

Name: Alert ID: TMML2024039517650 A gold refiner that was used by criminals to launder drug money has been allowed to sell gold into global supply chains used to make smartphones and cars. International investigators concluded that the Dubai-based trader Kaloti was buying gold from criminal networks. The US Treasury was urged by law enforcement six years ago to warn the world that it was a "primary money laundering concern". But the warning was never given. As a result, Kaloti has continued to sell tonnes of gold to companies in the supply chains of Apple, General Motors and Amazon, which use the precious metal in components. This has put firms and millions of consumers at risk of unwittingly funding criminal activity. The US Treasury did not respond to requests for comment. Kaloti's representatives said it "vehemently denied" it was knowingly involved in any crime or misconduct. 'Honey Badger' Confidential documents seen by the International Consortium of Investigative Journalists (ICIJ) and the BBC reveal the US Treasury was urged by investigators in 2014 to issue the warning after a three-year investigation. Codenamed "Honey Badger" and led by the Drug Enforcement Administration (DEA), the investigation concluded that Kaloti was involved in a scheme to transport or transfer "tremendous amounts of illicit value through the use of gold as a commodity". Under the scheme described in the documents, criminals anywhere in the world could use drug money or other unlawfully obtained cash to buy scrap gold such as second-hand jewellery and bring it to Kaloti. In exchange for the gold, according to investigators, Kaloti would offer bulk cash or send a wire transfer to them. In 2014, the DEA recommended that the US Treasury should publicly designate Kaloti a "primary money laundering concern" under the US Patriot Act, which would have made it too risky for global banks to do business with them, freezing the group out of the global financial system. But the US Treasury never took action against Kaloti. Former officials said it put off a decision on the recommendation, concerned about the reaction of the United Arab Emirates, a key diplomatic ally, where Kaloti was based. When the UAE failed to act on its own initiative, the investigation was shelved. Suspicious activity Kaloti did not have the chance to see or challenge any of the evidence as they were not questioned by investigators and there could be undisclosed reasons justifying why the report wasn't acted upon. Attempts to obtain an explanation from the US Treasury failed to draw a response. The investigation, which the US government has never made public, was supported by a flood of reports of suspicious activity from banks across the world handling Kaloti's money. Lenders including Deutsche Bank and Barclays submitted 34 separate reports about Kaloti to the US Treasury's Financial Crime Enforcement Network (FinCEN), highlighting as suspicious thousands of transactions from 2007 to 2015 totalling \$9.3bn (£7.26bn). In 2017 a money laundering gang was convicted in France of laundering the proceeds of drug sales all over Europe including the UK. Last October, BBC Panorama revealed that a company controlled by the gang, Renade International, had sold \$146m (£114m) of gold to Kaloti in 2012 alone - part of \$5.2bn of gold purchases paid for with cash. image copyrightGetty Images Kaloti vehemently denies ever acting improperly and says it has never been accused or contacted by any US authority about wrongdoing. It says it performs full due diligence on all customers and suppliers. Lawyers for the firm said it had successfully passed audits each year against all regulatory and legal standards. Supply chain fears The DEA-led taskforce investigating Kaloti submitted a report of their investigation and recommended the primary money laundering designation in August 2014. But after the designation didn't materialise, gold sold by Kaloti has continued to end up in major supply chains. Apple's list of approved suppliers includes entities which have purchased tonnes of gold from Kaloti, including Valcambi, one of the largest gold refiners in the world, based in Switzerland. All modern smartphones feature components made with gold, which is a highly conductive metal. This year the anti-corruption watchdog Global Witness reported that in 2018 and 2019, Valcambi purchased up to 20 tonnes of gold directly from Kaloti and a further 60 tonnes from a related entity. A further report by the Tech Transparency Project listed two further Swiss refiners which had purchased gold from Kaloti and were also on Apple's list of suppliers. Valcambi said it would not confirm or deny buying gold from Kaloti. The company said it only purchases gold from its suppliers "where the company can fully ensure the identification of the origin of the gold". In a statement, Apple said it was committed to responsibly sourcing for its products: "If a refiner is unable or unwilling to meet our standards, they will be removed from our supply chain. Since 2015, we've stopped working with 63 refiners of gold for this reason. "Several thorough and independent reviews have been conducted since 2015, and there is no evidence that any gold from Kaloti enters Apple products." image copyrightGetty

Images Kaloti is listed as being in the supply chain for General Motors and Amazon, according to data submitted to the Securities and Exchange Commission, the US regulator. General Motors, which uses gold in car parts such as catalytic converters, said it was committed to responsible sourcing of goods used in its manufacturing and had not done business with Kaloti directly. It said none of its suppliers had shared any compliance issues or concerns regarding Kaloti. Amazon said it was "committed to ensuring that the products and services we provide are produced in a way that respects human rights and the environment. We engage with suppliers that are committed to these same principles. "We expect suppliers to support our effort to identify the origin of designated minerals used in our products." Investigators who had worked for years to expose money laundering linked to Kaloti describe themselves as "incredibly frustrated" by the US Treasury's handling of the matter. "We put a tremendous amount of work and effort over three years into the case - we all lived and breathed it," said one of the people on the DEA-led taskforce, speaking anonymously.