



OPINION: The truth behind the Panama papers

Apr 29 2016 [Robert Mazur](#)

Media reports are overflowing with proclamations from world leaders about how aghast they are following the Panama Papers revelations: 11.5 million secret documents from a Panama law firm which revealed money trails leading to tax cheats, the politically powerful, and big-time criminals.

They claim to have a remedy: more regulation to require people to disclose information about the beneficial ownership of companies. Really? Surely it has not taken the Panama Papers to get the leaders of the free world to acknowledge this problem. It seems more likely they are now shuddering at the thought of the will of the people turning its attention to a problem politicians have long been aware of, but did nothing about.

The reality is, perhaps, that it is impossible to regulate morality. Perhaps world leaders should stop wasting everyone's time and money by simply introducing new regulations which unscrupulous professionals will dance around. Most of what has shaken the ground on these issues came to the world's notice through whistleblowers.

Every government needs to enhance the financial rewards made to whistleblowers; the administrative assistant in the law firm in Grand Cayman that knows teams of lawyers are aiding criminals should get a significant reward for turning over proof of that to governments.

Amnesty in return for voluntary disclosures?

Other governments should perhaps mirror what the United States has done ever since the UBS scandal broke: offer amnesty for tax cheats who used offshore scams, provided they make voluntary disclosures before their government learned of their evasion. They should pay stiff fines, penalties and all back taxes.

They should also have to answer truthfully every question put to them by investigators, which will identify the professionals that serviced them in banks, law firms and other companies. That information can then be used in criminal prosecutions of every professional involved in this intentional evasion of taxes and/or money laundering.

The United States and the Swiss banks

Governments might also want to mirror the measures which the United States took to deal with Swiss banks, and send official letters to law firms, banks and other companies in haven countries putting them on notice that they have a set amount of time to respond to the letter, and must identify every citizen of the country (that sent the letter) who used their services to evade taxes or hide dirty money.

They would be given the chance to avoid criminal prosecution if they make those disclosures and pay a fine of 20 percent of what they helped to hide for the dirty client. When the United States took this action, more than 100 banks opted in to this process.

International taskforce

Each major country should designate one agency that will have primary responsibility for undertaking criminal investigations of money launderers. In the United States, this author would recommend that this should actually take the form of a taskforce, similar to the U.S. Strike Force that worked under Attorney General Robert Kennedy.

Back then, agents from various agencies were assigned to that Strike Force and reported to separate Strike Force management. This circumvented the traditional problem of agencies failing to share information.

This taskforce can start off with representation from the United States and the UK, which can then decide which other countries should join their collaborative effort. They should identify the 10 top money laundering targets in the world (bankers, banks, attorneys, financial service providers, etc.) and develop information on those top targets and keep working on it until they develop a criminal case. It would be similar to the top 10 most wanted: you don't stop looking for them because it is too hard to find them.

Tracking bulk bank note transactions

Something else which might stimulate change would be for governments to work together to exploit records about bulk bank note trading (hard currency). For example, if information could be pried from the hands of the Federal Reserve about which banks and other entities repatriate bulk cash to them, or traded in bulk cash, those institutions which take in big cash could be identified.

Then governments would simply need to keep following the trail until they got to the accounts that brought in the cash, because big time "bad guys" (drug dealers, etc.) do not deal in bitcoin or other alternative payment methods.

To get a sense of the amount of cash that is repatriated in the United States alone, one has only to read the Senate Subcommittee Report about HSBC. In less than three years the bank repatriated \$106 billion in U.S. currency.

If that had been in \$20 bills, it would have weighed more than 5,800 tons. A huge portion of that cash was bought by HSBC from sources in Mexico and the Sub-Saharan nations of Africa: major drug money collection centers.

It is simple when it comes to drug dealing: the drug dealers have no choice but to accept whatever the users of drugs give in return for illegal drugs. Drug cartels get mountains of

cash every year (\$400 billion a year according to the United Nations Office on Drugs and Crime (UNODC)).

Governments are incapable of finding 1 percent of that amount each year. That is because professionals are involved in the process. Tracking bulk cash repatriation will require the cooperation of central banks and this can only happen if people put pressure on their politicians.

In the past, some central banks have knowingly participated in this illegal activity. Getting them to open their books to one another and law enforcement will be difficult but it is critical. Why is this important? Because dirty bankers, attorneys and other professionals do not discriminate when it comes to helping clients hide money from governments. The same professionals who help drug dealers also help tax evaders, sanction busters and illegal arms dealers.

Collecting data on suspected money launderers

Yet another prong of an attack on this problem would involve the agencies in each country which have been designated to participate in this international criminal investigative effort going through their files to collect all data on suspected money launderers.

For example, this author is aware that the U.S. Drug Enforcement Administration (DEA) and the U.S. Immigration and Customs Enforcement's Homeland Security Investigations (HIS) are sitting on a mountain of unharvested information about money launderers. It gets lost in the pursuit of drug cases and other criminal investigations.

Debriefing defendants about professional help

To further this initiative, every major incarcerated defendant that is a high-level drug trafficker, tax evader or fraudster needs to be debriefed about the professionals who assisted them in laundering/hiding money. If they will not voluntarily answer questions about this, they can (in the United States) invoke their constitutional right to refuse to answer. At that point the U.S. authorities can seek a grant of immunity for this person.

That simply means the questioned inmate cannot be prosecuted further for the answers to these questions. Since they are already serving long prison sentences, the government will not be giving up anything if it grants them immunity on other crimes.

If they still refuse to answer, the U.S. government can get a judge to find the person in contempt for not answering (after being granted immunity). The judge's finding the person in contempt can require them to serve additional prison time, up to 18 months beyond their initial sentence.

When that 18 months is served, the government can bring the inmate before a new grand jury and seek an additional 18-month sentence. If that process continues for a few years, many inmates will relent.

Long-term undercover work

A rarely used tool in the arsenal of law enforcement agencies is the long-term undercover method that enables them to work covertly close to those suspected of being the top money launderers in the world, and this includes banks. This technique includes the recording of

undercover meetings; the most airtight evidence one can use to prosecute a sophisticated money launderer.

When these types of cases are made, the sentences for the defendants need to be severe: perhaps 20 or more years in prison. That will get the attention of those who are contemplating servicing the underworld. It will change the corporate culture of the financial markets, which is the core of this problem.

Governments should therefore stop wasting our time with yet more meaningless regulations that will do nothing but create meaningless results. They must take off the gloves and design/execute a sophisticated long-term agenda to address this problem through a well-thought-out enforcement plan.

This author laundered money for five years undercover and dealt with more bankers, lawyers, and other professionals than he cares to count. Providing services to the wealthy and big-time criminals is an industry. No one entrusts large amounts of secret money to people who are not willingly involved in this process.

Bad guys don't "trick" people into laundering money. It is up to the citizens of the world. Make a difference, or put up with paying many more taxes than the richest people in the world, while you also suffer at the hands of governments corrupted by organized crime.