

# GOLD

MORE ILLICIT  
FLOWS FOLLOWING  
RUSSIA'S INVASION  
OF UKRAINE?

BRIEFING NOTE

INNOVATION | INSIGHT | INTELLIGENCE



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THEMIS

# INTRODUCTION



The Russian invasion of Ukraine has shone a light on the important role of gold, not only as an economic instrument for many Russians seeking to protect their assets as the rouble fluctuates, but also as a mechanism for oligarchs and shady elites to launder their fortunes abroad. As licit mechanisms to move finances are restricted by sanctions, illicit money laundering via gold could be a key pathway for elites to move and protect their assets.<sup>1</sup>

## Russian Interest in Gold

Since as early as 2014, the Russian government has strategically expanded its gold reserves; Russia now possesses the fifth largest amount of processed gold in the world, following the United States, Germany, France and Italy,<sup>2</sup> valued at an estimated \$130 billion.<sup>3</sup> Putin's efforts to expand gold reserves have widely been seen as a strategy to safeguard the Russian economy: in case the rouble depreciates, the weak currency can be fixed to strong and stable gold. And indeed, on March 28th, the Kremlin announced that the rouble would be fixed to the gold standard until at least the end of June, before reversing the decision in early April as the rouble showed signs of stabilising.<sup>4</sup> This back and forth followed other efforts on the part of the Kremlin to help the Russian economy via gold: on March 1st, Russia removed a 20 percent VAT on gold, and shortly thereafter, temporarily halted purchases of the precious metal, in order to meet heightened domestic demand.<sup>5</sup>

Domestic Russian demand for gold in exchange for roubles has soared since the invasion, and remained strong despite recent efforts by Western governments to extend sanctions to transactions using Russian gold reserves. Indeed, March saw President Biden pass an executive order and support a congressional bill to ban gold from Russia in the US financial system, while the London Bullion Market Association (LBMA) – the global trading hub for gold – banned bars from Russian refineries.<sup>6</sup> G7 countries have followed suit, banning transactions in Russian gold. Themis has been tracking this in our sanctions news alerts – see Sanctions News Alert X for gold-related sanctions.

The fact that Russian demand for gold remains strong despite sanctions may be an indication of the robust nature of gold as an alternative currency as well as the limitations of sanctions in halting overseas gold asset flows via illicit channels. Indeed, the situation appears to be feeding Russian demand for illicitly sourced gold in East Africa, and we are likely to see more sanctions evasion via smuggling of illicit gold from Russia into high-risk jurisdictions, such as the UAE and Turkey.<sup>7</sup>

# GOLD ORIGINS: Heightened Demand Driving Increased Illicit Gold Sourcing

Much of Russia's gold is sourced from its rich domestic reserves; however, Putin has increasingly sought control of East African gold, much of which is illicitly smuggled and linked to armed group activity.<sup>8</sup> Unprecedented domestic demand for gold is only set to increase pressure to capture these gold flows.<sup>9</sup> Such gold flows from high-yield informal gold mines in Central African Republic (CAR) and Sudan through a convoluted supply chain, which is often marred by armed group violence, environmental degradation, money laundering via gold, and other financial crimes.

Russian interest in East African gold is not new. In 2017, Putin reached a deal with former president of Sudan, Omar al-Bashir, to secure mining concessions and construct a naval base on the Red Sea, which presumably facilitates out-smuggling of gold.<sup>10</sup> Russian paramilitary forces affiliated with the Wagner Group have reportedly coordinated with Sudanese armed groups and the Sudanese military to control mining sites, which are often violently contested.<sup>11</sup> This includes close collaboration with the notorious warlord and armed group leader, 'Hemeti' Haman Daglo, who, since Sudan's October 2021 coup d'etat, has acted as the de facto deputy leader of the country, second only to General Abdel Fattah al-Burhan.<sup>12</sup>

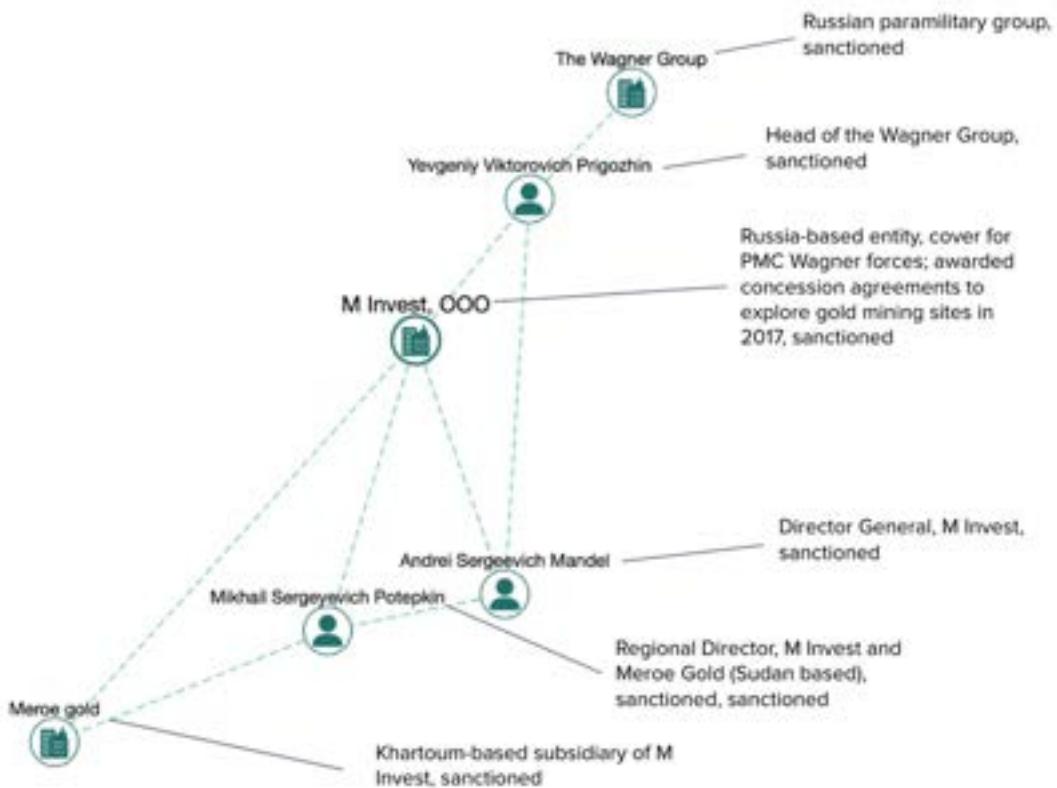


Figure 1: a network map showing Russian and Sudanese entities linked to the illicit gold trade.<sup>13</sup> Source: [Themis Search](#).



The Kremlin and the Wagner Group<sup>14</sup> appear to have intensified their activities around mines in East Africa since the Sudan power grab in October and even more so since the invasion of Ukraine. This appears to be an effort to seize control of productive mine sites and eventually smuggle gold back to Russia.<sup>15</sup> Perhaps most disturbingly, in mid-March, Russian armed groups active across Sudan, Chad, Niger, and the Central African Republic launched attacks on mines in an effort to take control of local mines, resulting in many civilian casualties; in CAR specifically, the attacks reportedly lefts “hundreds dead and thousands fled to neighbouring Sudan,” including civilians.<sup>16</sup> The timing of these attacks, as Russian demand for gold soars, appears to be directly linked to Russian political interests.

Moscow-aligned governments in CAR and, since the coup, Sudan, are enabling the Kremlin’s strategic interest in East African gold. Notably, in February, just as Moscow launched its invasion of Ukraine, Hemeti visited the Kremlin, solidifying ties with Putin. Likewise, CAR President Faustin-Archange Touadera is in the pocket of Moscow – it has relied upon Wagner Group forces since 2017 to solidify a semblance of control over the fragmented and warring provinces.<sup>17</sup>

Moscow’s efforts to secure gold inflows through close collaboration with authoritarian regimes and armed groups - both Russian and African - are undoubtedly undermining international efforts to formalise and clean up historically informal and often illicit gold supply chains. The war in Ukraine and Russia’s gold-centric approach to bolstering its economy creates source-side conditions that entrench informal and artisanal mining within criminal and illicit networks.



## GOLD'S DESTINATION: A Money Laundering Mechanism to Dubai and Beyond

While Putin's interest in gold is nothing new – Russia began building up its gold reserve around 2014 following the Crimean conflict – the current global sanctions are making gold even more valuable for Russians seeking to move assets out of the country. Particularly as US and G7 sanctions on Russian gold take away many legal and risk-free pathways to move gold abroad, we can expect some actors to take advantage of gold's conduciveness to smuggling to launder assets abroad. We can also expect an uptick of gold flowing into jurisdictions that are maintaining trade with Russia despite secondary sanctions risks.<sup>18</sup>

Indeed, the very nature of gold – small and easily anonymised, universally accepted and strong in value, makes it ideal for international laundering of money. Gold is not moved through the SWIFT financial system and generally lacks a paper trail.<sup>19</sup> There are also many fewer financial controls in place to regulate the movement of gold. Specific jurisdictions have already been flagged as hotspots for potential gold smuggling out of Russia, including the UAE, Turkey, and Uganda. They are well-known for their relaxed controls around gold inflows.

For example, gold entering Dubai is known to face relatively little scrutiny and due diligence.<sup>20</sup> Poor checks of certificates of origin at the famous Deira gold souks or at prominent refineries make it relatively easy for illicit gold from Africa and Latin America to enter Dubai and be refined (and thus anonymised), before ultimately entering the global market. There have already been preliminary indications that the Russian super-elite may seek to use the UAE as a hub for storing and moving assets: there have been several reports that Russians are moving wealth into Dubai in the form of crypto and real estate.<sup>21</sup> We can expect similar efforts to take advantage of Dubai's open gold market.

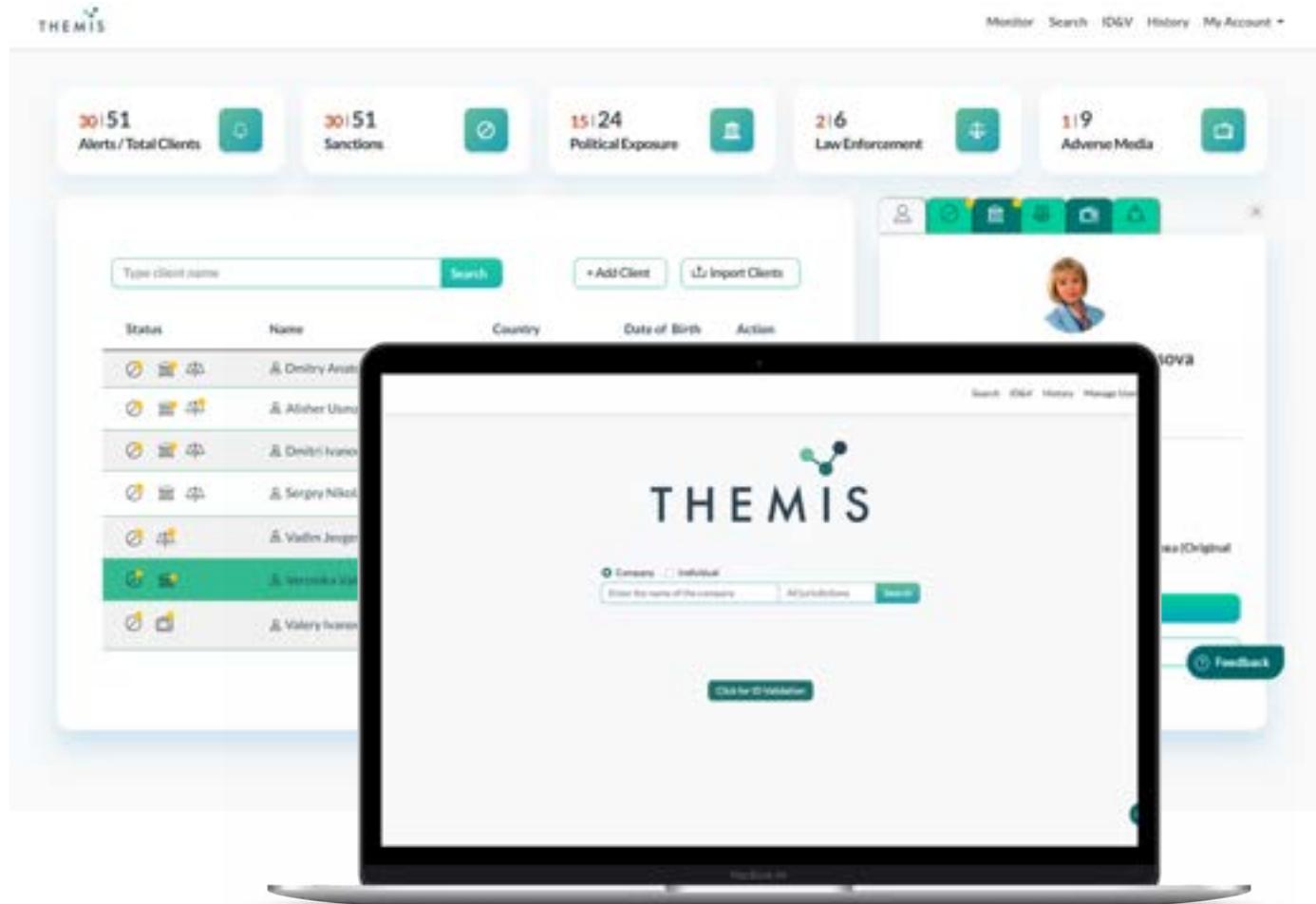
To address these flows, more needs to be done to crack down on gold money laundering channels in the UAE and other hotspots – via more rigorous due diligence at key transit hubs and refineries. Although governments globally are increasing the political and diplomatic pressure on Putin via targeted sanctions, the private sector also has a strong role to play here. Businesses can and should be proactive in mitigating risk of illicit flows by screening their clients, suppliers and 3rd parties against up to date sanctions lists.

# HOW CAN THEMIS HELP?

Themis is a leading financial crime tech platform that companies can use to screen their clients and suppliers against live sanctions lists covering over 200 jurisdictions globally. [Book a Demo](#).

## Themis Search & Monitoring allows you to:

- Perform immediate ID&V checks (including biometric facial recognition as well as ID document and proof of address validation) on an individual.
- Search for any individual or company anywhere in the world to see if they have potential links to criminality.
- Manage real time alerts for PEPs, Sanctions, Litigation, Adverse Media & Special Interest List checks via a live risk dashboard.
- Conduct automated daily ongoing screening across all your customers, suppliers or investors.
- Perform extended searches on any counter-parties (both companies and individuals) linked to your original search and to as many degrees of separation as you choose.
- Plot these out in a highly interactive risk map, showing associated companies, individuals and red flags down the chain or decision tree.



The screenshot displays the Themis software interface. At the top, there is a navigation bar with links for 'Monitor', 'Search', 'ID&V', 'History', 'My Account', and a dropdown menu. Below the navigation bar, there is a row of six status indicators: 'Alerts / Total Clients' (3051), 'Sanctions' (3051), 'Political Exposure' (1524), 'Law Enforcement' (216), and 'Adverse Media' (119). A large central area contains a search interface with a 'Type client name' input field, a 'Search' button, and buttons for '+Add Client' and 'Import Clients'. Below this is a table of client data with columns for 'Status', 'Name', 'Country', 'Date of Birth', and 'Actions'. The table lists several clients, including Dmitry Anatoli, Alther Usman, Dmitri Ivanov, Sergey Nikolai, Valeri Jengen, Irina Kostina, and Valery Ivanov. To the right of the search interface, there is a preview window showing the Themis logo and a search form. The preview window has tabs for 'Company' and 'Individual', a search input field, and a 'Search' button. At the bottom of the preview window, there is a 'Click for ID Validation' button and a 'Feedback' button.

# ABOUT THEMIS

Themis helps clients identify and manage their specific financial crime risks, through a combination of:

## INNOVATION



Pioneering RegTech tools to manage financial crime risk

## INSIGHT



Threat-based analysis that educates and drives change

## INTELLIGENCE



Preventative steps to avoid damaging links to financial criminals

Financial crime is a very real and evolving problem. It has been described as “a cancer on our society” and “an issue of international security.” Not only is the scale of illicit activity in the trillions of £s, but the impact on all of our businesses, the economy and society is profound.

Themis is a financial crime technology platform built around deep threat based expertise and knowledge.

Our cutting edge technology helps organisations understand these strategic threats through an ESG and socio-economic lens and protects their customers, staff, suppliers and shareholders from criminal attacks or association.

In this way, we are fuelling sustainable change in the public and private sector.

## SPECIALIST AREAS

Money Laundering | Sanctions | Bribery & Corruption | Fraud | Tax Evasion | Modern Slavery & Human Trafficking | Market Abuse | Cyber Crime | Proliferation Financing | Illegal Wildlife Trade | Cyber Terrorism | Terrorist Financing



[Book a demo](#) or get in touch with us:

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