



Department of Justice

STATEMENT OF

**REGINA E. THOMPSON
DEPUTY ASSISTANT DIRECTOR
CRIMINAL INVESTIGATIVE DIVISION
FEDERAL BUREAU OF INVESTIGATION
DEPARTMENT OF JUSTICE**

BEFORE THE

**SUBCOMMITTEE ON WESTERN HEMISPHERE, TRANSNATIONAL
CRIME, CIVILIAN SECURITY, DEMOCRACY, HUMAN RIGHTS, AND
GLOBAL WOMEN'S ISSUES
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

FOR HEARING ENTITLED

**"ILLICIT MINING: THREATS TO U.S. NATIONAL SECURITY AND
INTERNATIONAL HUMAN RIGHTS"**

PRESENTED

DECEMBER 5, 2019

**STATEMENT OF
REGINA E. THOMPSON
DEPUTY ASSISTANT DIRECTOR
CRIMINAL INVESTIGATIVE DIVISION
FEDERAL BUREAU OF INVESTIGATION
DEPARTMENT OF JUSTICE**

**BEFORE THE
SUBCOMMITTEE ON WESTERN HEMISPHERE, TRANSNATIONAL CRIME, CIVILIAN SECURITY,
DEMOCRACY, HUMAN RIGHTS, AND GLOBAL WOMEN'S ISSUES
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

**FOR A HEARING ENTITLED
"ILLICIT MINING: THREATS TO U.S. NATIONAL SECURITY AND INTERNATIONAL HUMAN
RIGHTS"**

**PRESENTED
DECEMBER 5, 2019**

Good afternoon Chairman Rubio, Ranking Member Cardin, and Members of the Subcommittee. I am pleased to appear before you today to discuss the threat of illicit mining and the FBI's efforts to address it.

The Threat: TCOs and Illicit Mining

The last decade has seen a boom in illicit mining operations in the Western Hemisphere due to various factors affecting global markets such as financial instability and increased demand for precious metals. The fracturing of major transnational criminal organizations ("TCOs") in the hemisphere into smaller organizations due to the death or apprehension of key leadership, compounded with infighting for control, has forced TCOs to diversify their criminal activities in order to supplement their revenue. Illicit mining operations provide Western Hemisphere-based TCOs with a profitable source of income beyond traditional revenue streams, such as narcotics trafficking, and a reliable mechanism to launder illicit proceeds from those traditional activities. TCOs use traditional criminal infrastructure—to include established drug trafficking routes, control of corrupt officials, and proven smuggling techniques—to traffic illegally mined metals and minerals in the same manner as narcotics. In contrast to narcotics, however, illicit mining provides an avenue for TCOs to exploit a legal commodity. Illicit activity is easily commingled with legal trade obfuscating TCO involvement.

The precious metals trade is a global industry with longstanding value. Penetration of the industry by TCOs allows these criminal organizations to maintain global support networks and a global platform for money laundering, hindering law enforcement prosecution by co-opting a

legitimate, high volume commodities industry. Currently there is no test to accurately determine where the gold was mined, and thus whether the metals or minerals have been mined illegally.

TCO involvement in illicit mining occurs through the taxation or extortion of both legal and illicit miners operating in the region under their control, as well as the direct control and operation of illicit mines. TCOs in Mexico, Colombia, Venezuela, Peru, Guyana and other South and Central American countries exploit valuable metals, minerals, and precious stones such as gold, silver, copper, coltan (colombite-tantalite), iron, coal, emeralds, and uranium. Neighboring countries and Caribbean islands serve as transshipments points, while North American countries are final destination markets.

The U.S. market plays a key role in the global exchange of precious metals. TCOs use often-witting U.S. businesses to exploit U.S. regulations and export illegally extracted gold to the United States to launder billions of dollars of illicit proceeds from criminal operations in Latin America. Because gold bullion is classified as a commodity rather than a monetary instrument, the imported gold is not subject to Treasury Department reporting requirements; nor is it subject to customs duties, which limits law enforcement visibility into this money laundering method and increases profitability for TCOs.

Large amounts of illegally mined gold and the few hurdles it currently faces to reach legal markets provides TCOs, especially those involved in drug-trafficking, with a reliable vector to exchange large sums of illicitly gained cash into a compact, manageable commodity that can be easily transported, stored, or used in lieu of cash for criminal transactions. Additionally, the gold itself can be laundered into the global markets via several methods: acquiring fake documents, through bribery or threats, opening front companies, selling the gold to dishonest brokers, smuggling the gold through countries with lax export laws, or simply by paying individuals with legitimate authorization to sell gold.

Governments in the Western Hemisphere face internal obstacles due to a lack of capacity to properly regulate the mining industry, issues with corruption, as well as inadequate laws that make combating illicit mining challenging. Mining operations often exist in remote areas with minimal government presence allowing illicit mining, other criminal activity and human rights abuses—including those involving forced labor, sex trafficking, child labor, and violence against native communities—to thrive.

TCOs' continuous involvement in illicit mining operations also negatively affects the environment and public health. TCOs facilitate the trafficking of mercury, currently used in illicit gold mining operations. Mercury is transported long distances through the atmosphere, and approximately 70 percent of the mercury deposited in the United States originates from global sources. Although international agreements, like the Minamata Convention, are designed to curtail the legal global commerce and availability of mercury, these restrictions combined with the current demand could further drive mercury commerce to illicit markets controlled by

TCOs. Illicit mining operations also have driven alarming rates of deforestation and loss of biodiversity in South America.

FBI Initiative to Combat Illicit Mining

In October 2015, the FBI established the Illegal Mining Initiative to disrupt TCO involvement in this illicit trade and to prosecute complicit companies. The initiative simultaneously addresses the FBI's strategic and tactical necessities, enhancing our understanding of the threat, and steering joint intelligence production and multi-agency operations. This work culminated in an international investigation comprised of multiple Federal and foreign law enforcement agencies, and resulted in the first prosecution of a multi-billion-dollar money laundering scheme involving illegally mined South American gold. The investigation uncovered a conspiracy responsible for the importation of over \$3.5 billion dollars of gold derived from numerous illicit activities, including narcotics trafficking, illegal gold mining, foreign bribery, foreign smuggling, and U.S. customs violations, on behalf of multiple TCOs.

Operation Diez Condores, initiated in January 2016 as a joint FBI and Investigations Police of Chile ("PDI") investigation, disrupted a Chilean TCO involved in smuggling illicit gold. The Chilean-based operation procured gold from various illicit sources and collected the metals at their headquarters in Santiago, Chile, where they conspired with disreputable businesses to generate fraudulent paperwork about the gold's true origin and composition. TCO couriers hand-carried the gold on commercial aircraft from Chile to the United States where they presented the fraudulent paperwork to U.S. customs officials in Miami, thereby circumventing regulations. The couriers would then deliver the gold to a U.S. refinery, NTR Metals Miami ("NTR"), which paid for the gold via wire transfer back to Chile.

In August 2016, the members of the TCO were arrested in Chile after the investigation documented \$80 million in gold shipments that moved through multiple shell companies established in Chile and Miami with the assistance of NTR. The TCO was charged with racketeering, smuggling, customs fraud, and money laundering in Chile. Intelligence obtained during debriefs of the Chilean TCO members by U.S. law enforcement helped to identify inconsistencies in NTR's practices and that the Miami executives were aware that the gold that they were purchasing involved TCOs in multiple Latin American countries linked to gold smuggling, illicit mining, and narcotics trafficking activities. This led to a spinoff investigation in conjunction with the Lima office of Drug Enforcement Administration and the Miami office of U.S. Immigration and Customs Enforcement Homeland Security Investigations ("HSI") that identified a link to an ongoing FBI/HSI Organized Crime Drug Enforcement Task Force investigation. Law enforcement efforts culminated in the successful prosecution of three NTR executives in March 2017 for their dealings with the Chilean TCO as well as others in Latin American.

The investigation ultimately resulted in the conviction of seven subjects, restitution of approximately \$16 million in the United States and \$25 million in Chile, and the disruption of a major international precious metals smuggling and money laundering operation. This investigation received national and international attention for highlighting the role of illicit gold as a profitable and preferred method for TCOs and other criminal organizations around the globe to launder illicit revenue and for being one of the largest money laundering cases prosecuted in the Southern District of Florida. In addition, in November 2017, four members of a Peruvian TCO linked to the investigation were indicted.

While the efforts of the United States Government have concentrated on targeting TCOs' drug trafficking operations, it is critical to examine other illegal income streams to achieve operational disruption.

Conclusion

Transnational organized crime continues to pose a significant threat to national and international security. The FBI remains dedicated to combating this threat. In the Western Hemisphere, efforts against illicit mining have emerged as a significant priority for governments in the region, and the FBI is committed to working with them to combat this threat.

Thank you again for the opportunity to appear today. I now look forward to any questions you might have.