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The U.S. Strategy Against Banks Hiding Flight Capital Needs Help



BY ROBERT MAZUR

I'm proud of the important achievements of bank-compliance and law-enforcement officers around the world. But despite their good efforts, hundreds of billions of dollars in drug money continues to be laundered globally every year. This river of illicit funds affects our everyday lives. It not only keeps drug cartels and terrorist organizations flourishing, but it skews the legitimate business playing field against honest companies that need to charge normal market prices to make a living. Honest employers can't compete with companies financed with illicit

funds that operate simply to legalize their dirty capital.

Today, the U.S. government seems unaware of its unique opportunity to achieve great strides uncovering illegal drug and terrorist financing. Recently, whistle-blowers inside Swiss banks have been plentiful. Rudolf Elmer, the former chief operating officer of the Caribbean branches for Swiss private bank Julius Baer, and Bradley Birkenfeld, a private banker with Swiss banking giant UBS, are cooperating with the U.S. Department of Justice. But it seems to me that the DOJ is letting a golden opportunity slip away. I think its strategy could have more teeth. We could do so much more than simply make banks accused of operating institutional money laundering plans pay fines and disclose records of U.S. tax cheats. That's just not enough.

As a federal undercover agent posing for years as a corrupt businessman, I was a member of a secret club of crooks that received exclusive membership in the international banking community. I was allowed to have my dirty money cleaned by bank officers assigned to private client divisions of international banks.

What the world needs to realize is that there's a pool of people serving the super wealthy to manage "flight capital." What's "flight capital"? It's money seeking secrecy. Who owns it? The list starts with tax evaders and gradually gets dirtier while the money gets bloodier. Flight capital includes fortunes from companies evading duties and tariffs, sellers of black-market goods to prohibited nations, fraudsters who swindle the unsuspecting, arms dealers, government officials pilfering public funds, drug traffickers, terrorism financiers, and other criminals who reign over the hundreds of billions of dollars a year that governments never see.

If your money has a shade of dirt and you want help hiding it, you can go to a community of private bankers, businessmen, lawyers, and money brokers to make your fortune invisible. As a money launderer with hundreds of millions at my disposal, the private bankers and businessmen who served me offered secret safe-deposit boxes abroad, the disguising of money moved back into the United States as offshore loans, secret meetings to whisper account details so paper never crossed borders, backdating transactions, the destruction of records if a government sought proof, and endless other services.

Let's look at what we taxpayers got out of the UBS deal: Birkenfeld received a 40-month prison sentence. Under the watchful encouragement of UBS, he provided the same services I enjoyed as a member of the exclusive mega-millionaire club. Now our government turns its attention to the approximately 4,450 people who UBS says used the services of its private banking staff for illicit purposes. The users (tax cheats) deserve to be dealt with, but are they the real problem, or is the problem the suppliers within the professional community that cater to those with flight capital?

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The targets the United States should be most concerned with are those who are designing the schemes. Without them, many thousands of Americans couldn't have hidden their billions. Who taught Birkenfeld how to hide money anyway? Oh, that's right – the bank is paying a fine. Case closed for them.

Let's hope federal authorities don't repeat the UBS strategy with their handling of the new Julius Baer scandal. Here's what they should do:

1. Don't negotiate now with the lawyers who represent the bank.
2. Get Elmer to provide details about every crook (not just tax cheats) who hid money in the bank.
3. Play hardball and force the bank to turn over the records with due process, not in return for any favors.
4. Get Elmer to identify the bankers and lawyers who designed and directed the methods used by the bank to hide money.
5. Make your deals with the tax cheats – they'll be happy to pay fines and penalties when they know you've got them.

Why give the bank any credit for helping you collect this money? You don't need them. Get every tax cheat and other crook that banked there to give you details about who they dealt with at the bank and what each professional did to launder their money. Get sealed indictments against each banker and lawyer involved – they often travel to jurisdictions in which they can be arrested. Once they're in custody, they'll quickly offer information about everyone above them to lighten their sentences. They'll probably also be able to tell you about schemes they witnessed when they worked at other international banks. Now you'll have the ammunition to make a difference when you indict, arrest, and imprison the select group of senior bank executives that put this all together.

Believe me, banks that market flight capital will then start closing the doors that now accept the fortunes of criminals, forcing them out of the shadows. Then you'll have done something that will really make a difference.

ROBERT MAZUR is an associate member of the ACFE and author of *"The Infiltrator,"* a memoir about his career as an undercover agent. He is now the president of Chase & Associates, a private investigative agency. He is also an expert in money laundering in both the United States and Canada.

Editor's Note: Mazur will present *"Inside Drug Cartels and the Dirty Banks that Serve Them"* at the **21st Annual ACFE Fraud Conference and Exhibition**, July 25-30, in Washington, D.C. His presentation will identify current money-laundering techniques and their red flags.

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