

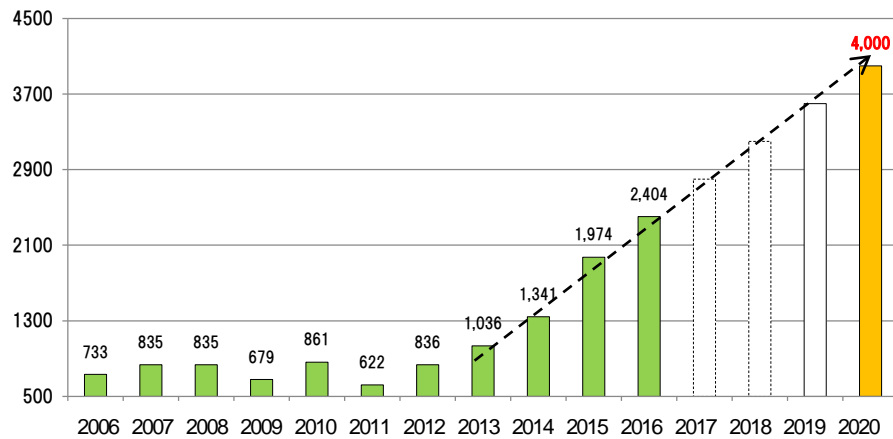
Emergency Countermeasures to “Stop Gold Smuggling”

Background

- Need for prompt and smooth customs clearance of an increasing volume of passengers and cargo
- Increasing number of gold smuggling cases for the purpose of consumption tax evasion detected: 811 cases, about 2.8 tons (2016) → 976 cases, about 4.5 tons (Jan.–Sep. 2017)
- Possibility that cases detected by Customs are just the tip of the iceberg, and a considerable volume of profit is flowing into criminal organizations

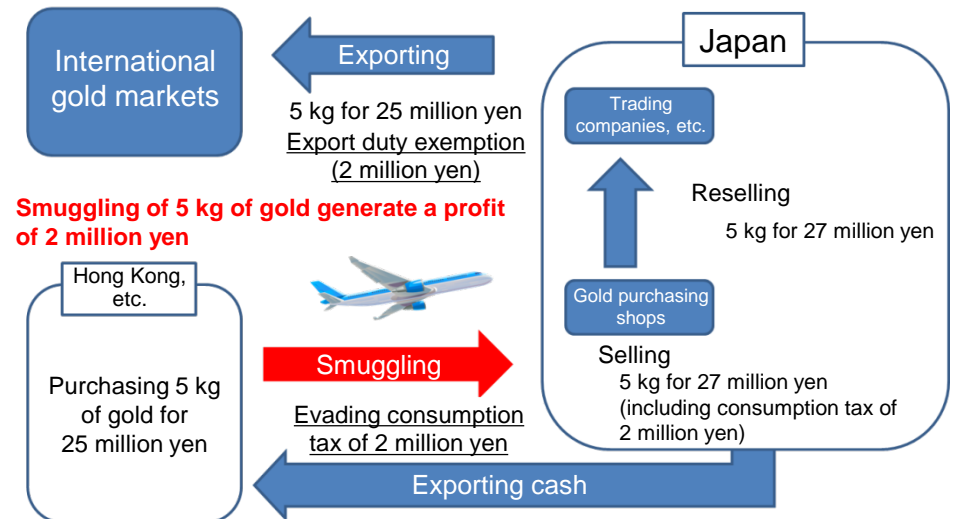
Note: In this document, “gold” includes gold ingot, bullion and other gold products that are partially processed.

Travelers from foreign countries (10,000 people)



Note: Created based on materials from the Japan National Tourism Organization (JNTO)

Gold smuggling to obtain profits (example)



Fundamental and emergency countermeasures are needed to prevent gold smuggling.

Detected gold smuggling cases

Trading by sea

In May 2017, while Moji, Nagasaki, Tokyo and Hakodate Customs were monitoring suspects on a fishing boat jointly with relevant regulatory agencies, officers found the boat departing from a port in Iki-shi, Nagasaki.

The suspects were found to have received gold bullion from an unidentified ship on the open ocean in the East China Sea, and were trying to smuggle them at a port in Karatsu-shi, Saga. Eight related persons were arrested.

Detected gold totaled 206 kg (equivalent to 930 million yen), with evasion of consumption tax totaling 74 million yen.



A crime conducted without thought

In Dec. 2016, Nagoya Customs officers at the Chubu international airport conducted inspection on five females who arrived at Centrair from South Korea and detected approximately 30 kg of gold hidden in the underwear of three of them.

This crime was conducted by a group of acquaintances living in Japan without thought to obtain pocket money, and was determined to be habitual.

The females who attempted to evade consumption tax totaling 10 million yen were accused.



Emergency Countermeasures to “Stop Gold Smuggling”

Basic Ideas

- ❑ Prompt and smooth customs clearance, and wide and strict regulatory measures against smuggling
- ❑ Comprehensive countermeasures in cooperation with relevant agencies
- ❑ Prompt implementation of fundamental and emergency countermeasures

Stop Gold Smuggling

I. Strengthening Inspections

- Strengthening inspections of passengers, commercial cargo, international mail and aircraft
- Installing metal detector gates and increasing the number of X-ray machines to conduct efficient inspections
- Cracking down on smuggling by sea using customs boats

II. Tightening Penalties

- Strictly issuing notifications
- Cooperating with the police, the Public Prosecutors Office, the Japan Coast Guard and other relevant agencies to increase the number of accusation
- Organizing the Special Investigation Team at Tokyo, Osaka and Moji Customs
- Tightening penalties

III. Enhancing the Collection and Analysis of Information

- Collecting information from related persons and citizens (using the Smuggling Hotline)
- Sharing information and cooperating with relevant regulatory agencies in and outside of Japan
- Strengthening ability of information analysis
- Ensuring compliance with distribution channels in Japan

Enhancing Publicity Activities and Strengthening Systems

Emergency Countermeasures to “Stop Gold Smuggling”

I. Strengthening Inspections

(1) Strengthening passenger inspections

- ✓ Conducting strict and thorough inspections in a flexible and bold manner at any time, day and night
- ✓ Ensuring that all passengers are checked for possession of gold
- ✓ Utilizing equipment for inspections and strengthening body search

(2) Installing metal detector gates and increasing the number X-ray machines

- ✓ To conduct body search without stopping the flow of people, introducing metal detector gates for customs inspections upon entry
- ✓ To conduct prompt inspections without opening suitcases or other baggage, increasing the number of X-ray machines

(3) Countermeasures against cash couriers

- ✓ Through cooperation with relevant agencies, strictly controlling exportation of large amounts of cash hidden in accompanied baggage



Example of a metal detector gate

Emergency Countermeasures to “Stop Gold Smuggling”

I. Strengthening Inspections

(4) Strengthening inspections of commercial cargo

- ✓ Responding to changes in logistics, and conducting strict examinations based on the analysis of past seizure cases
- ✓ Checking cargo weight and conducting strict inspections using X-ray machines, regardless of means of transportation



X-ray machine

(5) Strengthening inspections inside aircraft

- ✓ Conducting thorough and strict inspections of aircraft that may be used to conceal gold for smuggling by utilizing inspection equipment in cooperation with airline companies

(6) Cracking down on smuggling by sea by utilizing customs boats

- ✓ Utilizing customs boats for surveillance activities against gold smuggling by sea and strengthening control over the ocean and isolated islands in cooperation with the Japan Coast Guard, etc.



Customs boat

Emergency Countermeasures to “Stop Gold Smuggling”

II. Tightening Penalties

(1) Strictly issuing notifications

- ✓ Strictly issuing notifications not only to “couriers,” but also to related persons behind the couriers after fully disclosing the case

(2) Increasing the number of accusation (Organizing the Special Investigation Team)

- ✓ To increase the number of accusation, cooperating with prefectural police departments, the Public Prosecutors Office, the Japan Coast Guard and other relevant agencies, and promoting thorough joint investigations, including detention,
- ✓ To address the expansion of crime areas and advanced role sharing, organizing the Special Investigation Team, a special division at Tokyo Customs, Osaka Customs and Moji Customs that conducts cross-customs investigations involving smuggling

(3) Tightening penalties

- ✓ Tightening penalties by posing heavier economic disadvantages on gold smugglers, and further enhancing deterrent effects against smuggling

Emergency Countermeasures to “Stop Gold Smuggling”

III. Enhancing the Collection and Analysis of Information

(1) Collecting information and enhancing cooperation

- ✓ Promoting information collection from related persons and information exchange between relevant regulatory agencies to detect more gold smuggling cases and clarify the overall picture of organized smuggling
 - ✓ Related persons: Collecting information through the Smuggling Hotline (0120-461-961)
 - ✓ Foreign Customs: Exchanging information under the Customs Mutual Assistance Agreement
 - ✓ National Tax Agency: Cooperating and exchanging information for appropriate taxation
 - ✓ Police and Japan Coast Guard: Exchanging information on the situation and individual cases
 - ✓ Immigration Bureau: Exchanging information and cooperating to prevent smuggling at the border

(2) Strengthening ability of information analysis

- ✓ Conducting effective and efficient control through analysis and advance selection of passengers by utilizing the Passenger Name Record and other available information
- ✓ Increasing the number of violations detected by analyzing information obtained from relevant agencies

(3) Ensuring compliance with distribution channels in Japan

- ✓ Extremely important to prevent smuggled gold from being easily sold in Japan
- ✓ Expecting business operators who engage in gold distribution to take voluntary measures to ensure compliance
- ✓ In cooperation with METI, collecting information on gold distribution routes starting from a declaration of export and import by interviewing trading companies

Other Emergency Countermeasures to “Stop Gold Smuggling”

(1) Enhancing publicity activities

- ✓ Conducting publicity activities in multiple languages to raise awareness of gold smuggling with the aim of preventing citizens, whether living in Japan or not, from becoming couriers

(2) Strengthening Systems

- ✓ Establishing a task force in the Customs and Tariff Bureau of the Ministry of Finance for controlling gold smuggling to provide direction to and coordinate with regional Customs
- ✓ Organizing the Special Investigation Team conducting cross-customs investigations of gold smuggling (as mentioned above)
- ✓ Requesting an increase in the number of staff who conduct passenger and cargo inspections, and increased budget for inspection equipment, including metal detector gates (for JFY 2018)

