

Making a Fortune While Making a Famine

The illustrative case of a South Sudanese general

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Photo Credit: The Sentry



While South Sudanese people are starving by the tens of thousands and war rages on, a small group of senior military officers have gotten rich. This brief from The Sentry presents the case of one influential general whose military strategies helped create the famine. This general's case illustrates how the deliberate absence of the rule of law provides the potential for immense financial benefits for the leaders of South Sudan's regime and how current incentives favor extreme violence and grand corruption over peace and good governance.

A recent U.N.-declared famine in South Sudan's Unity state has left 100,000 people at immediate risk of dying of starvation.¹ All told, an estimated 7.5 million people in South Sudan—more than half the country's population—urgently need assistance.² The cause of this famine is not a mystery. Government and rebel forces have used specific tactics to produce mass displacement and famine in South Sudan, particularly through the massive cattle raids undertaken by government-backed forces, attacks on agricultural areas, and the seeding of intercommunal violence beyond clashes between government forces and armed opposition groups.³

The names of the men who are responsible for planning and executing a brutal military campaign in Unity state in 2015—an offensive that laid the groundwork for the outbreak of the famine—are not secret. According to the U.N. Panel of Experts on South Sudan, the offensive was planned and executed by a group of senior military officials who were close to South Sudanese President Salva Kiir.⁴ Furthermore, while much of the country starves, some of these same military officers appear to have been getting rich. They profit from insider deals, move their fortunes through large international banks, and often use their children to keep their names off of company records. Many of these senior officials do not appear to conceal their fortunes from other insiders, as they often do business together and own homes close to one another outside South Sudan.⁵

Lt. Gen. Malek Reuben Riak is one of the senior generals that the U.N. panel has identified as responsible for the violence in Unity state that directly led to the famine. A close examination of his business activities helps illustrate the warped incentives that motivate senior military officials in South Sudan. Looking at this illustrative example of just a slice of corrupt economic activity by just one of the leading generals demonstrates how deeply the incentives favor violence and instability over peace and democratic governance.

Lt. Gen. Reuben Riak was promoted by President Kiir to Deputy Chief of Staff of the Sudan People's Liberation Army (SPLA) in January 2013. Lt. Gen. Reuben Riak held that position—which involved a central role in weapons procurement for the national army—for the first several years of the civil war, until March 2016, when he became Deputy Chief of Staff of the SPLA for Training. On May 24, 2017, President Salva Kiir promoted Lt. Gen. Reuben Riak to Deputy Chief of Defense Staff and Inspector General of the army. According to South Sudan's national budget, in 2014 and 2015, the salary for a general of this rank was approximately \$40,000 per year, including a housing stipend.⁶





Lt. Gen. Reuben Riak has held different positions in logistics, procurement, and training for the SPLA. In May 2017, President Kiir promoted him to Deputy Chief of Defense Staff and Inspector General of the army.

But procuring weapons and planning brutal military offensives are only Lt. Gen. Reuben Riak's day job.

As reported in *War Crimes Shouldn't Pay* in September 2016, The Sentry has documents that show \$3.03 million moving through Lt. Gen. Reuben Riak's personal bank account—a U.S. dollar-denominated account at Kenya Commercial Bank (KCB)—between January 2012 and early 2016. Financial transactions reviewed by The Sentry and discussed in its September 2016 report showed millions of dollars passing through Lt. Gen. Reuben Riak's personal bank account at KCB, including more than \$700,000 in cash deposits and large payments from several international construction companies operating in South Sudan. These payments came from companies backed by Chinese, Lebanese, and Turkish investors. These include hundreds of thousands of dollars in payments and cash deposits into the account since the war in South Sudan began in December 2013. In that same period, over \$1.16 million was withdrawn from Lt. Gen. Reuben Riak's account, in his own name or as "cash." Lt. Gen. Reuben Riak also has acquired stakes in numerous companies incorporated in South Sudan, including engineering and energy companies.⁷

Information provided to The Sentry after publication of its September 2016 report provides more clarity about the nature and extent of Lt. Gen. Reuben Riak's business operations in South Sudan and his links with multinational corporations, banks, and foreign politicians. This report uses this new information to take a closer look at Lt. Gen. Reuben Riak's business



activities. One important finding is that Lt. Gen. Reuben Riak controls a private business called Mak International Services that sells explosives to private companies operating in South Sudan—an arrangement that has been not only endorsed but also promoted on an exclusive basis by the military in which he holds a key leadership role.⁸ According to other documents reviewed by The Sentry, Lt. Gen. Reuben Riak also sits, along with several other senior generals, on the board of a holding company that has joint ventures with foreign investors and appears to be active in South Sudan's mining and construction sectors.⁹ This Sentry report also reviews documents detailing how Lt. Gen. Reuben Riak's family members appear to be representing his interests on several commercial ventures, often alongside the family members of other senior government officials in South Sudan.¹⁰ This report also examines documents that purport to show that Lt. Gen. Reuben Riak and members of his family jointly own businesses with members of the political elite in neighboring Ethiopia, Kenya, and Uganda.

The case of Lt. Gen. Reuben Riak illustrates a broader pattern in South Sudan in which powerful officials work closely together in a relatively small network and preside over the country's violent kleptocratic system of government. They get rich while the rest of the country suffers the consequences of a brutal civil war and a horrific famine. Their business interests often intersect with one another and with those of officials in neighboring countries, undermining the credibility of diplomatic processes designed to promote peace and possibly compromising those involved in negotiations. Protecting this network's position in power means continued access to rent-seeking opportunities as well as continued impunity for corruption and involvement in human rights abuses.

The case of Lt. Gen. Reuben Riak does not just support the case that top South Sudanese officials are getting rich off of conflict. The case also illustrates the significant untapped leverage held by the international community vis-à-vis these officials. Documents reviewed by The Sentry indicate that Lt. Gen. Reuben Riak has used international banks to move millions of U.S. dollars and he conducts business with international investors.¹¹ Foreign governments—especially the U.S. government—are in a position to curb his ability to access the international financial system. This is because virtually all transactions that are conducted in U.S. dollars pass through the U.S. financial system, even if only for a split second. As a result, the U.S. government has jurisdiction over these financial flows and, in turn, the ability to scrutinize and stop them. This report concludes by presenting how the U.S. and other governments can more effectively use the tools of financial pressure—namely sanctions and anti-money laundering provisions—to impose steep consequences on the top officials who are responsible for South Sudan's horrific civil war and resultant famine. In this case, the United States should impose network sanctions (i.e., asset freezes targeting a network of individuals and entities, rather than a single person) on Lt. Gen. Reuben Riak and the companies he owns or controls.



Explosive Arrangement

Two companies named in *War Crimes Shouldn't Pay* as having made payments to Lt. Gen. Reuben Riak—China Wu Yi and China New Era—approached The Sentry following the report's publication to provide additional details about the nature of their relationship with Lt. Gen. Reuben Riak. Both companies told The Sentry in writing that the funds deposited into Lt. Gen. Reuben Riak's personal bank account at KCB were payments for explosives each company acquired from Mak International Services, a South Sudanese firm controlled by Lt. Gen. Reuben Riak. China New Era declined to answer any additional questions posed by The Sentry. China Wu Yi provided additional information about the nature of its relationship with Mak International and, by extension, Lt. Gen. Reuben Riak.¹²

In a letter to The Sentry, China Wu Yi stated that its business relationship with Mak International began in 2013, shortly after it had acquired a license to open a quarry and stone crushing operation in Central Equatoria state.¹³ According to the company, sourcing the explosives needed to carry out its business operations required approval from the Sudan People's Liberation Army (SPLA) Engineering Corps. The SPLA Engineering Corps, in turn, directed the buyer to purchase its explosives from Mak International, which China Wu Yi stated was the only supplier of explosives.¹⁴ Between April 9, 2013 and September 29, 2014, China Wu Yi made eight payments amounting to \$131,686 for explosives sourced from Mak International. According to records provided by China Wu Yi, the company received 940 bags of ammonium nitrate (25 kilograms each), 75 packages of "Super Power" (25mm each), 36 rolls of cortex (250m each), and 26 electronic detonators. According to China Wu Yi, the company's primary points of contact at Mak International were "Malok Reuben" and "Ayom Reuben."¹⁵ China Wu Yi was instructed to make payments to Malek Reuben Riak. Six of China Wu Yi's eight payments for explosives sourced from Mak International—a total of \$116,166—were checks made out to Lt. Gen. Reuben Riak and deposited into his personal bank account at KCB. According to the company, it also made two cash payments to Mak International, totaling \$13,520.¹⁶

In short, these documents show an SPLA office that at one point employed Lt. Gen. Reuben Riak requiring companies that need explosives for commercial business in South Sudan to obtain them solely from a private company controlled by Lt. Gen. Reuben Riak, who remains a senior military officer. Furthermore, the apparent ultimate beneficiary of these transactions, Lt. Gen. Reuben Riak, is not only a senior military official but also a former employee of the SPLA Engineering Corps, the entity that oversees the approval process.

There are important questions about the legality of Lt. Gen. Reuben Riak's involvement with Mak International. Specifically, the 2009 SPLA Act prohibits corrupt practices by all SPLA personnel and makes such activities subject to imprisonment.¹⁷ More broadly, the South Sudanese constitution also addresses the issue of specific officials engaging in business activities outside of government while they are in office, though there can be challenges with establishing the applicability of the terms of the particular provisions to individual cases.



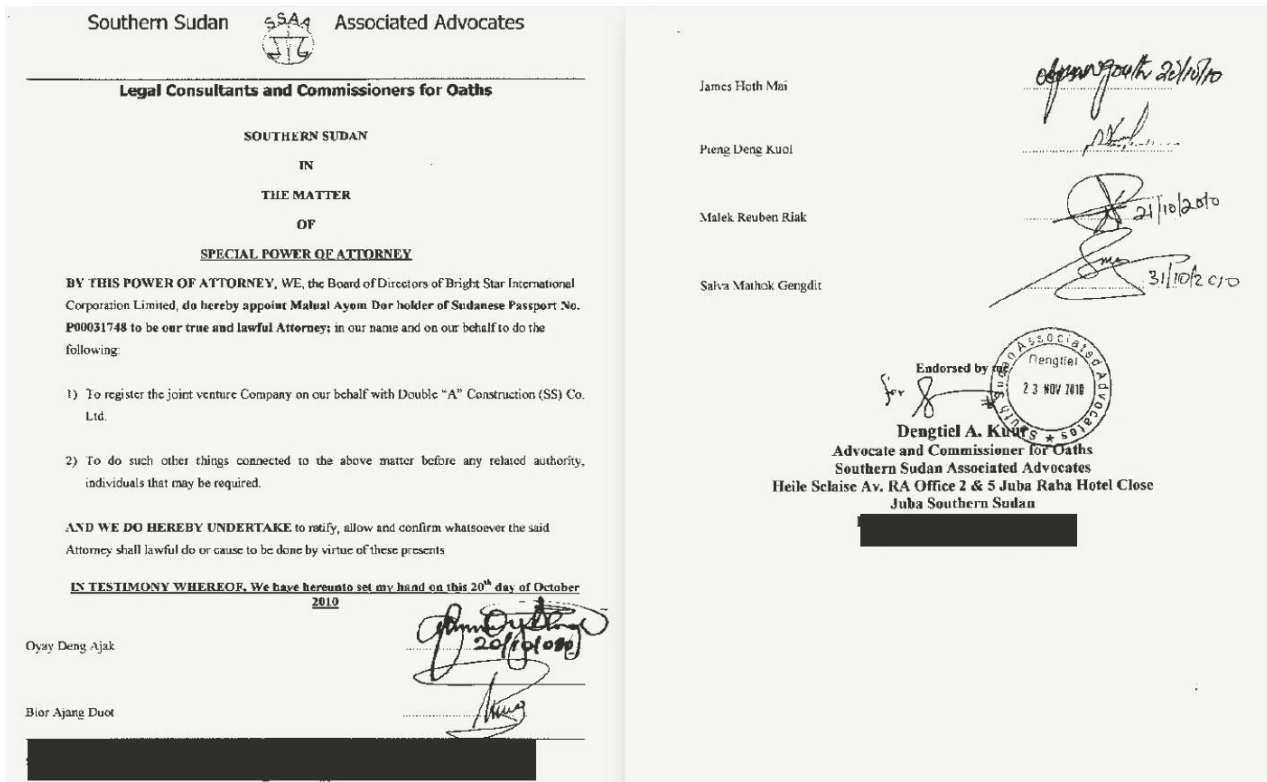
Bright Star International

Lt. Gen. Reuben Riak has also been a member of the board of directors of a South Sudan-registered company called Bright Star International, according to documents obtained by The Sentry. The other members of the board of directors listed on one document—Lt. Gen. Oyay Deng Ajak, Maj. Gen. Bior Ajang Duot, Gen. James Hoth Mai, Gen. Pieng Deng Kuol, and Lt. Gen. Salva Mathok Gengdit—are also senior generals in South Sudan’s military. Several of them were deputy chiefs of staff of the SPLA at the time of Bright Star International’s formation. The same document authorizes another senior general, Lt. Gen. Malual Ayom Dor, to operate on behalf of the company.¹⁸

Documents reviewed by The Sentry indicate that Bright Star International, in turn, has several joint ventures with foreign investors that have reportedly been involved in mining in South Sudan. Corporate records show that Bright Star joined with a group of Ethiopian investors to form Liberty Construction JV Limited on November 24, 2010.¹⁹ Notably, these documents state that Bright Star International’s partners in the joint venture include Akiko Seyoum Ambaye—a cousin of the widow of late Ethiopian Prime Minister Meles Zenawi—and an Ethiopian businessman named Alemayehu Ketema Woldetsadik.²⁰ According to a 2013 report by the U.S. Institute of Peace, Liberty Construction was involved in cement production as well as marble and limestone mining in Eastern Equatoria state.²¹ Bright Star International has also reportedly held a 35 percent stake in another South Sudan-registered mining company called Sky Minerals Co. Ltd., with the remaining shares held by a group of investors from South Sudan and South Africa. According to documents obtained by The Sentry, Sky Minerals was formed on July 3, 2013 “to carry out sustainable development in gold and other minerals mining industries in South Sudan” and also is purportedly involved in the trade in “precious stones like gold, silver, diamonds, bronze, [and] other minerals.”²²

The Bright Star International documents indicate that a group of senior South Sudanese generals have formed a series of corporate entities with foreign investors that appear to be involved in mining and construction. While it is possible that this firm may be a military-owned enterprise, none of the documents reviewed by The Sentry pertaining to Bright Star International suggest that the government of South Sudan owns any stake in the company. It does not appear that any information has been released about Bright Star International or its activities by South Sudan’s military. Nor is The Sentry aware of any public release of information pertaining to the mining activities of Bright Star’s joint ventures with foreign companies, despite the fact that mining permits are supposed to be granted through transparent public tendering processes.





An October 20, 2010 resolution by the Board of Directors of Bright Star International Corporation Limited provides Gen. Malual Ayom with "special power of attorney" and authorizes him to form a joint venture with Double "A" Construction (SS) Co. Ltd. The document is signed by Oyay Deng Ajak, Bior Ajang Duot, James Hoth Mai, Pieng Deng Kuol, Malek Reuben Riak, and Salva Mathok Gengdit.

If Bright Star International is, in fact, a publicly-owned entity, it is important for its finances to be subject to public scrutiny. Nile Petroleum Corporation (Nilepet)—South Sudan’s national oil company and largest state-owned enterprise—is a case in point. According to the U.N. Panel of Experts on South Sudan, Nilepet has been used during the current civil war as a fund that has enabled President Kiir and his inner circle to circumvent normal protocols for military spending.²³ According to the Natural Resource Governance Institute, Nilepet “has yet to release any information on its activities, even though the Petroleum Law states that comprehensive, audited reports on the company’s finances must be publicly available.”²⁴ Elsewhere, there are numerous examples of how state-owned companies can be used to misappropriate funds. State-owned companies involved in the natural resource sector elsewhere around the world—Gecamines in the Democratic Republic of Congo, Sonangol in Angola, Sinopec in China, and many more—have reportedly been involved in large-scale public corruption scandals in significant ways.²⁵ For this reason, it is important for the details about Bright Star International’s activities and business engagements to be disclosed to the public. If Bright Star International is a private business, however, then there are serious questions about how a group of senior generals have been able to work with foreign investors to gain access to South Sudan’s mineral rights with very little public disclosure.



Family Business or Masked Ownership?

The explosives business is just one of many commercial enterprises in Lt. Gen. Reuben Riak's business portfolio. As reported by The Sentry in September 2016, corporate records indicate that Lt. Gen. Reuben Riak and his immediate family hold stakes in numerous businesses registered in South Sudan, including companies that purport to be involved in mining, engineering, and energy.

First, documents reviewed by The Sentry suggest that Lt. Gen. Reuben Riak has engaged in business deals with a political insider in neighboring Uganda, a country in which Lt. Gen. Reuben Riak has maintained a home. A document dated March 25, 2013 and signed by Malek Reuben Riak states that he held a 40 percent stake in South Sudan-registered GMC Construction Ltd. The remaining 60 percent of the company's shares were divided evenly between two Ugandan citizens: Geoffrey Kamuntu and Chris Akansasibwa Rugari.²⁶ Geoffrey Kamuntu is also the name of the son-in-law of Ugandan President Yoweri Museveni. Mr. Kamuntu was named in news reports concerning a political scandal in Uganda in which Francis Atugonza, a prominent member of the opposition party in Uganda, claimed that he had been offered 1.5 billion Ugandan shillings (\$630,000) to pull out of national elections. According to Reuters, Atugonza said Mr. Kamuntu called him to tell him that President Museveni would "do anything" in order to persuade him to switch his allegiance to the ruling party. Representatives for President Museveni's party denied the accusations.²⁷

Second, corporate records obtained by The Sentry following the publication of *War Crimes Shouldn't Pay* appear to show that the investment portfolios of several of Lt. Gen. Reuben Riak's children also reflect overlapping business interests with the families of other top South Sudanese officials. For example, documents show that Lt. Gen. Reuben Riak's daughter, Christine Malek Reuben, has held a 20 percent stake in Euro-Afro Trade and Consult Ltd. alongside Anok Kiir (the daughter of the president) and an Egyptian businessman.²⁸ Another document lists Christine Malek Reuben as a shareholder in Jubilee Bank, alongside Gen. James Hoth Mai's daughter, Titchiang Hoth Mai, who was only 15 years old at the time of the bank's incorporation.²⁹

Third, there are at least some indications that the family members of these senior generals may be operating on behalf of the generals themselves. For example, neither the signature of Titchiang Hoth Mai nor that of Christine Malek Reuben appears on corporate documents for Jubilee Bank. Instead, next to their names are what appear, based on comparisons with other documents reviewed by The Sentry, to be the signatures of their fathers, Lt. Gen. Reuben Riak and Gen. Hoth Mai.³⁰ Similarly, corporate filings indicate that a person named "Emmanuel Gum Malek" owns a 50 percent stake in a company called Eastern Mountain Ltd. alongside a Kenyan citizen named Nelly Akal Abonyo. However, next to Emmanuel Gum Malek's name is what appears, based on comparisons with other documents reviewed by The Sentry, to be Lt. Gen. Reuben Riak's signature.³¹ Furthermore, financial records reviewed by The Sentry state that \$8,000 was transferred from Eastern Mountain Ltd. to Lt. Gen. Reuben Riak's personal bank account at KCB.



To be sure, simply holding shares in a company is not itself an indication of misconduct. At the same time, the use of family members of politically exposed persons (PEPs)—senior government and military officials and their immediate family members—as nominee directors and shareholders raises serious questions about whether or not these actions are tantamount to an attempt to conceal their commercial activities and the movement of money and merits enhanced due diligence by financial institutions and other entities to ensure no misconduct is occurring. According to the Stolen Asset Recovery Initiative, an initiative of the World Bank and the U.N. Office on Drugs and Crime, family members (along with close business associates) are often used by corrupt officials around the world to conceal their involvement in business transactions.³² For example, the Stolen Asset Recovery Initiative (StAR Initiative) highlights several such cases, including one in which former Chilean President Augusto Pinochet used corporate entities that were nominally held by members of his family and his close business associates to launder his ill-gotten gains. In another case, family members of executives at Telecommunications D’Haiti were used as nominees in order to conceal the payment of bribes. The list goes on.³³

No Consequences, No Accountability

Lt. Gen. Reuben Riak’s apparently lucrative business ventures illustrate why those in South Sudan’s ruling clique have such strong financial incentives to remain in power. Remaining in power means continued control over a wide range of economic activities and, in an environment with extremely weak controls on corruption and embezzlement, access to opportunities for top officials to enrich themselves. In violent kleptocracies like South Sudan, losing power often results in the loss of access to such rent-seeking opportunities. It could also mean answering for abuses—military or financial—committed while in office. For now, top officials in South Sudan have little reason to believe that their wealth, especially their wealth that has been parked offshore, is in jeopardy.

Lt. Gen. Reuben Riak has engaged in numerous business transactions that merit closer scrutiny by regulators, law enforcement, and financial institutions. For example, his role in the sale of explosives to foreign companies raises serious questions—even more so because the SPLA has apparently told companies that Lt. Gen. Reuben Riak’s company is the only supplier of explosives in the country. The suggestion that one of the country’s most senior military officials has this type of exclusive arrangement related to a profitable and highly-regulated business sector raises serious questions about conflict of interest, as it would be tantamount to a revenue stream that is captured by a member of the political elite that then enables wealth capture and undermines prospects for peace.

Similarly, Lt. Gen. Reuben Riak’s apparent involvement in a wide range of other undisclosed businesses, especially those that are nominally run by members of Lt. Gen. Reuben Riak’s family, raises important questions. For example, South Sudanese citizens should have access to information about senior public officials’ business relationships with political elites in foreign



countries—especially in countries with which South Sudan has important diplomatic relationships. South Sudanese officials are ostensibly required to declare their assets to the country’s anti-corruption commission. In practice, this commission is under-resourced and virtually toothless in dealing with high-level officials.³⁴ Moreover, private declarations of assets deprive capable actors within civil society from effectively scrutinizing these declarations to determine whether or not they are accurate and complete as well as whether or not they reveal conflicts of interest or evidence of impropriety. Lt. Gen. Reuben Riak and the companies referenced throughout this report maintain accounts in banks that are generally required to subject such clients to enhanced due diligence measures. Banks are also required to file suspicious transaction reports and take action against illegal transactions. Where this does not appear to be happening, such as in Kenya and Uganda, authorities should pursue more rigorous enforcement.

There are countless other examples that illustrate the need to ensure that South Sudan’s laws on transparency and disclosure are expanded to close loopholes and safeguard against corruption. Unfortunately, progress toward these objectives will be fleeting unless there are consequences for officials who sidestep these laws or undermine the effectiveness of oversight institutions in the first place. Under the status quo, South Sudan’s top officials are effectively subject to no accountability for human rights violations and financial crimes. This is why the international community should step in to help impose consequences for financial crimes and human rights violations.

Steep Financial Consequences Needed

The case of Lt. Gen. Reuben Riak also provides an illustration of the untapped leverage the international community possesses vis-à-vis South Sudan. For top officials in South Sudan, the accumulation of wealth is a double-edged sword; their assets *are* their liabilities. It is precisely because of this desire to move money—usually dollars—through banks and across borders that the international community, and especially the United States, is in a position to create the much-needed and long-missing leverage in South Sudan. The Sentry has called for the international community to take proactive steps to: 1) impose—and enforce—smarter sanctions on a wide array of high-impact targets and their networks and ensure these sanctions are robustly enforced; 2) curb the laundering of the proceeds of corruption in South Sudan (while cracking down on any banks that fail to stop such transactions) through anti-money laundering instruments; and 3) encourage South Sudan’s neighbors to cooperate in combating the laundering of assets looted from South Sudan and imposing asset freezes on those responsible for human rights violations and financial misconduct.

Swiftly Imposing Network Sanctions and Visa Restrictions. As part of this approach, the U.S. government should take swift action to demonstrate that there will be severe financial consequences for top officials in South Sudan’s government and in the opposition who pursue their own enrichment while key benchmarks toward peace, humanitarian access, and respect for human rights are not met. Lt. Gen. Reuben Riak has an officially documented role in



planning and executing a military offensive in Unity state that resulted in widespread human rights violations.³⁵ He is also involved in seemingly corrupt activities through numerous substantial U.S. dollar-denominated transactions. Given these factors, the United States should impose network sanctions (i.e., asset freezes targeting a network of individuals and entities, rather than a single person) on Lt. Gen. Reuben Riak, his business associates, and the companies they own or control.

The U.S. government could also move beyond the existing South Sudan sanctions program, which is tied to resolutions by the U.N. Security Council, and use unilateral authorities to take these types of measures. For example, the U.S. government has new authority pursuant to the Global Magnitsky Human Rights Accountability Act, which allows the U.S. government to impose sanctions on public officials who are responsible for acts of significant corruption or attacks against human rights defenders. There is now ample reason to consider designations under both criteria against Lt. Gen. Reuben Riak and the companies that he owns or controls pursuant to the corruption authority.

Finally, the U.S. State Department should investigate using the various legal authorities it has to deny Lt. Gen. Reuben Riak and his family U.S. visas. Given that one of his sons appears to attend a university in the United States, this would also have a direct impact on the family's conduct. Should the family have purchased any assets in the United States, the Department of Homeland Security and Department of Justice should investigate the connection of these assets to the corrupt activities described above and, if appropriate, seize them.

Expanding and Targeting Anti-Money Laundering Actions. Lt. Gen. Reuben Riak is a South Sudanese politically exposed person, or PEP (and, for purposes of financial institutions outside of South Sudan, he is “a senior foreign political figure”). He has moved sums of money that far exceed his salary through his bank account. There is reason to believe he has used members of his family to conceal his involvement in commercial transactions. The combination of these factors raises serious questions about whether or not he has been involved in laundering the proceeds of corruption.

The various documents reviewed by The Sentry and discussed in this report indicate that many of these individuals have moved significant assets outside the country in dollar-denominated transactions at international banks, originating in Kenya and then moving through banks in the United States through the correspondent system. There are credible reasons to believe that many of these assets may be the proceeds of corruption. The movement of those assets through the financial system would therefore constitute money laundering.

Following the publication of *War Crimes Shouldn't Pay*, a number of banks indicated to The Sentry that they had reviewed their potential exposure to the individuals, companies, and transactions identified in that report; KCB issued a press release in the name of its managing director and chief executive officer to this effect.³⁶ Based on the information contained in this report, any financial institution with activities in South Sudan or the region should investigate



its exposure to Lt. Gen. Reuben Riak, his family, or his business network and take appropriate steps, whether to continue monitoring accounts, close accounts, or refer them to law enforcement. Similar steps should be taken for the accounts of other South Sudanese PEPs (including both officials and their families) and their corporate holdings. In response to a request for comment from The Sentry for this brief, KCB's Head of Corporate and Regulatory Affairs indicated that the bank "operates within the confines of the law (both local and international) and is guided by the highest standards in our operations and market conduct in each of our countries of operations," that it was otherwise unable to comment on the questions, and that it would "remain guided by our national law and the regulators in Kenya and South Sudan."

Moreover, as a result of these funds moving through the United States through correspondent banks processing the transactions briefly (as do virtually all U.S. dollar-denominated transactions), the United States government has jurisdiction over the transactions. In order to make all banks aware of these concerns, the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) should issue an advisory that identifies particular, very specific red flags for transactions that are at high risk for money laundering associated with kleptocracy in South Sudan and which merit further investigation by U.S. financial institutions. These red flags may include real estate transactions conducted by senior officials and their families. FinCEN has already acted against certain types of real estate transactions in the U.S. context, finding some element of suspicious transactions in nearly 30 percent of cases. FinCEN should extend those measures to other parts of the world where similar patterns occur. Such a FinCEN advisory should also include language designed to mitigate against de-risking, including through identifying specific types of red flags and encouraging banks to share more information with each other about the nature of the transactions being conducted.

As indicated above, because family members and close associates of the perpetrators of financial crimes can be used to conceal their involvement in commercial transactions, financial institutions are expected, based on international standards, to take extra precautions. This concept is incorporated directly within the definition used by FinCEN of a "senior political figure."³⁷ In addition, according to the Stolen Asset Recovery Initiative:

One of the ways in which financial institutions are required to identify possible front men is by conducting enhanced due diligence on politically exposed persons (PEPs) and their family members and close associates (FATF Recommendation 6). The latter addition was included precisely to identify people in the corrupt person's circle who may be fronting for him or her. Experience shows that, in practice, it is difficult for compliance officers to identify all family members. Commercially available databases may help an institution identify a public official, but it is much harder to find out who belongs to this "circle of trust."³⁸

In situations where money laundering is a major concern and where the consequences of laundering are particularly high, governments could help bridge gaps in knowledge about the families and networks of PEPs. For example, in the case of South Sudan, the United States and other governments seeking to influence the warring parties could develop a list of top



military officials (from the government and armed opposition) who have been named in U.N. and African Union reports as having been involved in planning or executing military operations and who are also connected to apparent money laundering activities. Given that there are indications that senior officials may be conducting business using their children's names, any such list should also include the names of their known immediate family members. This list of those connected to both conflict and money laundering could be made public or provided directly to banks via FinCEN's authorities under Section 314(a) of the Patriot Act. Banks should then file suspicious activity reports with FinCEN. Depending on the results of these reports, as well as the U.S. government's own investigation into these issues, FinCEN should then consider using its authority under Section 311 of the Patriot Act to declare certain types of transactions with these PEPs to be a "primary laundering concern" and impose additional investigative and recordkeeping requirements on financial institutions processing transactions involving these individuals, rather than specifically require them to terminate banking relationships. The ultimate goal of this action would be to prevent the most violent of South Sudan's kleptocrats from being able to transact business in U.S. dollars and also to protect the integrity of the U.S. financial system from this misconduct.

More simply put, being involved in the planning and executing of a military offensive that involves gross human rights violations—especially those that have contributed to the famine—should disqualify anyone from being able to access the U.S. financial system.

Getting South Sudan's Neighbors to Use Their Leverage. Documents reviewed by The Sentry indicate that Lt. Gen. Reuben Riak has moved millions of dollars through Kenyan banks, that he has engaged in business with members of the political elite in Uganda, and that he has joint ventures with well-connected Ethiopian investors. On the one hand, activities like these can empower top officials in South Sudan who are responsible for continued violence. On the other hand, they provide South Sudan's neighbors with immense leverage. Accordingly, additional steps need to be taken to engage governments and financial institutions in countries neighboring South Sudan to use the immense leverage at their disposal to help end the conflict in South Sudan and, at very least, not aid and abet corruption in South Sudan. A high-level U.S. delegation should deploy to Kenya, Uganda, and Ethiopia to deliver a message regarding money laundering concerns in South Sudan. This should include a specific discussion of the need to cease providing safe havens for corrupt officials, whether through seizing assets or revoking visas. The delegation would meet with government officials and banks and provide information about specific individuals and entities of concern, emphasizing the risk to the standing of these countries and their banking systems vis-à-vis the U.S. financial system and international community.

For example, in 2018 Kenya faces its next round of mutual evaluation by the Financial Action Task Force, the global body established to establish standards for combating money laundering and terrorist financing. Kenya's failure to act against South Sudanese money laundering could impact its standing, which in turn directly affects how the country's banking sector is viewed by U.S. banks and other global banks and investors. Inclusion on FATF's annual list of high-risk and non-cooperative jurisdictions—a list of "jurisdictions with strategic



We, the several persons whose names, address and description are hereunto subscribed are desirous of being formed into Company in pursuance of this Memorandum of Association and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

Name, Postal Address Description of Subscriber	Nationality	Shares	Signatures
1.MABIOR GARANG MABIOR Businessman Juba, South Sudan	South Sudanese	15	
2.TITCHIANG HOTH MAI businessman Juba, South Sudan	South Sudanese	10	
3. JAMES AWAR MAC PAUL businessman Juba, South Sudan	South Sudanese	10	
4.MARY YATON PAUL JUMA Businesswoman Juba, South Sudan	South Sudanese	10	
5.AWUOR DENG AGUER Businesswoman Juba, South Sudan	South Sudanese	6	
6.PAUL ADONG BITH DENG businessman Juba, South Sudan	South Sudanese	5	
7.PAREK AGUSTINO MADUOT PAREK Businessman Juba, South Sudan	South Sudanese	4	
8.RIAK MALEK REUBEN RENGU businessman Juba, South Sudan	South Sudanese	5	
9. YOOL AKAU YOOL Businessman Juba, South Sudan	South Sudanese	5	

10. AYÜEN DOT THON Businessman Juba, South Sudan	South Sudanese	3	
11.JOHN AKOL AKOL Businessman Juba, South Sudan	South Sudanese	5	
12.MADUK DAU KOOC Businessman Juba, South Sudan	South Sudanese	3	
13.NUL JACOB MAYENDIT AROK Businessman Juba, South Sudan	South Sudanese	3	
14.AROP AGANY AKOL AGANY Businessman Juba, South Sudan	South Sudanese	3	
15 KUOL MAJOK MABIOR Businessman Juba, South Sudan	South Sudanese	3	
16. AKOON MALUIL AKOON Businessman Juba, South Sudan	South Sudanese	3	
17.MAWIEN MAKOL ARIIK Businessman Juba, South Sudan	South Sudanese	3	
18.ANGELO AGUOT DENG PIOL Businessman Juba, South Sudan	South Sudanese	2	
19.PIOL ANYUON PIOL MANYUON Businessman Juba, South Sudan	South Sudanese	2	

Dated at Juba this 12th day of August 2013

WITNESS TO THE ABOVE SIGNATURE:

Signature: _____
Name in Full: _____
Postal Address: _____
Occupation: _____

A shareholders roster for Jubilee Bank shows that the signatures for Titchiang Hoth Mai and Riak Malek Reuben Rengu closely match signatures for Gen. James Hoth Mai and Lt. Gen. Malek Reuben Riak that appear on other documents reviewed by The Sentry.

AML/CFT [Anti-Money Laundering/Combating the Financing of Terrorism] deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan”—can have serious consequences for a country’s banking sector. This designation results in increased scrutiny from financial institutions processing transactions for banks in the listed countries. This increased scrutiny raises the cost of doing business for these banks and can make processing transactions far more cumbersome.³⁹ Uganda is already on the list of jurisdictions with “strategic deficiencies” in its anti-money laundering program and could demonstrate strong commitment to improving its system by acting against the laundering of the proceeds of corruption from South Sudan into its borders. Finally, U.S. and other global banks with correspondent relationships with banks in the region, such as KCB, should be encouraged by the U.S. and other governments to work with these banks to improve their sanctions and anti-money laundering compliance due diligence to ensure that the types of



transactions presented in this report are stopped, especially before they reach the U.S. financial system and expose these banks to tangible consequences of inaction. Ensuring that financial institutions are effectively blocking illicit transfers is also in the national security interest of the United States and other countries, as the same loopholes that allow kleptocrats to move their ill-gotten gains through U.S. banks also empower terrorists, traffickers, organized crime syndicates, and other bad actors.



Endnotes

- ¹ Integrated Food Security Phase Classification, “Localized famine and unprecedented levels of acute malnutrition in Greater Unity - almost 5 million people in need of urgent assistance,” February 20, 2017, available at http://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/1_IPC_Alert_6_SouthSudan_Crisis_Feb2017.pdf.
- ² U.N. Office for the Coordination of Humanitarian Affairs (OCHA), “South Sudan: Humanitarian Snapshot April 2017,” available at http://reliefweb.int/sites/reliefweb.int/files/resources/170508_South_Sudan_Humanitarian_Snapshot_April_2017.pdf.
- ³ See, for example, George Clooney and John Prendergast, “South Sudan’s Government-Made Famine,” *The Washington Post*, March 9, 2017, available at https://www.washingtonpost.com/news/global-opinions/wp/2017/03/09/south-sudans-government-made-famine/?utm_term=.5f29b091777e.
- ⁴ U.N. Security Council, “Final report of the Panel of Experts in accordance with paragraph 18 (d) of resolution 2206 (2015),” S/2016/70, p. 19, January 26, 2016, available at http://www.un.org/ga/search/view_doc.asp?symbol=S/2016/70.
- ⁵ This case is discussed in detail in The Sentry, “War Crimes Shouldn’t Pay: Stopping the looting and destruction in South Sudan” (Washington: September 2016), available at <https://thesentry.org/reports/warcrimesshouldntpay/>.
- ⁶ Government of South Sudan Ministry of Finance, Commerce, Investment & Economic Planning, “Approved Budget Tables Financial Year 2014/15,” August 2014, p. 36, “Security [forces]” table, available at <http://grss-mof.org/wpcontent/uploads/2014/08/RSS-Approved-Budget-Book-2014-15.pdf>. Some current and former South Sudanese government officials have told The Sentry that senior officials can find ways of supplementing their income through per diem payments and expense accounts. However, any such sources of income have not been accounted for in South Sudan’s national budget.
- ⁷ This case is discussed in detail in The Sentry, “War Crimes Shouldn’t Pay,” pp. 43-45.
- ⁸ Letter from Wu Kaibing (Chief Representative, China Wu Yi Engineering (S S) Co., Ltd.), October 18, 2016.
- ⁹ An October 20, 2010 resolution by the Board of Directors of Bright Star International Corporation Limited provides Gen. Malual Ayom with “special power of attorney” and authorizes him to form a joint venture with Double “A” Construction (SS) Co. Ltd. The document is signed by Oyay Deng Ajak, Bior Ajang Duot, James Hoth Mai, Pieng Deng Kuol, Malek Reuben Riak, and Salva Mathok Gengdit.
- ¹⁰ Articles of Association for Eastern Mountain Ltd., March 6, 2012; Articles of Association for All Engineering, October 21, 2015; Jubilee Bank Company Ordinary Resolution No. 1 of 2013, May 27, 2013.
- ¹¹ The Sentry, “War Crimes Shouldn’t Pay,” pp. 43-45
- ¹² Letter from Wu Kaibing (Chief Representative, China Wu Yi Engineering (S S) Co., Ltd.), October 18, 2016.
- ¹³ Ibid. Additional records provided by China Wu Yi indicate that the company received a quarrying license from the Directorate of Industry and Mining within South Sudan’s Ministry of Finance and Economic Development.
- ¹⁴ Letter from Wu Kaibing (Chief Representative, China Wu Yi Engineering (S S) Co., Ltd.), October 18, 2016.
- ¹⁵ Ibid. This assertion is further supported by copies of requests, invoices, and checks provided by China Wu Yi.
- ¹⁶ Letter from Wu Kaibing (Chief Representative, China Wu Yi Engineering (S S) Co., Ltd.), October 18, 2016. This assertion is further supported by copies of checks provided by China Wu Yi.
- ¹⁷ The Sudan People’s Liberation Army Act, 2009, sec. 73, pp. 32-33, available at <https://www.ilo.org/dyn/natlex/docs/MONOGRAPH/98164/116700/F1105592601/SSD98164.pdf>.
- ¹⁸ An October 20, 2010 resolution by the Board of Directors of Bright Star International Corporation Limited provides Gen. Malual Ayom with “special power of attorney” and authorizes him to form a joint venture with Double “A” Construction (SS) Co. Ltd. The document is signed by Oyay Deng Ajak, Bior Ajang Duot, James Hoth Mai, Pieng Deng Kuol, Malek Reuben Riak, and Salva Mathok Gengdit.
- ¹⁹ Memorandum and Articles of Association for Liberty Construction JV Limited, November 24, 2010.
- ²⁰ Memorandum and Articles of Association for Double “A” Construction, September 1, 2010.



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- ²¹ David K. Deng, Paul Mertenskoetter, and Luuk van de Vondervoort, “Establishing a Mining Sector in Postwar South Sudan,” p. 12 (Washington: U.S. Institute of Peace, April 2013), available at <https://www.usip.org/sites/default/files/SR330-Establishing%20a%20Mining%20Sector%20in%20Postwar%20South%20Sudan.pdf>.
- ²² Memorandum and Articles of Association for Sky Minerals Co. Ltd., July 4, 2013.
- ²³ U.N. Security Council, “Panel of Experts’ 120-day report in accordance with paragraph 12(e) of resolution 2290 (2016),” S/2016/793, p. 7, September 19, 2016, available at http://www.un.org/ga/search/view_doc.asp?symbol=S/2016/793.
- ²⁴ Natural Resource Governance Institute, Resource Governance Index, “South Sudan,” available at <https://resourcegovernance.org/our-work/country/south-sudan> (last accessed May 2017).
- ²⁵ See, for example, Aaron Ross, “Congo state miner handed royalties to Israeli billionaire-NGO,” Reuters, November 15, 2016, available at <http://www.reuters.com/article/congo-corruption-idUSL8N1DG5T6>; Enough Team, “NY Times Reports Suspicious Congo Transactions of \$95.7 million; Treasury Department Should Alert Banks,” Enough Said blog, December 18, 2016, available at <http://www.enoughproject.org/blogs/ny-times-reports-suspicious-congo-transactions-957-million-treasury-department-should-alert-ba>; Global Witness “A Crude Awakening: The Role of Oil and Banking Industries in Angola’s Civil War and the Plunder of State Assets” (London: 1999), available at <https://www.globalwitness.org/sites/default/files/pdfs/A%20Crude%20Awakening.pdf>.
- ²⁶ Memorandum and Articles of Association for G.M.C. Construction, March 27, 2013.
- ²⁷ Barry Malone, “Uganda president son-in-law named in bribe scandal,” Reuters, January 17, 2011, available at <http://af.reuters.com/article/topNews/idAFJJOE70G05020110117>.
- ²⁸ Memorandum and Articles of Association for Euro Afro Trade and Consult Ltd., June 3, 2014.
- ²⁹ Jubilee Bank Company Ordinary Resolution No. 1 of 2013, May 27, 2013.
- ³⁰ Ibid.
- ³¹ Articles of Association for Eastern Mountain Ltd., March 6, 2012.
- ³² Emile van der Does de Willebois, Emily M. Halter, Robert A. Harrison, Ji Won Park, J.C. Sharman, “The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It,” pp. 63, 213-214 (Washington: Stolen Asset Recovery Initiative, 2011), available at <https://star.worldbank.org/star/sites/star/files/puppetmastersv1.pdf>.
- ³³ Ibid.
- ³⁴ Brian Adeba, “A Hope from Within? Countering the intentional destruction of governance and transparency in South Sudan” (Washington: The Enough Project, July 2016), available at http://www.enoughproject.org/files/report_AHopeFromWithin_Adeba_Enough_July2016.pdf.
- ³⁵ U.N. Security Council, “Final report of the Panel of Experts in accordance with paragraph 18 (d) of resolution 2206 (2015),” S/2016/70, pp. 18-21, in particular para. 47, January 26, 2016.
- ³⁶ Banks are generally prohibited from disclosing to a third party whether they have taken action on a specific account. For the press release see Joshua Oigara, “KCB Remains Committed to Anti-Money Laundering Protocols,” Kenya Commercial Bank Press release, September 13, 2016, available at <https://ke.kcbbankgroup.com/about/media/126-news/410-kcb-remains-committed-to-anti-money-laundering-protocols>.
- ³⁷ 31 C.F.R. 1010.605(p).
- ³⁸ van der Does de Willebois, Halter, Harrison, Park, Sharman, “The Puppet Masters,” pp. 62-63.
- ³⁹ See, for example, “Osmeña: PHL may find itself back on FATF blacklist,” Arangkada Philippines, September 24, 2012, available at <http://www.investphilippines.info/arangkada/osmena-phl-may-find-itself-back-on-fatf-blacklist/>; The Nation (Thailand) “Thailand on money-laundering blacklist,” February 17, 2012, available at <http://www.nationmultimedia.com/news/business/EconomyAndTourism/30176111>.

