic Republic of the Congo (DRC), Côte d'Ivoire and Liberia. He was arrested in December 2016 while trying to sell an infant chimpanzee to an undercover BBC reporter. He was sentenced to six months in prison for wildlife trafficking. The data captured from his mobile phones and laptops revealed information about an extensive international network of great ape traffickers, working across Europe, Africa, Asia and the Middle East.

**ACCUSED NO. 2: UNCLE OF ACCUSED NO. 1.** Along with Accused No. 1, he was arrested in December 2016 while trying to sell an infant chimpanzee to an undercover BBC reporter, and he was sentenced to six months in prison for wildlife trafficking. He was also known to have links with Accused 4 and 5 of Case 1.

## SUMMARY

The investigation identified that legally registered wildlife trade (or pet) companies employed as covers for the trafficking of apes and other protected species, were openly

using the regulated financial system to process transactions. The financial investigation further revealed:

- **Fraudulent CITES permits were sold to traffickers** by the CITES Management Authority of Guinea, to provide a veneer of legitimacy to illegal animal exports along the value chain.
- **Traffickers openly used their personal or business bank accounts**, as well as transaction references like "import animals" and "airline fees" to transfer and receive payments.
- **International bank transfers were identified between Asia and West Africa** (Ghana and Guinea). All transactions were conducted in USD.
- **Beside bank transfers, money service businesses (MSB) such as Western Union** and application-based payments like WeChat were also used by buyers to purchase the animals.
- **Wildlife and funds generally flowed directly from source to destination**, and vice versa.

## A. FINANCIAL FLOWS



### Payment methodology

Legally registered wildlife trade companies were employed to cover up the illegal operations. These corporations managed payments, trade mis-invoicing and receipts, using the regulated financial system to process transactions and launder illicit proceeds.

To that end, international bank transfers from China to the personal and business bank accounts of the perpetrators in Guinea were wired for the purchase of animals, while national bank transfers were processed for logistical payments within Guinea. Money service businesses (MSB) such as Western Union and application-based payments like WeChat were also used by buyers to purchase the animals.

The money typically flowed from Asia to West Africa. For example, receipts of Western Union and bank transfers from China, showed payments to the bank accounts of Accused No. 2 of Case No 1. And the pets company owned by him, ranging from USD 30,000 to USD 50,000, while Accused No. 1 of Case No. 2 was allegedly the recipient of similar money transfers from the same Chinese account amounting to approximately USD 450,000.

According to a BBC News investigation, a baby chimpanzee was sold by a poacher for around USD 325. Further down the value chain, the traffickers would sell the ape for approximately USD 1,400 to intermediaries, while the final customers would pay USD 12,500 or more.



### Convergence:

Illegal trafficking in wildlife with usurpation of functions or title (performance of any act pertaining to an authority under pretence of

official position, without being lawfully entitled to do so); forgery of public documents.



### Corruption vulnerabilities:

The former Head of the Guinea CITES Management Authority and the Division of Forestry Legislation was convicted for selling fraudulent CITES export permits to traffickers for approximately USD 5,000 each. After being discharged from his CITES position, he continued to issue, sign and sell blank permits he had kept.

### Connected entities:

Legally registered wildlife trade or pets companies and farms.

Commercial buyers such as zoos and safaris residing mainly in China and Southeast Asia.



### Currency:

US Dollars (USD)

### Concealment:

Perpetrators either used fraudulent CITES permits to export the apes; or hid them inside legal shipments of other animals.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

The perpetrators conducted both technical and physical smuggling.

**Technical smuggling:** Use of fraudulent CITES export permits, which falsely declare the chimpanzees as captive-bred (the C-scam).

**Physical smuggling:** Use of hidden compartments in shipments of less endangered animals for which legal CITES permits are obtained.



# KEY LESSONS



**Legally registered wildlife trade or pet companies may be used to cover up illegal trafficking of protected species.** Inspections by the State to these enterprises in source countries can help detect illicit operations.



**Legal measures to establish the liability of legal persons can help dismantling or sanctioning corporations** that are employed for the purpose of committing serious offences such as wildlife and forest crime, corruption and money laundering.



**Collaboration between national law enforcement authorities, INTERPOL and NGOs specialised in the investigation of the trafficking of protected species can bring together more expertise and resources** for the successful prosecution and adjudication of wildlife and forest crime cases.

**The export of protected species may be facilitated through corruption with fraudulent CITES permits.** Anti-corruption measures should be adopted to ensure that the CITES Management Authority operates with integrity, accountability and transparency.



**Organised criminal groups involved in the trafficking of wildlife may operate within family networks.** Therefore, it is important to investigate the connections between the operations and finances of family members.



**CITES officers in the destination countries should be updated about common typologies,** concealment methods and fraud approaches, in order to perform due diligence in line with these trends. In this case, knowledge about the ongoing "C-scram" and the absence of approved breeding facilities in Guinea or Africa, could have prevented the illicit trafficking of 130 chimpanzees and 10 gorillas between 2009 and 2011.



## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**As part of the Know Your Customer (KYC) form, request information about the purpose of the account** and an estimation of the foreseen monthly cash flow. Also flag the use of personal accounts for business purposes.

**Perform ongoing monitoring procedures to ensure the client's risk profile matches their behaviour,** whether the account is used for its intended purpose and to maintain responsiveness to any changes in risk profile.

**Perform enhanced due diligence to the accounts of high-risk businesses to wildlife and forest crime** in source countries, such as wildlife trade or pet companies.

**In line with your local anti-money laundering regulations, inquire about single deposits of large amounts** (generally more than USD 10,000) or repeated smaller cash deposits that may be structured to avoid detection. More importantly, report suspicious transactions to the FIU.



## RECOMMENDATIONS FOR LAW ENFORCEMENT

**Engage in international co-operation** and use a "follow the money" approach to unveil the entire illegal value chain and penalise all actors, including the buyers.

**Use special investigative techniques,** such as undercover operations to gather sufficient evidence for stronger cases.

**Conduct financial and corruption investigations in parallel to the predicate offence.** Press charges for money laundering, especially when a company is employed to conduct illegal operations. Convictions for money laundering and / or corruption may entail higher penalties than wildlife and forest crime, and may facilitate asset recovery, which is key to dismantling organised criminal groups.

**SOURCES:** The information in this case is based on information received from third parties and open sources, including investigation reports by the Global Financial Integrity and the BBC News.







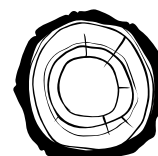
## CHAPTER 7 THE ROSEWOOD TRADE

**CHAPTER 7 INTRODUCES THE ILLEGAL TRAFFICKING IN TIMBER. IN THE FIRST CASE, A FAMILY NETWORK BASED IN THAILAND ENGAGED IN THE ILLICIT TRADE OF SIAMESE ROSEWOOD AND WILDLIFE AND LAUNDERED THE PROCEEDS OF CRIMES THROUGH APPARENT LEGITIMATE BUSINESSES.**

The second case originates from Peru with various timber species of illicit origin allegedly trafficked for economic gain through a well-known shipping vessel. This case illustrates how offenders exploit the tax rebate system to advance interests in exploiting timber which is illegally logged primarily from the Amazon. The chapter starts with an analysis of the rosewood trade.

### ROSEWOOD TRADE DYNAMICS

**Potential uses and commodities in trade:** Furniture, instruments, flooring, handicrafts, chess sets, perfume, fuel, medicine, and timber.





## BACKGROUND TO THE TRADE

**Much of the current demand for rosewood is associated with demand for “Hongmu”,<sup>189</sup> a Chinese term meaning “red wood” applied to durable hardwood from ebonies, rosewoods, and palisanders that is used to manufacture high-end furniture, flooring and handicrafts.<sup>190</sup> Since 2009, there has been an observable increase in the demand for luxury Hongmu furniture in China. Sales in China’s Hongmu sector reportedly exceeded USD 25 billion in 2014.<sup>191</sup> Between 2009 and 2014, Chinese imports of one of the Hongmu species, African kosso logs *Pterocarpus erinaceus* increased from 2,788 m<sup>3</sup> (worth USD 1 million) to 705,117 m<sup>3</sup> (worth USD 496 million).<sup>192</sup>**

Experts believe that China is the predominant final consumer market for Hongmu, while Viet Nam is also an important trade and processing hub.<sup>193, 194</sup> Chinese import data from 2000 to 2014 show strong growth in Hongmu imports in both value and volume and an increasing proportion of Chinese imports of hardwood logs are of rosewood species.<sup>195</sup> In 2014, China imported 1.96 million m<sup>3</sup> of rosewood logs and sawn wood which was an increase of 1,250% since 2000.<sup>196</sup> This was valued at USD 2.3 billion and nearly doubled the value of rosewood imports from 2013.<sup>197</sup> The number of countries exporting Hongmu species to China increased from 26 countries in 2000 to 42 countries as of the second quarter of 2016.

Hongmu has a “boom and bust” harvest characterised by a sharp increase in harvest rates in a source country followed by a rapid decrease and subsequent shift in harvesting to a different country and species.<sup>198</sup> For example, in 1992, Brazilian Rosewood *Dalbergia nigra* was listed in CITES Appendix I, which trade records show resulted in a shift of supply targeting Malagasy rosewood species. Similarly, following a 2013 listing of Malagasy *Dalbergia* spp. species in CITES Appendix II, trade shifted again to *Pterocarpus* spp. species in Asia and West Africa.<sup>199, 200</sup> Approximately 65% of Hongmu logs imported into China during the third quarter of 2015 came from West Africa.<sup>201</sup> Although African Rosewood *Pterocarpus erinaceus*, known as “kosso” in China, was up-listed from CITES Appendix III to CITES Appendix II in January 2017, it is estimated to be the most heavily traded tropical hardwood in the world.<sup>202, 203</sup> It is estimated that more than 1.4 million kosso logs worth USD 300 million were seized by Chinese customs in 2016 alone.<sup>204</sup> In 2017, Nigeria was responsible for 58% of the exports of kosso worldwide, largely illegal exports: These exports were accompanied by

CITES certificates despite the fact that Nigeria had a timber export ban in place during that time.<sup>205</sup>

Boom and bust cycles suggest that networks are unsustainably exploiting the wood with a significant potential for illegality, where high market prices or demand encourage harvesting regardless of legality. Many source countries have log export bans or restrictions in harvesting and timber products in trade in place<sup>206</sup>, although experts believe that smuggling and corrupt practices across borders in order to evade logging and trade regulations, as well as taxes, is a common practice for Hongmu traders.<sup>207</sup>

Experts believe that the illicit rosewood trade involves criminal syndicates associated with corruption, organised crime and violence.<sup>208</sup> The distribution of rosewood across national borders threatens regional stability.<sup>209</sup>



## corruption

### THROUGHOUT THE TRAFFICKING CHAIN ALLOWS THE TRANSPORT OF ILLEGALLY HARVESTED ROSEWOOD

Corruption throughout the trafficking chain allows the transport of illegally harvested rosewood. Senior officials interviewed by UNODC in 2018 have reported that CITES permits have been falsified in certain countries.<sup>210</sup> Poorer countries have also struggled to strongly enforce actions on the illegal rosewood trade due to their limited capacity to monitor forest loss and prevent excessive logging.<sup>211</sup>

Available information regarding international seizures indicate that officially reported trade volumes represent only a small proportion of trade for some countries. For example, official reported imports to China from Madagascar almost ceased as of August 2012, but numerous seizures of China-bound Malagasy rosewood shipments indicate that trade continues. Six seizures in transit countries during the first half of 2014 totaled almost 40,000 logs of illegal Malagasy wood seized.<sup>212</sup>

## TRADE ROUTE

Traditionally China itself, India and other countries in Southern and Eastern Asia were key sources of Hongmu but as populations became overexploited, the industry shifted to Africa and Latin America.<sup>213, 214</sup> In terms of volume, Africa has been the largest supplier of Hongmu to China since the end of 2014 (totalling more than 80% of China's imports by volume in 2016), although Asia remains the largest source region by value as it contains some of the rarer and more valuable species.<sup>215</sup> An estimated 191 tonnes of rosewood were seized in Hong Kong, which was as a key transit location

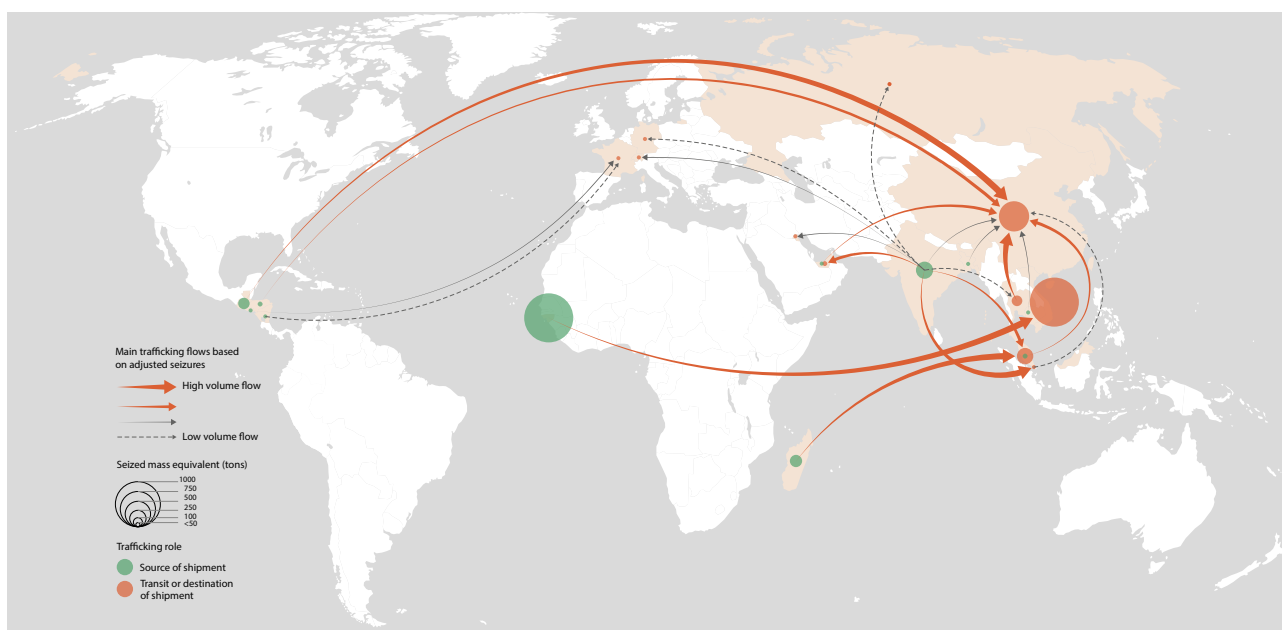
for imports of rosewood to China between 2017 and 2018.<sup>216</sup> Smuggling routes have been documented, connecting various points to the three main producing regions:

- **Central America** (El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama)
- **Southeast Asia** (Cambodia, China, Laos, Myanmar, Thailand, and Viet Nam)
- **West Africa** (Burkina Faso, Benin, Gambia, Ghana, Guinea Bissau, Guinea Conakry, Mali, Nigeria, and Togo)

## TRADE MAPS

Map 7 below illustrates the main flows of rosewood logs and timber based on seizures (tonnes) recorded in the UNODC World WISE Database between 2015 and 2018. Source countries of shipments are not necessarily the origin of the species and the destinations of shipments are not always

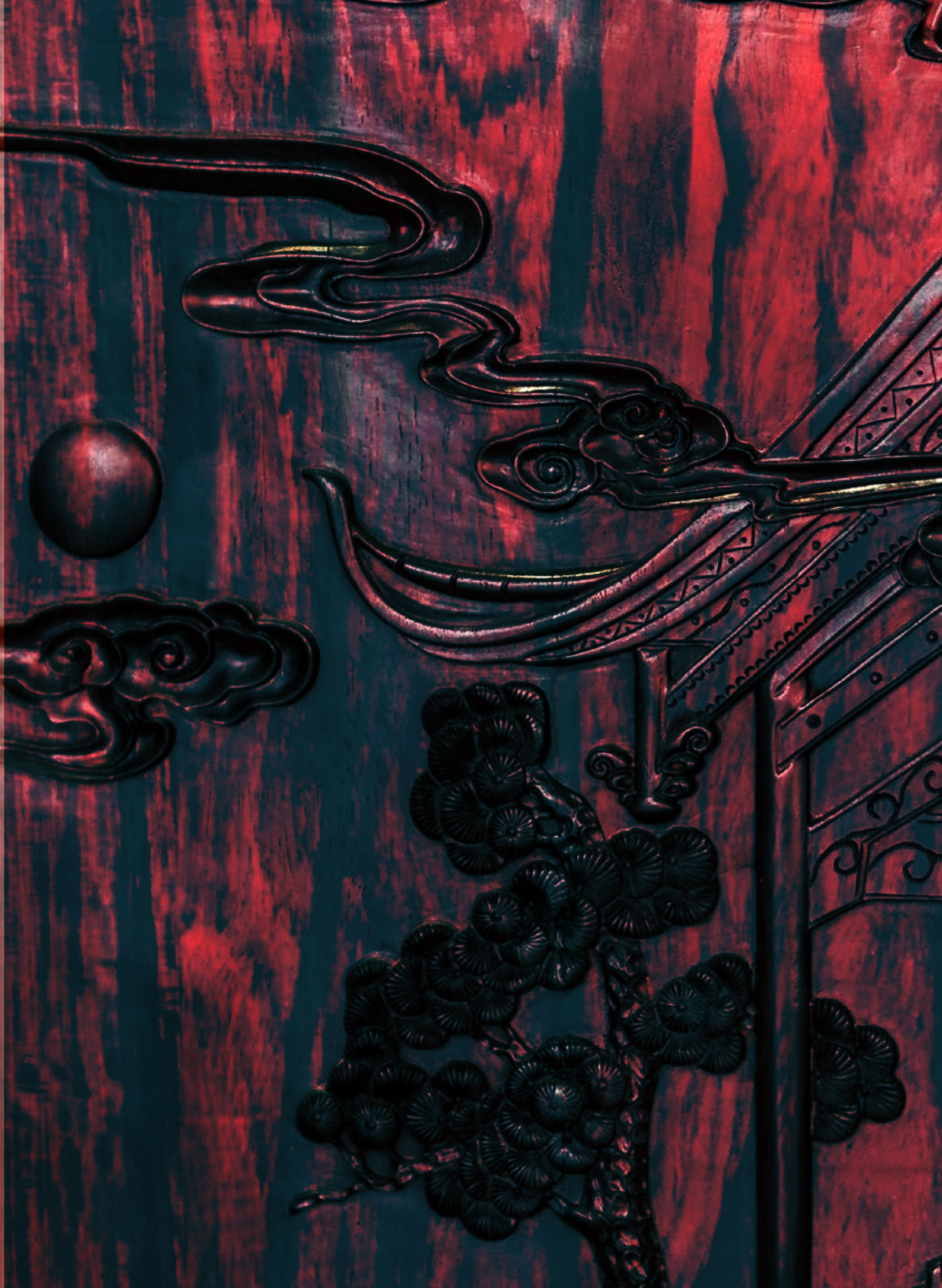
the final destination, as they could serve as the transit points along the trade route.<sup>217</sup> As indicated below, the main sources of rosewood are West Africa, with some sourcing from Madagascar and India.<sup>218</sup> Seized shipments are mainly destined for China and Viet Nam.<sup>219</sup>



MAP 7

Main Flows of Rosewood Logs and Timber Based on Seizures (tonnes) Recorded in the World Wildlife Seizure database (World WISE) between 2015 and 2018.<sup>220</sup> Source: UNODC World WISE Database<sup>221</sup>









## CASE 10

### THE

# SIAMESE ROSEWOOD SMUGGLING NETWORK

## SUMMARY

The tenth case study showcases a money-laundering investigation conducted under the framework of a non-conviction based asset forfeiture procedure, which examined apparent legitimate businesses, unaccounted international bank transfers, a mobile and internet-based payments platform (LINE) and other mechanisms used by a family network to move, transfer, hide and conceal the proceeds of wildlife and forest crimes.

**The information of this case study is based on the Court Verdict of Black Cases No. 76/2557, No. 87/2557, No. 109/2557 and Red Case No. 149-151/2558, issued by the Civil Court of Thailand in the name of its Majesty the King, on 30 November 2015.**

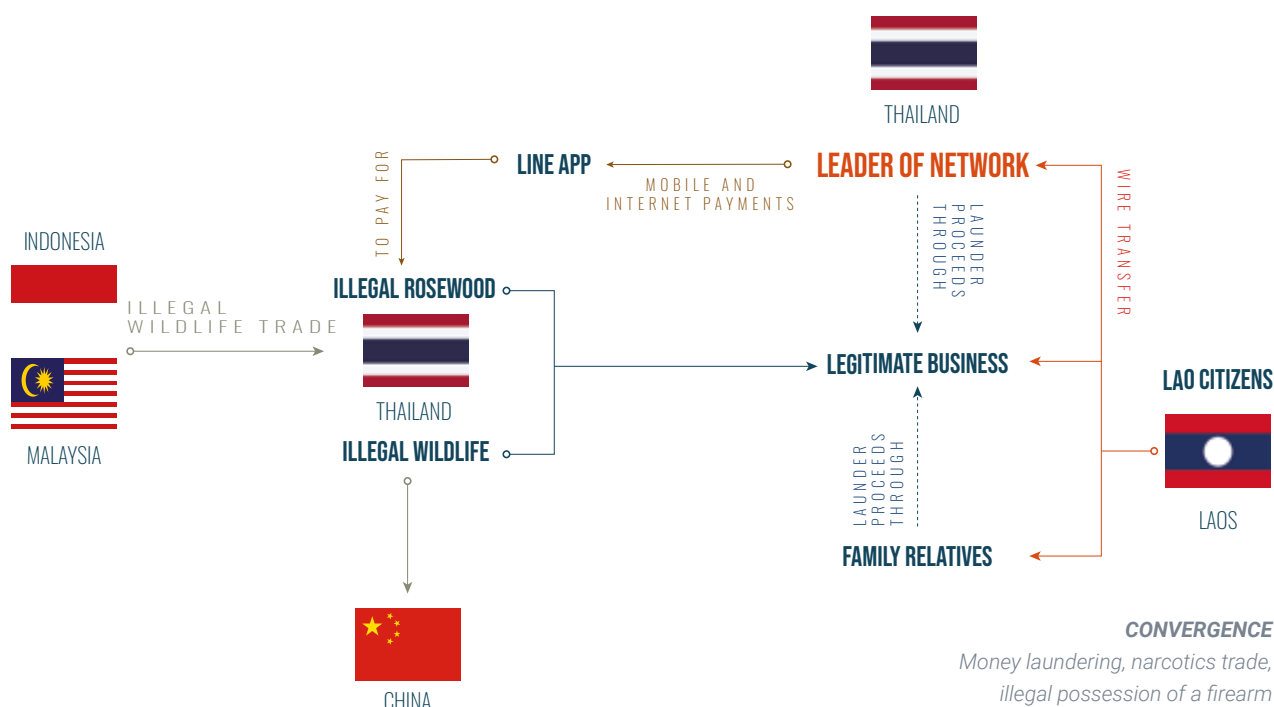
<b>KEY PAYMENT MECHANISMS:</b>	International bank transfers wired from a foreign account whose registered purpose was business related to sawmills, wood processing or currency exchange. Use of apparent legitimate businesses for money-laundering. Use of cash to acquire expensive assets. Use of mobile and internet-based payments (LINE) to purchase of protected species.
<b>CRIME TYPE:</b>	Money-laundering with predicate crimes consisting of using, holding or possessing natural resources or processes for exploiting natural resources illegally with commercial characteristics; and of trading in narcotics.
<b>TRAFFICKED COMMODITY:</b>	Siamese rosewood and various wildlife products (notably pangolin, tiger and ivory).
<b>SEIZURES:</b>	155 items consisting of cash, vehicles, gold bars, land titles, watches, firearms, mobile phones, bank deposits, bonds, rights to insurance policies and other artefacts, with a total value of THB 112,842,378.83.
<b>JURISDICTIONS:</b>	<b>Primary:</b> Thailand with links to Lao PDR, Malaysia and Viet Nam <b>Secondary:</b> China
<b>DEFENDANTS:</b>	Seven individuals and one bank registered in Thailand.
<b>DATE OF ARREST:</b>	This civil case pursued a non-conviction-based asset forfeiture, triggered by a police operation conducted on 18-19 April 2014, during which the lead defendant was detained. In the past, he and members of his family had been arrested on multiple occasions on the grounds of illegal possession of protected species and narcotics. This fact led the Anti-Money Laundering Office to investigate their abnormal wealth.
<b>STATUS OF PROCEEDINGS:</b>	Criminal investigations are ongoing. The Civil Court ordered for 115 assets to become state property pursuant to the Anti-Money Laundering Act.
<b>PERIOD OF CRIMINAL ACTIVITY:</b>	The first arrest relevant to this civil case was registered in 2003, the last one in 2014, both were related to wildlife and forest crimes, and constituted predicate offences to money laundering. 2009–2016

A civil case was pursued in Thailand relating to a network of family members involved in timber and wildlife trafficking. During the hearings, a police officer declared that an investigation initiated when three suspects were arrested in possession of eleven boards of processed Siamese rosewood. The police officer further indicated that a third party offered a THB 1,500,000 bribe to release the three suspects. According to the police officer testimony, this individual turned out to be an agent who purchased Siamese rosewood for the main defendant of this case, K. C., and the bribe money belonged to the latter.

Subsequently, following an information received by the police that a Siamese rosewood trade was going to take place, an operation was deployed on the night of 18 April 2014. The police officer explained that K. C. was stopped and found

with THB 4,700,000 and mobile phones in his vehicle. The next day, another search was conducted in the second-hand car dealership owned by K. C. and his former wife, where a book with records of purchases of Siamese rosewood and tiger remains was found. The records matched the information in the mobile phones and showed that a mobile application platform (LINE) was used to pay for the purchase of pangolins and Siamese rosewood.

These findings triggered investigations into the criminal records and abnormal wealth of K. C. and members of his family. As a result, a non-conviction-based asset forfeiture civil case was built on the grounds of money-laundering, with predicate offences in breach of the Wild Animal Preservation and Protection Act (1992) and other related laws.



## NETWORK STRUCTURE

The following information was provided in the case by the prosecution, based on police investigations and testimonies, in an attempt to demonstrate the involvement of the defendants in predicate offences for money-laundering, despite the fact that they had not always been convicted of the charges.

### DEFENDANT NO. 1: K. C.

He was considered the leader of the network. The analysis of his criminal record revealed an arrest on 24 June 2004 with 183 pangolins as evidence, for which he was imprisoned for one year. Another arrest on 8 February 2009

led to a conviction for carrying a firearm. On 24 April 2009, he was charged for trading and possessing protected wild animals and protected wild animal remains. He was further charged with bribing a police officer and for using, holding or possessing natural resources or illegally exploiting natural resources with commercial characteristics.

### DEFENDANT NO. 2: D. C. (SISTER OF DEFENDANT NO. 1).

The Investigations into her background revealed that she was charged on 21 July 2011 for possessing wild animals without permission and for concealing, distributing and taking wild animals. She was further charged on 4 April

2012 for possessing wild animals without permission. She had also been accused of commissioning the transport of 20 ivory tusks in another illegal wildlife trade case, but the charges were dropped due to a lack of evidence. Police investigations claim her phone number was tied to a tiger smuggling organisation and that she was involved in the import of wild animals from Malaysia and Indonesia for export to China, conducting three trips a week, for a profit of THB 700,000 each..

**DEFENDANT NO. 3: K. L. (FORMER WIFE OF DEFENDANT NO. 1):** The prosecution indicated that, although she had never been prosecuted for wildlife and forest crime, she co-owned the second-hand car dealership where evidence was found against her former husband for illegal wildlife trading. Moreover, she was found to have received multiple bank transfers from a group of four Laotian citizens who had also transferred money to the accounts of Defendants No. 1, 2, 4 and 5, all of who were connected to crimes involving natural resources.

**DEFENDANT NO. 4: P. C. (YOUNGER SISTER OF DEFENDANT NO. 1):** Analysis of her criminal record revealed that she was arrested on 1 August 2009 with 104 pangolins and sentenced to two years imprisonment, reduced to three months by the Court of Appeal.

**DEFENDANT NO. 5: P. C. (BROTHER OF DEFENDANT NO. 1):** His criminal records included an arrest alongside his brother on 24 April 2009 for possession of protected wild animals and protected wild animal remains. He was also prosecuted for the possession of more than 20 trees or sections of unprocessed restricted wood (Siamese rosewood) without marks of royalty fees or the government and possession of

more than two cubic meters of unprocessed restricted wood (Siamese rosewood).

**DEFENDANT NO. 6: KE. C. (WIFE OF DEFENDANT NO. 5):** Her criminal records included a conviction for the possession of 1,600 grams of methamphetamine hydrochloride (ice) for distribution without permission, and for committing a crime involving narcotics, also a predicate offence of money-laundering. Additionally, police investigations into the rosewood smuggling network claimed that Defendant No. 6 acted as a driver to transport the wood for a period of three months, earning 100,000 Thai baht per day.

**DEFENDANT NO. 7: LT. COL. P. K. (FORMER HUSBAND OF DEFENDANT NO. 2):** Although he did not have a criminal record, the prosecution indicated that the businesses he owned with his former wife were created with the proceeds resulting from the wildlife and forest crimes she had committed while they were married. Moreover, the Court highlighted that Defendant No. 7 admitted to the prosecutor that during his marriage, he had learned about the crimes committed by her, as well as by Defendants 1, 4 and 5.

**MOTHER OF DEFENDANTS NO. 1, 2, 4 AND 5:** Although she was not included as a defendant, the mother was mentioned throughout the case files. In the past, she was found guilty and received a two-year imprisonment suspended sentence and a THB 2500 fine for crimes pursuant to the Wild Animals Reservation and Protection Act. When the police searched her house, they found one pangolin and six nylon bags for packing pangolins. The prosecution highlighted that at the time of her arrest, Defendant No. 7 was the head of the investigation unit and the highest-ranking commander of the police station.

## FINANCIAL INVESTIGATION

After referring to the predicate offence for money-laundering, the prosecution focused on the proceeds of crime. The following information presents the findings of the financial investigation with regard to each defendant. In order to avoid forfeiture, the defendants had the burden of proving the true ownership of the assets and that these were not connected to crimes.

### DEFENDANT NO. 1: K. C.

He attested that Defendant No. 2 gave him money to invest in a second-hand car dealership with Defendant No. 3. He further indicated that he exported dragon fish with a Malaysian partner to China, Hong Kong and Viet Nam. However, when cross-examined, he did not know nor presented evidence about his monthly income, or the amount and return of his investments. Moreover, the investigations revealed that in a period of two years, he received multiple international bank

transfers amounting to more than THB 300,000 sent by four Laotian citizens. According to the bank records, the purpose of the account reported by the Laotian citizens was business related to sawmills, wood processing facilities and currency exchange. Defendant No. 1 denied ever doing any business with them.

**DEFENDANT NO. 2: D. C. (SISTER OF DEFENDANT NO. 1):** She attested that her income originated from the revenues of her crocodile farm and zoo. She further indicated that her adoptive father from Viet Nam sent her money to invest in construction, zoos and waterparks. According to her, he would take the money with him from Viet Nam to Lao PDR where the currency was exchanged to Thai baht and the money was wired by the four Laotian citizens to her bank accounts in Thailand. The financial investigation revealed that both the crocodile farm and the zoo had incurred in



losses, and that the profit she claimed did not match the tax forms submitted to the Revenue Department. Moreover, the Court found that her “father’s money transfers through Lao PDR” explanation was unsupported by evidence and rather unusual as he could have simply wired the funds from Viet Nam, saving time and money by avoiding unnecessary travel.

**DEFENDANT NO. 3: K. L. (FORMER WIFE OF DEFENDANT NO. 1):**

She attested to owning a second-hand car dealership with profits amounting to THB 25 million; she however did not present the tax forms she claimed to have submitted to the Revenue Department as evidence to the Court. Concerning the 93 bank transfers amounting THB 480 million received in her bank accounts by the same four Laotian citizens, she indicated that she never conducted business with these individuals and assumed the money came from her former husband’s fishing venture.

**DEFENDANT NO. 4: P. C. (YOUNGER SISTER OF DEFENDANT NO. 1):**

She attested that her plots were given to her by her mother who had acquired them with her savings. The Court found the testimony insufficient to clearly confirm that the origin of the money used to buy the plots was honest, as her mother had acquired the property rights after the date of the predicate crimes. On another hand, while the defendant declared to be unemployed, she had received unaccounted transfers of THB 73 million from the same four Laotian

citizens.

**DEFENDANTS NO. 5 AND NO. 6: P. C. AND KE. C. (MARRIED COUPLE):**

They claimed their income originated from the revenues of a dynamo repair shop, a game shop, a furniture shop and a loans business. Defendant No. 5 also indicated he had worked for his sister’s zoo and later as a nursing assistant. Defendant No. 5 was the only one to declare that he conducted business with the four Laotian citizens. However, the only tax forms submitted to the Revenue Department by the couple reflected annual income taxes of less than THB 1,000 because of a low income. The source and destination of their wealth, including their vehicle worth THB 1 million paid cash, could not be accounted for.

**DEFENDANT NO. 7: LT. COL. P. K. (EX-HUSBAND OF DEFENDANT NO. 2):**

He claimed rights to the seized assets registered under the name of Defendant No. 2, as they had divorced without dividing the marriage property. He attested that he invested into the crocodile farm, the waterpark, an internet café and a resort with money inherited from his parents, won from gambling and earned from civil service. The Court indicated that Defendant No. 2 had committed the predicate offence before registering the marriage, that the assets were connected to predicate offences and that Defendant No. 2 had failed to prove their legal origin.

## A. FINANCIAL FLOWS



### Payment methodology

In summary, the investigations revealed:

Use of international bank transfers to personal accounts

Use of apparent legitimate businesses to commit money-laundering

Use of cash to pay for expensive assets

Mobile and internet-based payments (LINE) to pay for the purchase of protected species

Tax forms with profits that did not match the income claimed by defendants

Signed floating title transfers to conceal the true ownership of the implicated vehicles

Transfers of unaccounted large amounts of money from a foreign bank account related to sawmills, process wood facilities or currency exchange business



### Corruption vulnerabilities:

Police officers testified that law enforcement was offered 1.5 million Thai baht to release three suspects who were arrested in possession of eleven boards of processed Siamese rosewood.

### Connected entities:

Second-hand car dealership, crocodile farm, zoo, resort and waterpark, loans business, furniture shop, dynamo repair shop, game shop, internet café and an alleged fishing venture.



### Convergence:

Money-laundering with predicate offences connected to using, holding or possessing natural resources or processes for exploiting natural resources illegally with commercial characteristics; and to trading in narcotics. Illegal possession of a firearm.

### Concealment:

The financial investigation conducted by the Anti-Money Laundering Committee concluded there was probable cause to believe that the defendants transferred, distributed, moved, hid and concealed proceeds connected to predicate crimes. This investigation served as the basis for the initial resolution to temporarily confiscate and seize those assets.



## B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY

### Asset recovery:

155 items consisting of cash, vehicles, gold bars, land titles, watches, firearms, mobile phones, bank deposits, bonds, rights to insurance policies and other artifacts, with a total value of THB 112,842,378.83 had been confiscated. The Court ordered for a total of 115 items, to become state property pursuant to the Anti-Money Laundering Act.

### International assistance:

None known.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

During the hearings, a police officer testified about the arrest of the three suspects found with eleven boards of processed Siamese rosewood, which led to the investigation of Defendant No. 1 and his family network. He explained that the suspects declared to be transporting Siamese wood in one van, while a second vehicle would be used to drive ahead and check for the route. They indicated to earn between THB 3,000 to THB 5,000 per trip from Ban Mab Krad to Chaiyaphum. Police investigations further revealed that Defendant No. 1 kept signed floating title transfers of the implicated vehicles, so he could conceal his true ownership

and claim that the cars belonged to the drivers in case they were arrested.

A police officer also testified about another operation where a suspicious vehicle was followed to an abandoned crocodile farm. The inspection of the surrounding area resulted in the finding of seven sections of Siamese rosewood in the vehicle, in addition to 72 board / angles and 18 sections of Siamese rosewood in a wood shed in the forest. Defendant No. 5 was registered as the owner of the vehicle.

# KEY LESSONS



**Legislation that enables cases of non-conviction-based asset forfeiture is key to dismantling organised criminal groups by pursuing and seizing their assets.** In these cases, the lack of evidence for criminal convictions do not prevent the State from recovering proceeds of crime, as defendants have the burden to prove the honest and legal origin of their wealth.



**Organised criminal groups involved in the trafficking of wildlife may operate within family networks.** Therefore, it is important to investigate the connections between the operations and finances of family members.



**The tax forms submitted to tax authorities are fundamental evidence against false or baseless claims by organised criminal groups concerning the profits of apparent legitimate businesses.** While more sophisticated criminals will make sure the information matches, many will fail to justify the legal origin of their income and assets.



## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

**As part of the Know Your Customer (KYC) form, request information about employment, purpose of the account and an estimation of the foreseen monthly cash flow.** Flag the use of personal accounts for business purposes.

**Perform ongoing monitoring procedures to ensure the client's risk profile matches their behaviour,** whether the account is used for its intended purpose and to maintain responsiveness to any changes in risk profile.

**Perform enhanced due diligence to the accounts of high-risk businesses to wildlife and forest crime** in source countries, such as second-hand car dealerships and animal breeding farms.

**In line with your local anti-money laundering regulations, inquire about single deposits of large amounts** (generally more than USD 10,000) or repeated smaller cash deposits that may be structured to avoid detection. More importantly, report suspicious transactions to the FIU.



## RECOMMENDATIONS FOR LAW ENFORCEMENT

**Engage in inter-institutional co-operation to benefit from specialised expertise and the exchange of information** while investigating both the criminal and financial aspects of the case.

**Engage in international co-operation and use a “follow the money” approach** to unveil the entire illegal value chain and penalise all actors, including the buyers.

**When second-hand car dealerships are involved in a case, investigate the practice of floating transfer,** which is illegal in many countries and may facilitate the use of vehicles to commit crimes while concealing true ownership.

**SOURCES:** Court Verdict of Black Cases No. 76/2557, No. 87/2557, No. 109/2557 and Red Case No. 149-151/2558, issued by the Civil Court of Thailand in the name of its Majesty the King, on 30 November 2015.





# CASE 11

## TIMBER TRAFFICKING

### SUMMARY

The last case study comes from Peru and is an example of timber trafficking from the Amazon. This case demonstrates widespread tax fraud where local timber export companies are claiming tax rebates for illegally sourced timber.

**The information in this case is provided only for the purpose of increasing general knowledge on the modus operandi and the payment mechanisms related to wildlife and forest crime. The information, received from open and third-party sources, as well as interviews with national authorities, is based on actual events but details of the case have been eliminated. The details have not been verified.**



**9,600M<sup>3</sup>**  
**timber seized**  
in Mexico of illegal origin

**KEY PAYMENT MECHANISMS:** Tax fraud by overvaluing timber exports using fraudulent documents to exploit a tax rebate for import duties.

Potential international bank transfers via known tax havens to minimise taxes from importing companies.

**CRIME TYPE:** Illicit timber trafficking.

**TRAFFICKED COMMODITY:** Timber (various including threatened species).

**SEIZURES:** At the request of Peru's environmental prosecutors, a vessel and its contents were seized in Mexico, including more than 9,600m<sup>3</sup> of timber of illegal origin<sup>222</sup>.

**JURISDICTIONS:** **Primary:** Peru  
**Secondary:** Brazil, Dominican Republic, Mexico, United States

**DEFENDANTS:** 52 cases remain ongoing with investigations into more than 100 people.

**DATE OF ARREST:** No arrests so far.

**STATUS OF PROCEEDINGS:** Ongoing.

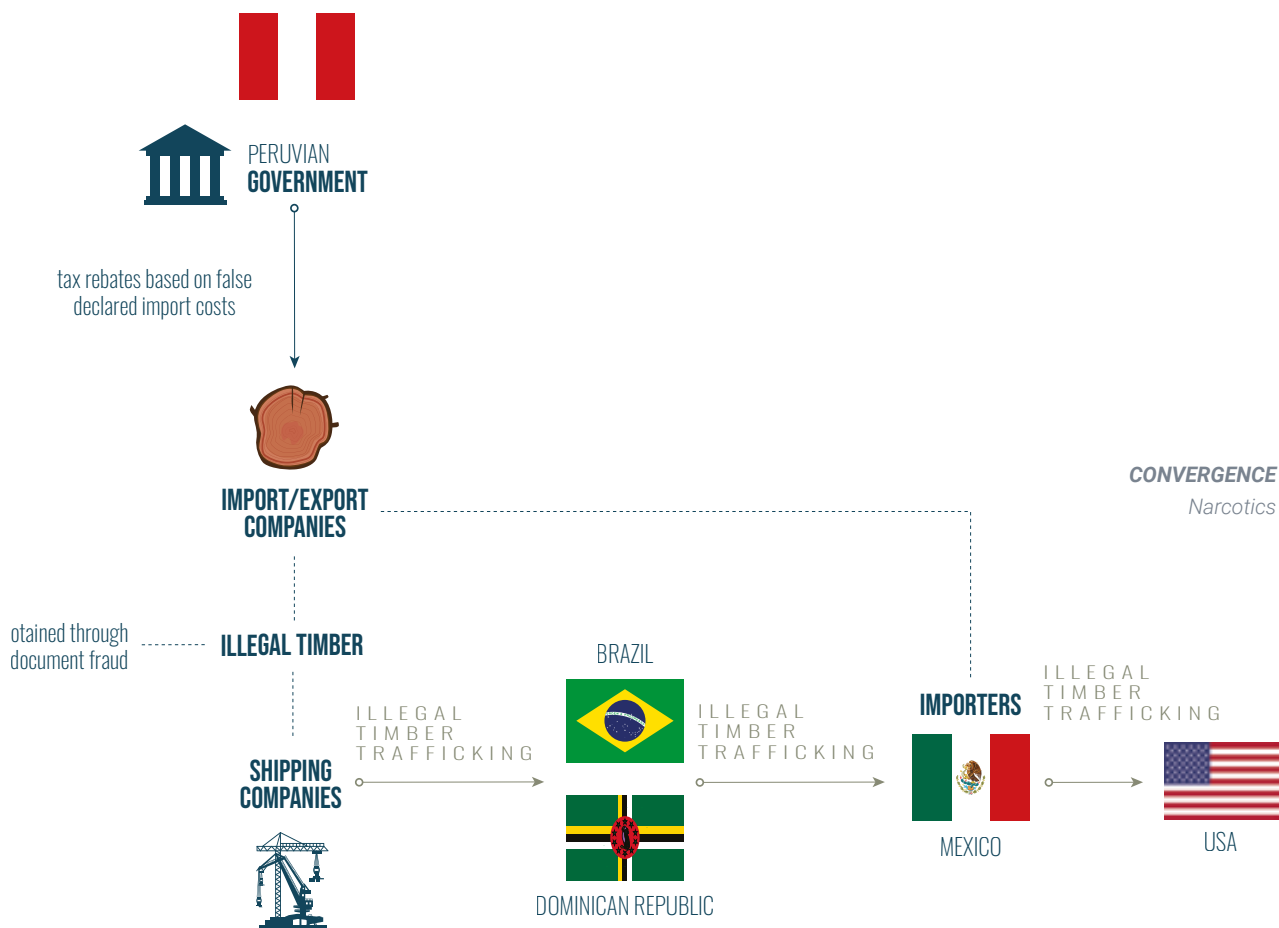
**PERIOD OF CRIMINAL ACTIVITY:** From 2008 to 2016 (estimated).

This case focuses on a specific ship which carried illegal shipments of timber. On the day of its departure from Peru in 2015, national authorities<sup>223</sup> determined that the ship was carrying approximately 9,651 m<sup>3</sup> of timber of illegal origin and requested Mexican authorities to seize the ship upon arrival in Mexico through bilateral prosecution agreements. Authorities seized the ship and its cargo in February 2016. In line with data collected by national authorities, in particular the national customs and forest supervision authorities, it is estimated that between 2008 and 2015, the vessel had shipped approximately 74,060 m<sup>3</sup> of illegal timber (roughly 33,500 trees), worth approximately USD

24.2 million to the United States market. National authorities determined that 25,558 m3 of illegally sourced timber was exported on this vessel through different journeys in 2015.

This case highlights large-scale illegal timber operations through the use of false documents and permits linked to acts of bribery and corruption by various public officials. The accused concealed the origin of the timber (including

threatened species) through false documentation, including false forest and transport permits, forgery, and fraudulent inventories. Further investigations revealed that drugs were also hidden within the timber shipments. Investigations spanned multiple years and involved the co-ordination of a number of States, including Brazil, Dominican Republic, Mexico, Peru, and the United States. At the time of publication, the proceedings were still ongoing.



## NETWORK STRUCTURE

A number of individuals and entities involved in the illegal timber supply chain were allegedly involved in the wider scheme, including those who owned and operated sawmills and processing plants, import-export companies, those involved in agricultural products and companies involved in both legitimate and illegitimate timber and wood products. The accused sourced timber from timber concessions and forest land managed by local governments and local communities. With this network in place, larger exporting companies were freely able to commercialise and export timber with the use of fraudulent documents. They were also able to exploit tax benefits with inexpensively sourced timber and overvalued export values to claim tax rebates. The shipping company involved in this case declared bankruptcy after the investigation and seizure of the vessel. Considering

the complexity of the scheme and ongoing investigations, the network structure is not described here in detail.

Those under investigation fall under the following categories:

- Owners or legal representatives of harvest areas that supplied the illegal timber;
- Forestry consultants who signed harvesting plans which included falsified tree locations;
- Regional government officials who approved or recommended approving falsified harvesting plans;
- Representatives of timber trading companies; and
- Government authorities responsible for granting permits.

None of the companies involved in the supply of timber were accused.

## FINANCIAL INVESTIGATION

The financial investigation conducted jointly by customs with forest and wildlife authorities revealed that exporters were exploiting a tax rebate system that allowed exporters to receive refunds of import duties as incentives for exporting timber. The State's drawback mechanism refunds exporters of the duties they paid in importing countries. Exporters were identified to be overvaluing timber shipments and receiving rebate payments higher than the amount that

should be allowed. Informal agreements may exist between import and export companies to use fraudulent statements to reap the benefits of the rebate system. After detecting the illegal timber products and identifying the companies involved, authorities were able to reject exporting companies an estimated USD 4 million of drawback rebates during their investigation due to the verification of timber that was illegally sourced.

### A. FINANCIAL FLOWS



#### Payment methodology

Amounts declared on export forms were overstated to exploit the tax rebate system in place in order to provide refunds of import duties to Peruvian companies for exporting timber.

As the tax rebate system was only available for new companies, new companies were constantly registered in Peru and soon dissolved, as operations moved to a new corporation.



#### Corruption vulnerabilities:

Alleged bribery of public officials responsible for granting permits and approving land management plans. This consisted of falsified documents (forged/counterfeit timber permits, false transport permits, and false declarations and certificates) to render the illegally-harvested timber appear to be of legal origin and to avoid inspection and/or detection by the authorities.

#### Connected entities:

Entities involved in the timber supply chain including sawmills and processing plants, import-export companies, those involved in agricultural products and companies involved in timber and wood products.



#### Convergence:

Potential linkages with the drug trade

#### Concealment:

Timber is mis-classified in various permits to allow for easy export.



#### Currency:

United States dollars (USD) and Peruvian Soles (PEN)

### B. ASSET IDENTIFICATION, FORFEITURE AND RECOVERY

#### Asset recovery:

Investigations are ongoing in Peru and the United States.

#### International assistance:

Connected jurisdictions involved in the investigation include: Brazil, Dominican Republic, Mexico, USA.

## OTHER INVESTIGATIVE FINDINGS

### A. TRANSPORT AND CONCEALMENT

The illegal timber was loaded onto a shipping vessel that allegedly loaded illegal timber shipments on a regular basis. It would often travel to various ports in the United States, Caribbean and Mexico. It is estimated that in these regular shipments, 96% of the timber on board was of illegal origin.

The authorities had previously reported the vessel on suspicion of timber trafficking on more than one occasion (including in Houston in 2015).



# KEY LESSONS



**Fraud and corruption may exist in the forestry permitting systems** and all stages of the forestry supply chain.

**Tax revenues may be lost on large amounts of timber** that are being trafficked worldwide.



**A collaborative law enforcement approach helps to advance work to combat forestry crime.** The investigation and interception of the vessel was a result of interagency co-operation and information sharing at the national level.



**National authorities shared intelligence which analysed data and documentation by collecting transport permits<sup>224</sup>** for all timber exports and cross-referencing the transport guide information with forest management permits, operating plans and field verification records to determine the extent of illegal origin timber.



**It is alleged that exporters shipped timber knowing that it was of illegal origin** and with support of falsified documents that stated that the timber would be legal and approved for export.



**The use of bilateral prosecution agreements** has assisted in progressing this case.



## RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

Proactively review companies within the timber supply chain for unusual activities including transactions via high-risk jurisdictions, known as tax havens, and potential bribe payments including large cash deposits.

Develop risk indicators across the timber supply chain for greater oversight of financial transactions by forest sector companies.



## RECOMMENDATIONS FOR LAW ENFORCEMENT

Develop red flags and indicators around the timber trade to assist financial institutions in detecting suspicious activities and determining illegal timber versus legal timber trade activities.

Investigate the financial background of key enabling individuals and entities to identify any wider networks involved in the illegal timber trade. This may also expose links to other criminal activities.

**SOURCES:** Open sources. Discussions with relevant national authorities

# APPENDIX 1:

## KEY TRENDS AND RED FLAG INDICATORS

Below is a summary of trends and initial red flags for banks and FIUs, stemming from the data received from banks, FIUs and expert partners that have contributed to this Digest as well as the 40 cases analysed.

The red flag indicators that were received from the banks, FIUs and expert partners were relatively generic observations related to corruption, money-laundering and other economic crimes. This might be an indication

that, when suspicious activity is reported, it may not often be linked to illegal wildlife trade. This weakens the efforts to accurately identify unique red flags for illegal wildlife trade. However, with the inclusion of public or open source media naming key IWT offenders, the chances of linkages to IWT are increased. The below is a simple collation of information received rather than a comprehensive analysis thereof.

### RED FLAGS INDICATORS (TRANSACTIONAL)

#### KEY TRENDS

**Rapid fund movements (in-out).**

**Deposits followed by immediate withdrawals of similar amounts.**

**Account activity is not in line with client profile.**

**Commingling of personal and business proceeds.**

**(Potential tax evasion)**

**Use of money or value transfers services**

**International bank transfers via general trading companies**

#### RED FLAGS IDENTIFIED

- Multiple cash deposits and round amounts.
- Internal transfers followed by multiple cash withdrawals.
- Multiple cash deposits into account followed by multiple cash withdrawals.
- Deposits followed by simultaneous withdrawals on similar or equal amounts.
- High level of cash payments in personal and business accounts (inflows followed by immediate outflows).
- Multiple deposits into personal account that are significantly above declared income.
- Multiple deposits that are not in line with specified account activity.
- The nature of business conducted by the account holder is significantly different from the reason identified/given for a large wire transaction.
- The receipt of funds does not make economic sense for the account holder. The only reasonable explanation is that the funds are likely related to illegal activity.
- Transfer receipt for international funds that do not relate to the account holder's declared business.
- The subject is reported by authorities or the media as a suspect in trading in prohibited products and commingling illegal proceeds with funds earned from his legal businesses.
- Transactions are not related to the business purpose of the account and no supporting documents are provided.
- Transactions of a business nature made using a personal account (possibly for tax evasion purposes).
- International bank transfers from personal and business accounts in known illegal wildlife destination countries made to game farms in source countries.
- High use of money or value transfer services.
- Transactions through money or value transfer services to and from individuals in known illegal wildlife source/destination countries.
- Receipt of funds through a money or value transfer service from an individual based in a known demand country for wildlife products, ivory.
- Remittance of funds by general trading companies to individuals and entities suspected of wildlife crimes.

**Heavy use of cash**

- Multiple large cash deposits to individuals in locations where prohibited wildlife or timber product is prevalent.
- Large cash deposits equivalent to or above the threshold established for the reporting of suspicious transactions to the FIU.
- Extensive use of ATM and cash withdrawals with foreign bankcard in known source countries.

**Linkage of local PEPs and public officers (bribe payments)**

- Local transfers from a foreign national in a known destination country to a politically exposed person (PEP) without supporting documentation to clarify reasons for such transfer.
- Receipt of large cash deposits by a public official in a known source country from a company unrelated to the anticipated account activity.

**Unexplained discrepancies in FOB and wire transfer amounts.**

- Differences between the wire transfers received and the noted freight on board (FOB) value exported.
- For example: registered exports amount to USD 1,000,000; however, transfers received in the same time period is USD 3,000,000. Hence, there is a USD 2,000,000 discrepancy, which could derive from tax-related crime

**Use of nominees**

- Use of third-parties to create export companies and bank accounts, including ATM cards registered under third parties.

**Unemployed status of individuals combined with high account activity**

- Account holder registered as “unemployed” but account activity shows large unexplained cash deposits or high turnovers.

**Non-registration for taxation**

Small- and medium-sized businesses that are unregistered for tax purposes receive cash payments



## APPENDIX 2:

# HIGH-RISK INDICATORS FOR FINANCIAL INSTITUTIONS AND FINANCIAL INTELLIGENCE UNITS

THE FOLLOWING INFORMATION STEMS FROM THE 40 CASES ANALYSED FOR THIS DIGEST. IT AIMS TO SERVE AS GUIDANCE TO BANKS, FINANCIAL INTELLIGENCE UNITS AND OTHER RELEVANT INSTITUTIONS TO ASSIST IN IDENTIFYING HIGH-RISK BEHAVIOURS LINKED TO THE ILLEGAL WILDLIFE TRADE.



### GENERAL FINANCIAL FLOWS

- **International bank transfers** from high-risk destination countries to known source countries.
- **High use of cash payments, Mobile Money and hawala (Fei-Chien)** underground money systems at lower levels of the organised criminal groups.
- **Use of more complicated techniques at known destination countries** such as nominee bank account holders and legitimate businesses to obscure criminal origins.

### CONVERGENCE

- Timber trafficking
- Drugs
- Weapons
- Human trafficking
- Counterfeit goods
- Poly-criminality (immigration offences, hijacking of cars, tax evasion, fraud and forgery of public documents, bribery and corruption)



### CORRUPTION AND MONEY-LAUNDERING RED FLAGS - INDIVIDUALS

- Commingling of personal and business activities
- Non-registration for tax purposes
- Multiple deposits contrary to business purpose
- Cash deposits in high risk areas for deforestation
- Transfers with PEPs
- Inconsistency with account purpose
- Cash and WIRE transactions via FOREX
- WU Payments to source and destination countries
- Difference between funds remitted and freight on board (FOB) amounts exported



## HIGH-RISK ENTITIES

- Game farms, safari companies, hunting lodges
- Importers and breeders of live birds, retailers of pet birds/animals/supplies, reptile farms and monkey dealers or zoos
- Medical supplies companies
- Logistics and construction companies
- Motor vehicle spares and second-hand car dealership
- Import-export businesses
- Used clothing and used shoes business
- Furniture companies
- General trading companies – Free zones
- Hawala linkages: Travel agencies, foreign exchange



## PAYMENT METHODS IDENTIFIED

- Trade-based money-laundering
- Transfer pricing
- Forex bureaus
- Hawala
- Fei Qien (Chinese Flying Money)
- Mobile Money
- WeChat
- Alipay
- UnionPay
- Paypal
- Applepay
- Wire transfers (Domestic and International)
- Western Union and other money transfer services
- Cheque and bank draft

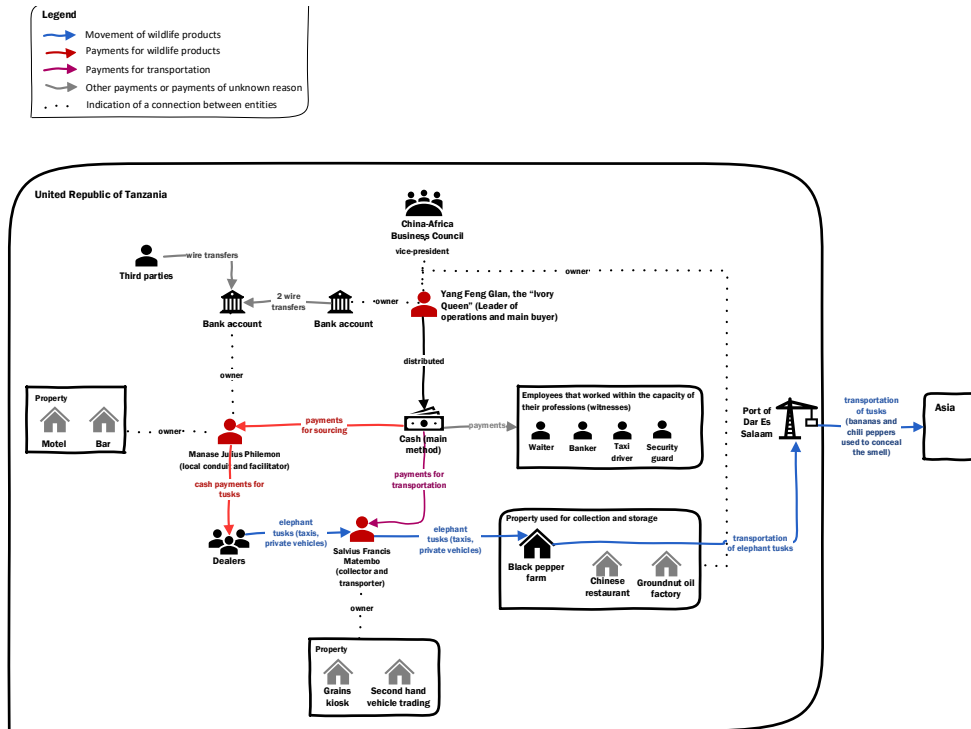


## CORRUPTION VULNERABILITIES

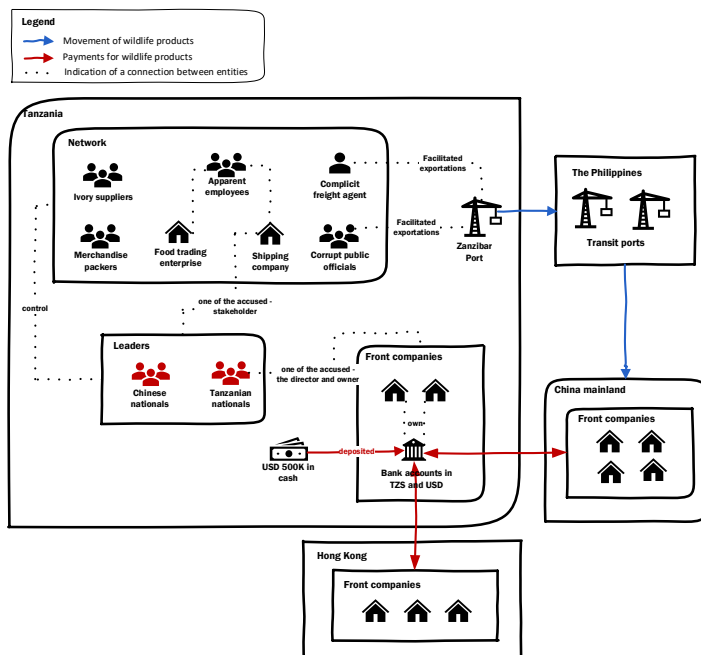
- Bribe payments to CITES Officials for the facilitation of false permits with bank transfers flowing from known destination to source country.
- Bribe payments to various law enforcement personnel for the facilitation of the movement of goods.
- Bribe payments to airline staff to facilitate goods movements.
- Bribe payments to disrupt law enforcement investigations, including to judges, police, guards manning highway checkpoints, border guards, and government officials.

# APPENDIX 3: CASE ILLUSTRATIONS

## CASE 1: THE IVORY QUEEN

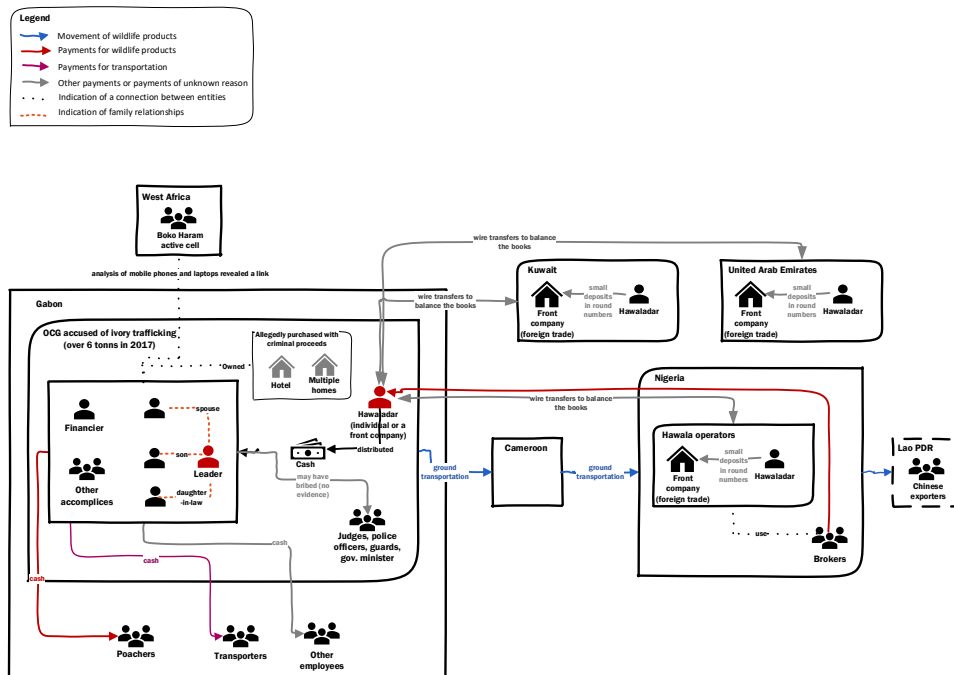


## CASE 2: THE IVORY SMUGGLING NETWORK

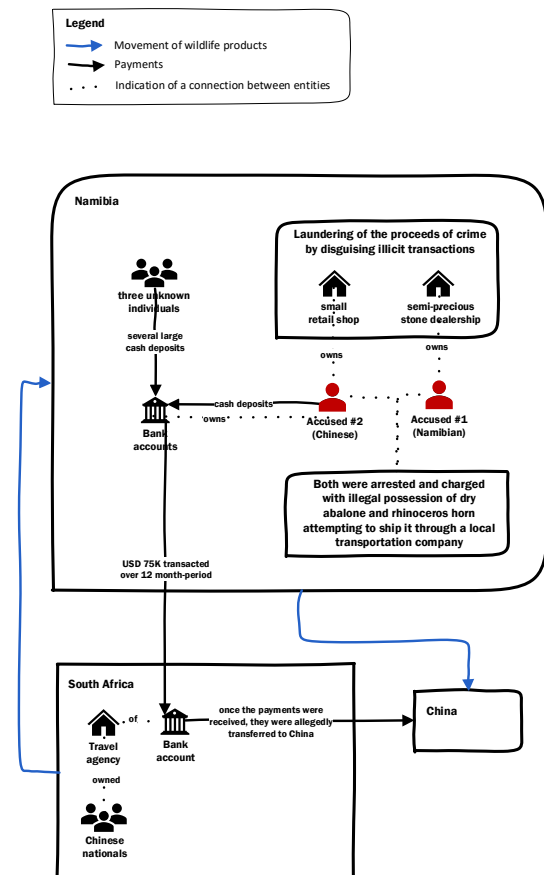




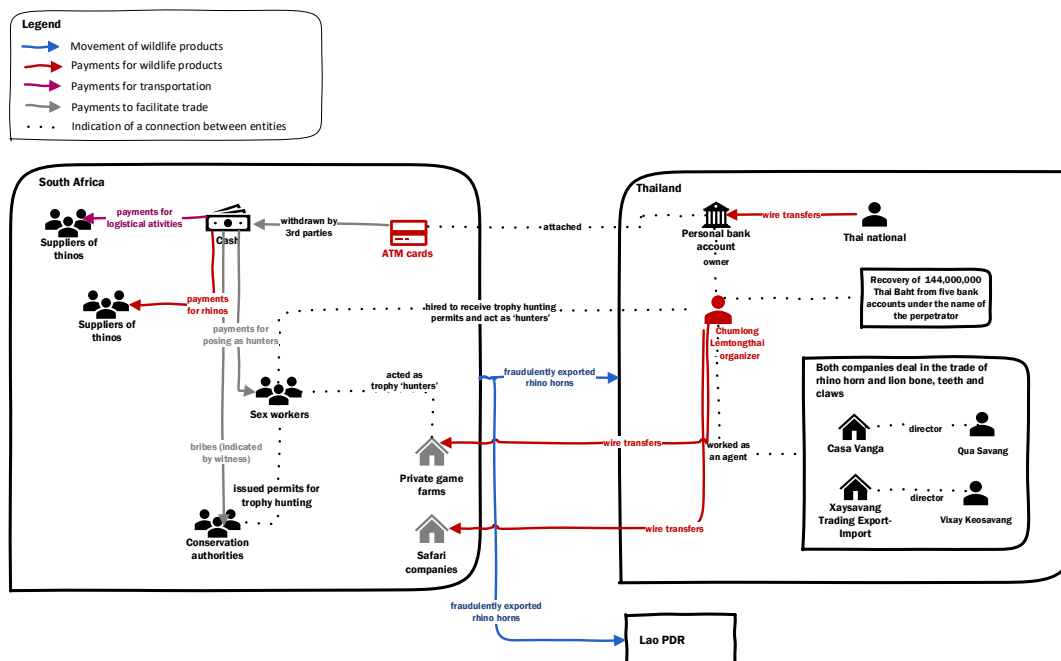
# CASE 3: THE HAWALA SCHEME



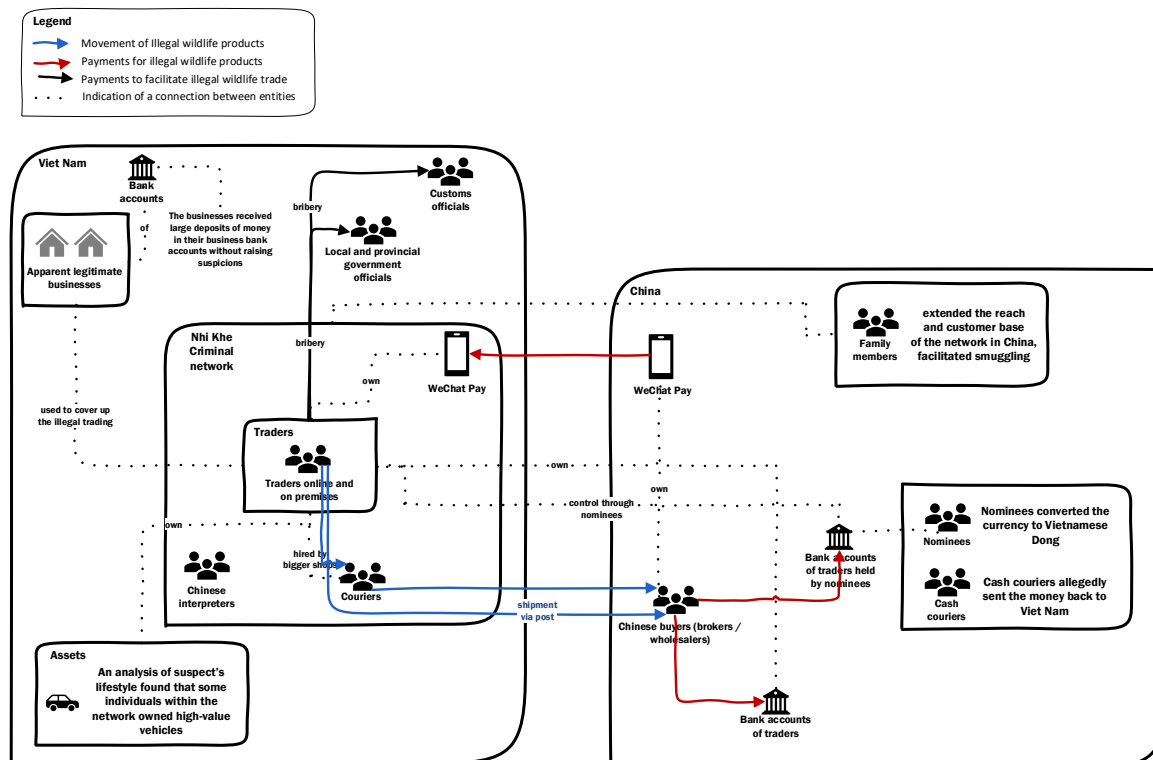
# CASE 4: SMALL BUSINESS TAX EVASION AND MONEY-LAUNDERING



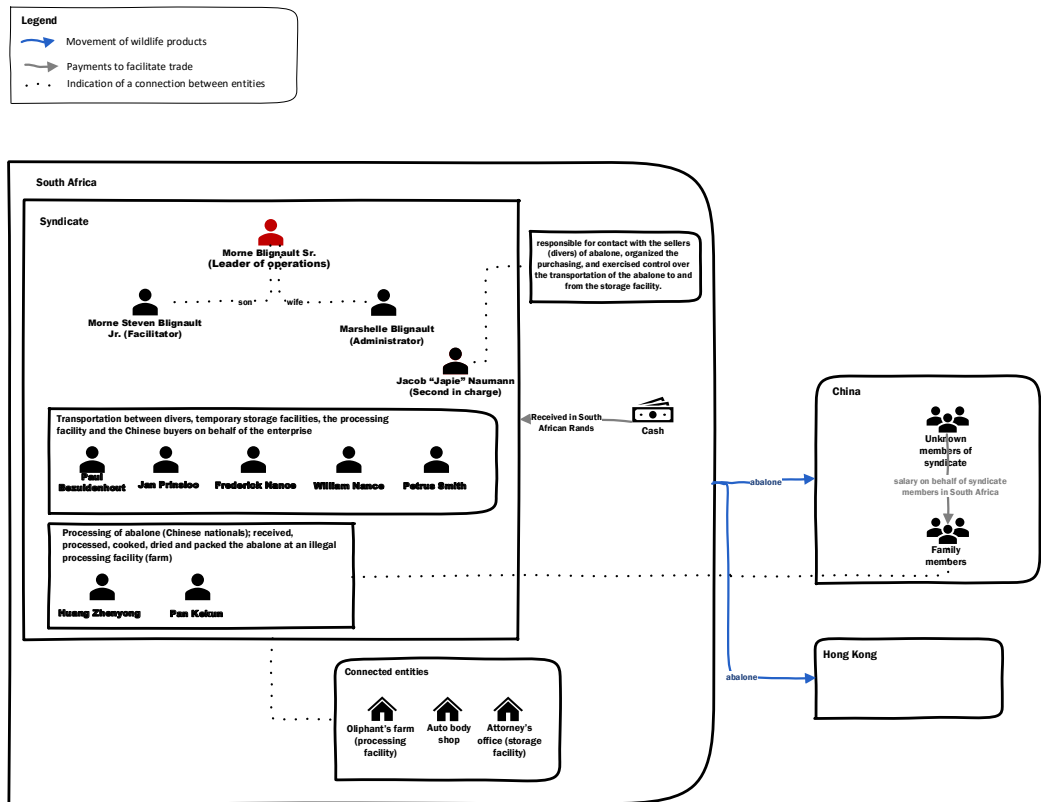
## CASE 5: PSEUDO-HUNTING FOR RHINOCEROS HORN



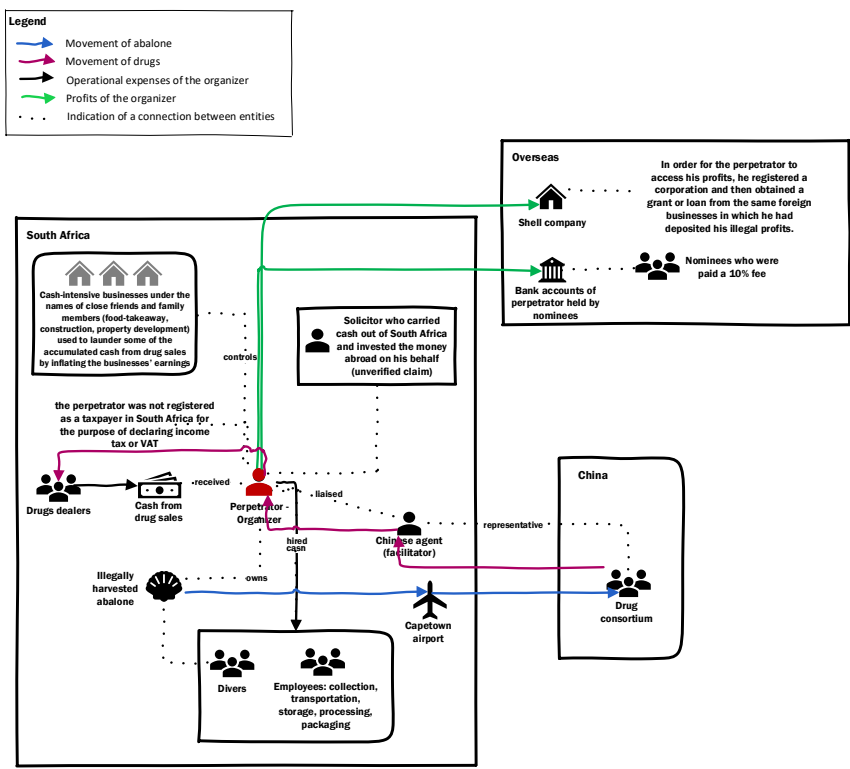
## CASE 6: THE NHI KHE VILLAGE



# CASE 7: THE ABALONE FAMILY NETWORK

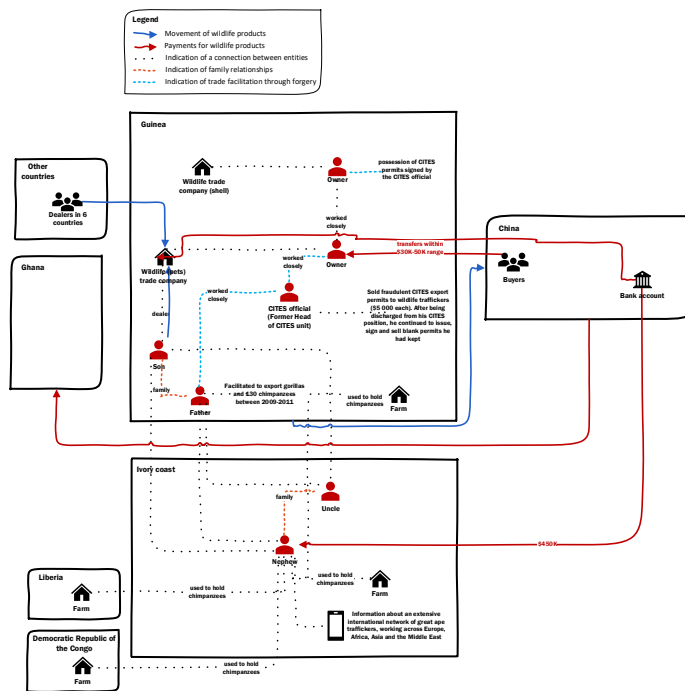


# CASE 8: "ABALONE FOR DRUGS"

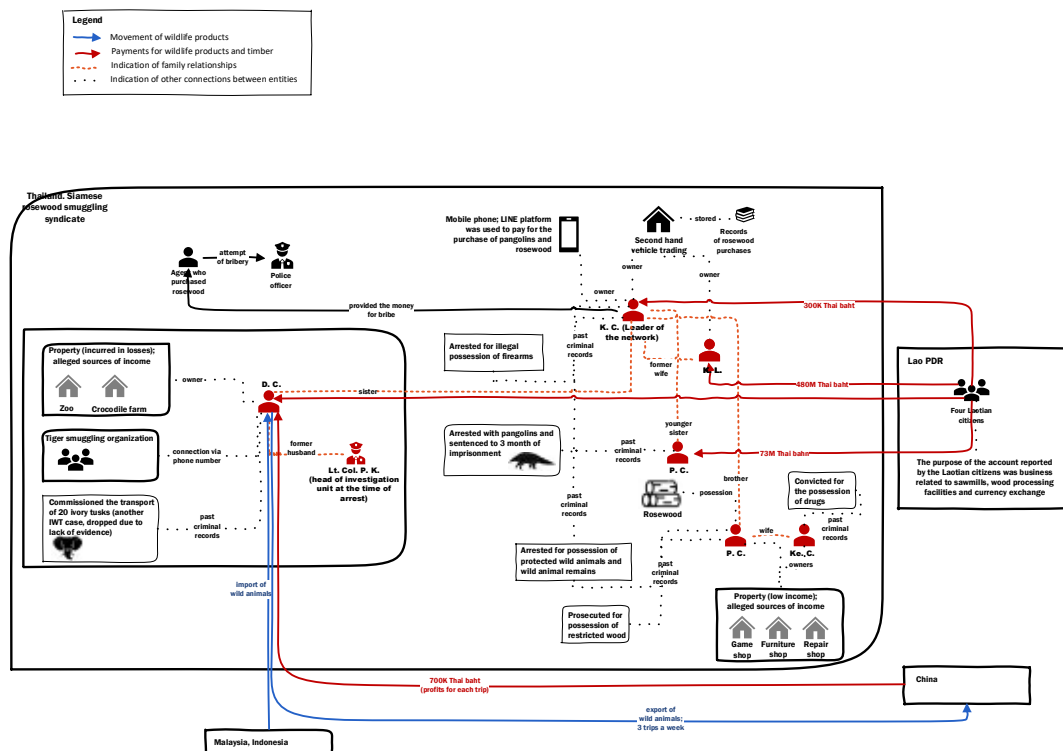




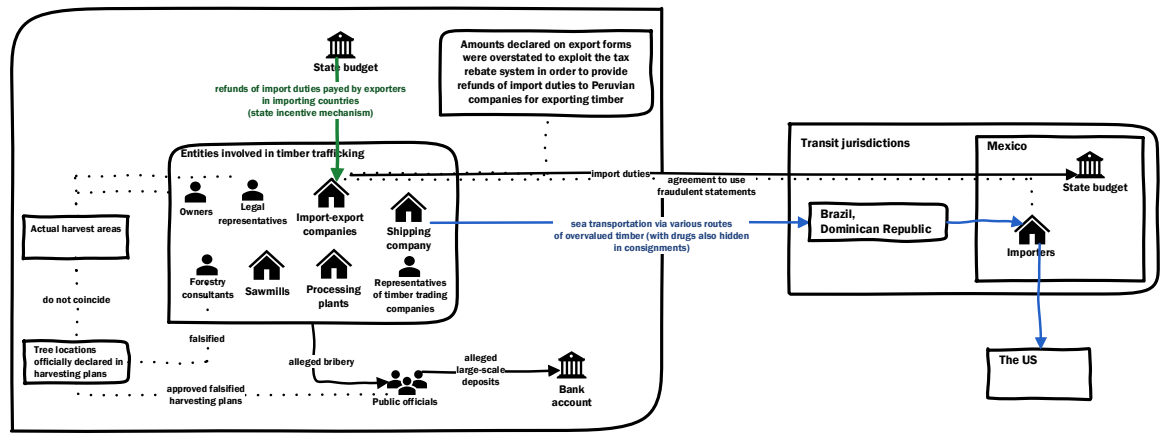
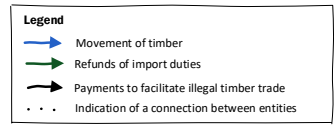
# CASE 9: THE GUINEA-BASED NETWORKS



# CASE 10: THE SIAMESE ROSEWOOD SMUGGLING NETWORK



# CASE 11: TIMBER TRAFFICKING



# ENDNOTES

<sup>5</sup> Glossary to the FAFT Recommendations.

<sup>6</sup> [https://www.federalreserve.gov/boarddocs/caletters/2008/0807/08-07\\_attachment.pdf](https://www.federalreserve.gov/boarddocs/caletters/2008/0807/08-07_attachment.pdf)

<https://www.bankrate.com/glossary/w/wire-transfer/>

<sup>7</sup> Underground Money Shops is a term for examples of a Chinese based IVTS in the FATF Report: The Role of Hawala..., October 2013

<http://www.fatf-gafi.org/media/fatf/documents/reports/Role-of-hawala-and-similar-in-ml-tf.pdf>

<sup>8</sup> <https://www.fatf-gafi.org/publications/methodsandtrends/documents/trade-basedmoneylaundering.html>

<sup>9</sup> Payment systems provider Adyen, <https://www.adyen.com/knowledge-hub/guides/global-payment-methods-guide/local-payment-methods-in-asia-pacific#australia>

"Everything You Need to Know about Alipay and WeChat Pay", Charlie Liu, March 1, 2017, Medium.com <https://medium.com/@charliecliu/everything-you-need-to-know-about-alipay-and-wechat-pay-2e5e6686d6dc>

<sup>10</sup> Crosta, A., Sutherland, K., Talerico C. (2017). "Grinding Rhino" Los Angeles, CA: Elephant Action League (EAL). July 2017, page 36 and 90.

<sup>11</sup> <https://www.vodafone.com/what-we-do/services/m-pesa>

<sup>12</sup> <https://aml-cft.net/library/shell-company/>

<sup>13</sup> A directory of worldwide swift codes can be found on this link: <https://www.theswiftcodes.com>

<sup>14</sup> Thereafter referred to as "Hong Kong"

<sup>15</sup> For more information see: [https://www.unodc.org/wdr2017/field/Booklet\\_5\\_NEXUS.pdf](https://www.unodc.org/wdr2017/field/Booklet_5_NEXUS.pdf)

<sup>16</sup> In line with article 2 of the UN Convention against Transnational Organized Crime, "serious crime" means conduct constituting an offence punishable by a maximum deprivation of liberty of at least four years or a more serious penalty.

<sup>17</sup> Derived from TRAFFIC's Wildlife Trade Information System, which includes data on wildlife trade incidents collected from a range of sources including media reports, law enforcement agencies, government bodies, non-governmental organisations, and researchers.

<sup>18</sup> Milliken, T., Underwood, F. M., Burn, R. W. & Sangalaku, L. (2018). The Elephant Trade Information System (ETIS) and the Illicit Trade in Ivory: A report to the 18th meeting of the Conference of the Parties to CITES. CoP18, Doc. 69.3

<sup>19</sup> Meijer, W.; Scheer, S.; Whan, E.; Yang, C. and Kritskij, E. (2018). Demand under the Ban – China Ivory Consumption Research Post-ban 2018. TRAFFIC and WWF, Beijing, China.

<sup>20</sup> Kitade, T. and Naruse, Y. (2018). Ivory Towers: System Error, Reboot Required: Review of Online Ivory Trade in Japan. TRAFFIC, Tokyo, Japan. Available at [https://www.traffic.org/site/assets/files/11112/system\\_error-reboot\\_required.pdf](https://www.traffic.org/site/assets/files/11112/system_error-reboot_required.pdf)

<sup>21</sup> Worked ivory is ivory that is processed or converted in some way into carvings or other end-uses.

<sup>22</sup> Nguyen, M. D. T., Indenbaum, R. A., & Willemsen, M. (2018). From Tusk to Trinket: Persistent illegal ivory markets in Viet Nam. TRAFFIC, Ha Noi, Viet Nam

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<sup>29</sup> The Elephant Trade Information System (ETIS) is a comprehensive system used to track illegal trade in ivory, and as of June 2018 holds information on 25,822 ivory seizures between 1989 and 2017.

<sup>30</sup> CoP18 Doc. 69.3 (Rev. 1) (2019). Report on the Elephant Trade Information System (ETIS). Available at <https://cites.org/sites/default/files/eng/cop/18/doc/E-CoP18-069-03-R1.pdf>

<sup>31</sup> UNODC. (2020). World Wildlife Crime Report. Available at: <https://www.unodc.org/unodc/en/data-and-analysis/wildlife.html>.

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<sup>34</sup> Wildlife Justice Commission. (2019). Snapshot Analysis - Ivory Smuggling: 2015-2019 Concealment, routes and transportation methods. September 2019. Available at: [https://wildlifejustice.org/wp-content/uploads/2019/09/WJC\\_Ivory-Smuggling-Snapshot-Analysis-September.pdf](https://wildlifejustice.org/wp-content/uploads/2019/09/WJC_Ivory-Smuggling-Snapshot-Analysis-September.pdf)

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<sup>51</sup> This figure, used in court records, refers to the value of elephant tusks that was initially estimated and served as the basis for the criminal charges. However, during the sentence hearing on 19 February 2019, a wildlife officer of the Ministry of Natural Resources and Tourism testified that according to the Government Notice 284 of 2012 each elephant is valued at USD 15,000 as per standard procedure. To that effect, 860 tusks of ivory represent 430 elephants, therefore the value of the seized ivory may be estimated at USD6.45 million, roughly USD3 million more than the above mentioned amount. This testimony was taken into account to determine the severity of the sanctions]

<sup>52</sup> Exchange rate on 22 May 2014 was 0.000604777 TZS per unit of USD (<https://www.xe.com/currencytables/?from=USD&date=2014-05-22>)

<sup>53</sup> Information from TRAFFIC staff who followed the case in the court room in Tanzania.

<sup>54</sup> 15 years is the maximum sentence provided for under the Economic and Organised Crime Control Act.

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<sup>221</sup> The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The year 2018 is based on partial data.

<sup>222</sup> Illegally sourced timber means timber that is harvested from unauthorised areas and not from forest management operations as indicated in legal documents.

<sup>223</sup> The investigation was led by Peruvian prosecutor's office on environmental matters, national police, wildlife and forest monitoring authority and SUNAT the Customs and tax administration.

<sup>224</sup> Timber Transport Permit (GTF) - The Timber Transport Permit (GTF) is an official permit which shows that the corresponding timber attached to the permit is from a legal, authorised source and can be transported and sold. Each time a concession owner removes/transportes timber from his concession, it must be accompanied by this legally emitted document. The Timber Transport Permit details the species and volume of the timber and its place of origin among other technical details. The GTFs are issued by concession owners/companies, processing plants, forest authorities and checked by regional Forest Authority offices whenever wood is transported..

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