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## ‘The Infiltrator’ on the Current State of Bank Compliance

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In this image released by Broad Green Pictures, Bryan Cranston appears in a scene from 'The Infiltrator.' PHOTO:ASSOCIATED PRESS

*Bob Mazur, now president of a private investigative agency, spent 27 years as a federal agent investigating money laundering and drug trafficking. His memoir, “[The Infiltrator](#),” chronicled Operation C-Chase, a two-year operation in the 1980s that busted the Medellin Cartel and [helped bring down](#) BCCI Bank. The memoir became the basis [for a film](#) of the same name featuring Bryan Cranston playing the role of Mr. Mazur, a high-flying undercover agent posing as a money launderer for the cartel. Mr. Mazur spoke to Risk & Compliance Journal about bank compliance, corporate criminal law enforcement and more. The conversation was shortened for length and clarity.*

**Can you talk about how bank compliance has changed over the past 30 years? Would banks now allow themselves to do the same kind of business if they knew you were laundering money for drug dealers?**

**Mr. Mazur:** As far as compliance is concerned, one of the things we have to recognize here is that the core motives involved in this come down to greed, and morality. I don't think you can regulate morality. I think that there is a certain segment of the international banking and business community that purposely and knowingly launders, or helps people to achieve their goal of keeping money secret from governments. The convicted BCCI bankers, during the process of trying to win reduce sentences...said 'we didn't start our careers with BCCI. We previously worked in other major international institutions, and what we thought we had done here is we took the best techniques of the trade and applied them at BCCI to help people who had money seeking secrecy from governments.'

Who's in that boat of money seeking secrecy from governments? It's not just drug traffickers or money launderers. It also includes income-tax evaders. It includes people trying to deal with prohibited nations, sanctioned nations, people pilfering treasuries, terrorists, arms dealers. All these people have the same need: They need to move money across borders, and they need to do it in a way where it looks normal and it doesn't look connected to their criminality. So, I hate to say it, but there is a segment of the international banking and business community that recognizes that this is a lucrative group of client base and they provide those services. If you look at the deferred-prosecution agreements that occurred, and the toothless indictments that occurred...I say toothless because if a bank is indicted, and pleads guilty, to me, a regulator at that stage should exercise their lawful right to pull the license on the bank, but that doesn't happen.

**Do you see any hope for the use of the so-called Yates memo for those who help people launder this money?**

**Mr. Mazur:** [Ed. note: Sally Yates is a U.S. deputy attorney general; a [memo she wrote](#) prioritizes prosecuting individuals in corporate criminal cases.] What's happened as a result of it? You know, I know it speaks to the issue of individual responsibility, and I know that I've heard from people like Ms. Yates and others, who talk about how recent administrations have been so vigorous. Show me. Show me who, at HSBC; show me who, at Wachovia. Even

going into prior administrations, show me who at Union Bank of California. Show me. No, it's deferred-prosecutions.

Now, granted, I do believe, that the [Criminal Investigation Division] of the [Internal Revenue Service], and the Department of Justice's Tax Division has very effectively addressed income tax evasion and the conspiracies within financial institutions to facilitate income tax evasion. In those instances, we have seen individual bankers brought to justice. If you follow the Raoul Weil case, he was acquitted, but [still]. When you look at the UBS matter, you have Mr. Birkenfeld, the whistleblower, as the only guy who ever went to jail in the case, and we rewarded him with \$104 million and who knows how much since then.

**How do you compare the BCCI case with the treatment of HSBC? Are there parallels? Differences?**

**Mr. Mazur:** One of the things that is so different between the two is that in the investigation of BCCI that I participated in was proactively occurring at the time of the transactions. So when it came to the important element of the offense, to determine what was in the mind of the person at the time the transaction was carried out, it was fairly easy to establish because it was on tape. In the HSBC case, we're talking about facts that were historically reviewed, in many cases because of very good work done by regulators that identified these anomalies in there that needed to be addressed.

It's quite a challenge for the government to come up three years, four years later after a transaction and say: That person knew the money was drug money, because they weren't there when it happened. If that's a good excuse for why HSBC's case was resolved in the manner that it was, if we were genuine about wanting to stop this kind of conduct, we would be increasing the amount of the use of the technique that got us that information, which is the long-term undercover technique.

**Are there lessons to learn from the release of the Panama Papers?**

**Mr. Mazur:** My theory on the Panama Papers is: Did we really need them for leaders of governments to recognize that, unfortunately, there's a large segment of lawyers and financial advisers who abuse havens to create these things to help people hide money from governments? I think we all knew it was happening; it was wonderful to have the Panama Papers to now prove it.

What you see in the Panama Papers is something that you saw done for me during the BCCI case, it was done for me in the subsequent undercover operation, it's probably going to be done until we're both no longer on this planet: It goes back to my theory that there is a segment of the business and banking community that markets this.

I think the interesting thing is, even with the Panama Papers, there were techniques used to launder money that I was involved in, that I was taught really by the bad guys, where it was very, very clear that even the enhanced due diligence requirements released in the last couple of months by FinCEN talking about beneficial ownership and identifying managers that would still [miss].

Here's how we got around beneficial owners: there were times set up so that the accounts were made to look as though they were a European-based mutual fund. Why a mutual fund? Because even under today's recommendations by FinCEN, anyone who is a 25% owner or more needs to be disclosed, but if it's a mutual fund, guess what: There are no 25% owners, so that gets that problem out. The other issue would be at least one manager needs to be disclosed; well, that's easy, because we had lawyers and us in there as managers. I was shown on the documents to be a paid manager to help manage the company that provided the services for the mutual fund. Even in the 1990s era of the scheme that I was involved in after the BCCI case, I wouldn't get caught under today's due diligence and enhanced due diligence recommendations.

**What's your assessment of the money laundering responses from standards bodies, like the FATF, OECD and Egmont Group, in the years since the BCCI case?**

**Mr. Mazur:** Their work is extremely well-intended; there's no doubt about that. I can tell you this: I was a money launderer for a pretty long time—undercover. There are some very fundamental risk factors that have never changed. Some relate to geography, some relate to product produced by businesses, types of businesses, types of transactions.

We need to focus on the big picture; the bulk-banknote business, foreign-exchange business, gold bullion business, trade-based money laundering and free-trade zones. If we took all the people who are trying to figure out how bitcoin gets used in all this and we put them back on the fundamentals, we would be better off.

**The compliance cliché has been “know your customer,” but it’s been evolving to “know your customer’s customer.” How would that have changed your operation?**

**Mr. Mazur:** First of all, you need to recognize that the bank did know my clients. They knew the whole deal because I sat down with them in recorded conversations and I said, “Listen, we don’t trick people.” This is the way people deal with those who really have big money: We need guarantees. We only deal with people we’re not tricking. We only deal with people who want to buy in.

One bank, at the same time when I was doing [the BCCI case], Banco Occidente, in Panama, was a big cartel bank. Why did they deal with the Medellin cartel? Because the Medellin cartel agreed to put a huge deposit with Banco Occidente [de Panama], and knew that Banco Occidente [de Panama] would run interference for them, and keep them safe, despite knowing the fact that this was drug money. That’s the kind of relationship these organizations want; if they want to control a bank, they’ll buy it. They have more money than g-d. They have more money than governments. They don’t need to play this game. They can hire 50 bankers and stick them in a bank, and have them do it, and have them all look like they’re supposed to. They don’t trick people. [*Banco de Occidente de Panama pleaded guilty to laundering money for the Medellin cartel in August 1989.*]

Now, on the lower level, yeah, they try to trick people, and the compliance programs that banks set up are

very effective. People don’t want to deposit cash in the U.S. very often. The greatest majority of the drug proceeds are illegally transported out of the U.S. to countries where they know they can more safely integrate it into the dollar system. Then the money is brought back [to the U.S.] through wires, or in some fashion or another.

**List five or six things we should be paying attention to that we aren’t already.**

**Mr. Mazur:**

- Bulk bank-note business, which includes foreign exchange.
- Gold bullion.
- Trade-based money laundering in free trade zones.
- Agency cooperation: A big area we’re missing. No matter what the talking heads tell you, federal agencies do not cooperate with one another. They do on a low level; they don’t on a

high level. There's massive amounts of information in the databases at various agencies related to financial transactions that are totally ignored.

- I need an agency that's responsible for looking for money launderers, not money launderers prosecuted as an accident related to an SEC case, or this case or another case. Recognize money laundering for what it is: a crime. Get an agency that's responsible for it and get them to focus on it. We're just not focused on it.

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