Key results

As the main hub of the international gold trade, Switzerland refines and processes two-thirds of the world's precious metals and maintains intensive trade relations with the United Arab Emirates (UAE). The UAE was the largest gold exporter to Switzerland in 2019 (in terms of value), last year, for example, sending 149 tonnes of gold worth 6.8 billion Swiss francs to be refined in here.

From smartphones to gold mines controlled by armed groups in Sudan, SWISSAID has retraced several supply chains involving Swiss refineries. For the first time, this study reveals the identity of the companies behind the gold trade between the UAE and Switzerland, shedding light on a seemingly unthinkable relationship between certain Swiss refineries certified by the international standard of best practice in the industry (London Bullion Market Association – LBMA) and Emirati companies with dubious practices and sourcing linked to conflict gold.

Swiss refineries: very different procurement practices that raise questions

- **Valcambi,** the world's largest refiner of precious metals, is based in Ticino and is the main Swiss importer of gold from the UAE. A large proportion of its imports come from questionable suppliers such as Dijllah and the internationally active Kaloti group.
- **Argor Heraeus,** located in Ticino, also imports gold from the UAE. However, the group explains that it is going to reassess certain business relationships after warnings from several interlocutors, including SWISSAID. It acknowledges that it is sometimes difficult to know the origin of this precious metal and that there is a risk of importing questionable gold from the Dubai souk.
- **PAMP,** also in Ticino, imports only gold bars certified by the LBMA international standard via the UAE.
- **Metalor,** in the Canton of Neuchâtel, categorically refuses to source from the UAE as it is unable to trace the origins of the metal and believes that there is a risk of importing illegal gold.

Massive loopholes in Swiss legislation

In Switzerland, there are significant shortcomings in the control of gold imports and in the supervision of refiners. The latter are not required to ensure that the gold has been produced without violating human rights. Customs statistics definitely lack transparency and do not make it possible to determine the real origin of gold imported into Switzerland via Dubai.

From Africa through Dubai to Switzerland, the myth of «recycled» gold

- The Valcambi refinery, and to a lesser extent Argor-Heraeus, imports gold from Dubai-based trading companies such as Ashoka and Intl FC Stone. While these refineries claim to import only recycled gold from the UAE, the study shows that **some of this gold is believed to come from African mines and the Dubai souk.** The gold is processed by refineries in the UAE with which the Swiss companies have no direct links, which makes it impossible for them to trace its origin and ensure that it its mining takes place under acceptable conditions.
- In 2018, half of the gold transiting through Dubai came from the African continent (402 tonnes). **Much of this gold is exported illegally from African countries** before being declared in the UAE.

Valcambi-Kaloti: a dubious relationship and defective due diligence

- **Valcambi** obtains its supplies each year (16.5 tonnes in 2018 and four tonnes in 2019) directly from Kaloti, a group that has been accused of supplying illegal gold. In 2015, the Emirati group was removed from the DMCC standard in force in Dubai for its questionable practices discovered during the Ernst & Young cover-up audit case.
- **Trust One Financial Service (T1FS)** is the largest supplier of gold from the UAE to Valcambi (19 tonnes in 2018 and 44 tonnes in 2019). It has very close personal links with Kaloti, with one of its executives also a director within the UAE group.

Kaloti's questionable sourcing has not been discontinued

- **In the UAE,** the Emirati group has a purchasing office in the gold souk from which it imports large quantities of gold from Africa. Our on-site investigation shows that through this office, Kaloti exposes itself to very significant risks, thereby opening the door to potentially risky gold imports.

- **In Sudan,** Kaloti has been the main client of the Central Bank and the Khartoum refinery for several years. The UN Panel of Experts clearly mentions that this bank buys gold from the conflicting parties in Darfur. Sudanese armed militias, implicated in war crimes and human rights abuses, have sold gold from the mines they control to the government institutions from which Kaloti sources its supplies.

- **In Suriname,** Kaloti has a refinery (KSMH) jointly owned with a high-risk government. Five years after its inauguration, the KSMH does not refine gold and may never do so. The contradictions between the interests of the Emirati group and the mandates of the Suriname government raise questions about the actual practices of this «refinery». It has been accused of being linked to money laundering and dubious gold certification activities. .

- **In the United States,** the Emirati group's affiliate company went bankrupt in 2018 because it could no longer obtain bank loans. Banks were unwilling to take the risk of financing transactions that could be linked to illegal gold. This firm was sourcing gold in Latin America from several dubious suppliers.

Dubai: platform for high-risk gold

- **Controls by the customs authorities in the emirate are very weak,** with gold carried in hand luggage remaining common practice. It would therefore still be easy to pass through UAE customs with gold of illegal origin.
- The gold souk is still an **entry point for illegal gold,** with traders still readily accepting gold of dubious origin without due controls. The on-site investigation shows that it is easy to **launder conflict gold.**
- Several trading companies and refineries in Dubai have **questionable practices,** some of them sourcing from suppliers linked to gold from the conflicts in the DRC.
- UAE gold stakeholders are **subject to lax and fragmented legislation.** The Dubai Multi Commodities Centre is a powerless regulator faced with a conflict of interest.

Shortcomings in the due diligence of stakeholders at the end of the supply chain

- Banks, technology industries, jewellers and watchmaking groups apply very different due diligence procedures. The vast majority of the 15 companies analysed **do not have the necessary procedures in place to avoid having potentially problematic gold in their supply chain.**

Industry self-regulation is insufficient

- The audits to which refineries are subject are **not sufficiently transparent.** The London Bullion Market Association (LBMA) has **limited powers** and is not able to identify suppliers to its member refineries.