

MONEY LAUNDERING BULLETIN

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Inside out – a launderer’s take

Interview by **Timon Molloy** (timon.molloy@informa.com), Editor
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*Life as a criminal is risky, even dangerous. Pretending to be one to win the trust of the biggest Colombian drug cartel and launder millions of dollars for them is threat of an altogether different order. So, what drove **Bob Mazur** of US Customs enforcement to go undercover and live a double life for several years in an operation targeting Pablo Escobar’s Medellin empire?*

“I’ve thought about it,” he allows when we meet in London’s Canary Wharf, “and concluded that information was how I got my high – to know something no-one else did but which could make a huge difference.” Over on a flying visit, ahead of the release of ‘The Infiltrator’, a film based on part of his story [1], Mazur looks tanned and alert despite a hectic media round and multiple industry presentations.

Before starting on the money laundering questions I have to ask: the cartels, they’re murderous – they torture not just kill, so was there ever a point of such fear that you thought, ‘Enough – I can’t do this anymore’? “I felt I was as prepared as I possibly could be for this mission: I had a year and a half to set up the front and a team around me I had confidence in. Also, I’d worked in this field for a decade, I knew the business.” He pauses. “Add to that what I think I shared with a lot of my colleagues - the desire to make a difference.” So, physical harm didn’t enter his calculus? “It was the late 1980s – I was a lot younger, that time when you think you’re invincible. My biggest concern was the collateral damage to my credibility with the bad guys that would come from mistakes by my own side, or me.”

Give and take

He clearly didn’t make too many, though, managing to work towards the cartel’s financial centre. “I was one of many launderers. The cartels are like bookies, they spread their bets so if any cell goes down it won’t take down the whole organisation.” One front, called ‘La Mina’, ostensibly traded gold bullion and other precious metals but in reality moved lead, invoicing Mazur’s ‘clients’ for huge sums in cash. “My goal, it’s important to remember this, was to launder as little as possible - after all, it was facilitating crime - while collecting as much information as I could.”

The sums, even so, were unavoidably large. Back in the 1980s, one cell, across eight cities, was generating \$160m every month. “That was just in the US. With operations in Europe and Canada as well, gross receipts were way higher.”

The start-point for successful laundering, he says, is credibility. “I don’t just mean in terms of a false identity that can’t be challenged but credibility as someone truly able to

launder.” Mazur’s colleagues often debated the need to tell the criminals how they intended to launder the money. “My thinking was different. If I want to ask you a lot of intrusive questions, you have to be able to do the same. To really buy in, they had to believe that it was a truly viable plan.” The aim, finally, was to encourage cartel members to invest the criminal proceeds – “otherwise, once you’ve laundered, it’s gone”. Directing the money into real assets gave Mazur access to the “command and control, the real beneficial owners”: it meant there was property to seize based on taped proof that they knew the source of funds was illegal.

All the same

Some 30 years on, are the same techniques still valid today or is it harder, are people more aware?

“The critical issue, as I see it, is whether you’re accepted as a member of the underworld. Once you earn that, whatever resources are there in the financial sector, you’ll be able to seek them out. Are they still doing the same thing they used to do? Absolutely. You just need to look at the conduct set out in the DPAs [deferred prosecution agreements] signed by a roll-call of international banks.”

Many of those settlements refer to breaches of US sanctions, I remark.

“They were wire stripping, which was done for me; it’s a method of concealing and disguising the source of the transaction, an element of money laundering. Granted, the money may have come from a legal source, but it was for an illegal end – to violate the Trading with the Enemy Act in the United States.”

But a lot of people would classify violations of sanctions, against Iran, for instance, differently from, say, handling the proceeds of drug trafficking...

“I look at it this way: when I debriefed the bankers from BCCI [Bank of Credit and Commerce International], they explained that their private client division served those with money seeking secrecy from governments, and the same resources and techniques applied whether they were drug traffickers, sanctions busters, terrorists, income tax evaders, people pilfering treasuries... You name it, the same service was provided.” Offshore entities would be set up, further companies formed. “For me they wound up putting the money into CDs [certificates of deposit] in Luxembourg and creating off-book loans against them so that nobody could tell where the capital really came from... So when I look at what I consider criminality, it doesn’t matter whether your goal is ‘I’m helping somebody commit the felony of income tax evasion’, as UBS did, as Credit Suisse did, as Deutsche Bank did, where they had an entire staff who did nothing but roll out these programmes for tens of thousands of tax evaders – how does that morality differ from the morality involved in supposedly ‘intentionally failing to maintain an AML compliance programme’, which, in bank-speak, is money laundering? To me, there’s not a big difference between all of that: you know that you’re helping someone to commit a crime; that’s the bottom line. I think the motivation for servicing this money is that it’s a big chunk of the capital that moves around the globe and banks are all about

bringing in deposits. And how do you attract people with this type of money unless you can provide the wink and the nod and the veil that they need in order to reach their goals?”

Bulk cash and working back

If the pressures are as great as ever, how should the AML professionals on the inside of the institutions respond; what should they be doing more of, or differently?

“Well, number one, I’m sorry but I just do not embrace the idea that you can regulate morality. So, more regulation, in my view, is not going to be the big changer. Instead I think people need to stop looking for nuances of the supposed new techniques, recognise that there are fundamental steps taken in helping clients with this type of money, and focus resources on those high risk areas.” Current compliance models are “creating a façade of checking that really is ignoring the big picture”.

Governments could make a real difference, Mazur suggests, by dispelling the secrecy that surrounds international bulk cash movements. The Federal Reserve views figures for US dollars repatriated by commercial banks as proprietary. If such information is shared, it’s not with the people who can make use of it to prevent financial crime, he says. “I’m not just saying track the repatriation, I’m saying track the bulk cash trading. The organisations creating these massive amounts of cash are easily identifiable by meticulous review of bulk currency transactions around the world.”

Law enforcement could also do more, he believes. “As an example, when I was in DEA [Drug Enforcement Administration], if I entered the name of a bank into NADDIS [the Narcotics and Dangerous Drugs Information System], any case in the world that DEA was involved in, which named the bank, would click out. And I would have, basically, a book explaining which bad guys had an account relationship at that bank: it might even give me more – the results of search warrants, and record analysis, whatever.”

Much of the financial information in major cases is ignored, says Mazur, in the focus on the predicate crime, drugs trafficking in the case of DEA. If the intelligence databases, not only of DEA but other agencies, like the Department of Homeland Security system, the FBI and then overseas, were similarly mined it would, he argues, begin to reveal “who in the underworld is or was dealing with which financial institutions”. A next step would be to approach those in prison with 25 or 30-year sentences. “I would start putting pressure on them to begin telling the story about who they dealt with, who was their account relationship manager. I’m confident, based on my personal experience, that, as in BCCI, you would find certain account relationship managers handled the hot accounts.” They would be the targets. “It’s about developing individual responsibility: fining a bank and letting them pay away for the sins of their employees is undermining the development of integrity in the financial community because everybody takes the view that if the worst happens, and the stuff hits the fan, it’s my employer who pays the big fine while I’m going home. There is no deterrent.”

Unaccountable and inexcusable

I raise the problem aired by prosecutors, both in the UK and US, that they just haven't been able to pin responsibility on individuals, to make a case to criminal standard.

Mazur is unsympathetic. "That's their excuse. The best example can be seen in a PBS [Public Broadcasting Service] documentary about the Wall Street banks, called 'The Untouchables'. Lanny Breuer, former head of the criminal division at the Department of Justice was asked why no-one at HSBC was held individually responsible for the criminality, and his excuse was 'You have to understand that the criminal offence of intentionally failing to maintain an anti-money laundering compliance programme grew out of a corporate culture that really couldn't be pinned on any one individual'. Well, let's stop trying to use that obscure statute. Let's stick with one that's a little bit easier to understand; it's called money laundering – US Code Title 18 section 1956. Very, very simple. If you know that the money came from a specified unlawful activity, in this case drug trafficking, and you did anything to conceal and disguise the money, you've committed that criminal offence and you're looking at a 20-year felony in the United States. Why wasn't that statute applied to the conduct of the individual bankers at HSBC?"

"On HSBC, I'm not raising any question that hasn't been raised in our Senate during the permanent subcommittee on investigations report hearings. Senator Elizabeth Warren of Massachusetts has asked repeatedly before Congress why is it that there isn't anyone who is individually responsible for the massive conduct that's detailed in the more than 300 pages of the Levin report? It defies logic. And if there really wasn't any individual personally responsible, at least explain to the Public how that's the case. I just haven't seen anyone come forward and explain to me how that vast amount of money could be handled in the manner it was by accident."

Bulk cash was mentioned as one area of focus but is there anything else, at a strategic level, that law enforcement could do differently?

Pull together

"Absolutely. Look at the typical law enforcement model, and we'll use DEA as an example. DEA does not come up with strategies to identify and prosecute drug traffickers only after drug trafficking occurs. They know that it's a threat, they know that it's out there and significant, and they have programmes to attempt to identify who's doing it. Why don't we do that with money launderers? Why isn't there an agency that's established for the purposes of attempting to identify who in the financial markets appears to be involved in money laundering?"

The model adopted in the late 1960s to address the Italian-American mafias would be most effective, he thinks. "A strike force was set up; it was led by the prosecutor's office and they took two or three agents from each agency in each city and brought them together under one roof. Why is that so important? Because without common management over the participants, the individual agencies tend to hold back, they don't

really share information. If they're properly assigned, reporting to one management, they'll share because they're working for the banner of the strike force."

Mazur is also an advocate of strong statutory whistleblower protection - "It makes such a big difference in the ability to be able to get inside these types of cases... And don't they deserve something for putting themselves in harm's way?" He's not so positive on private sector-led penetration testing, seeking to test a firm's AML controls by posing as a launderer and reporting back. "I don't think it would be effective, the reason being that some banks only dealt with me when I was in the underworld because I was personally referred: dirty lawyer refers me to dirty banker; dirty banker has a degree of confidence that I am who I say I am because I'm coming from a trusted source. So, I don't think you'll get a clear picture without that type of endorsement. Now, agencies could take the time to develop a good cover for an agent like me, let them get into the underworld and then try to get referrals. That could work."

The fight goes on

Taking a more macro view, I put it to him that the war on drugs is lost. In the US, permitted controlled sale of marijuana by some states would suggest a growing acceptance of this position. Is there a case then for legalising all drugs to take the criminality out of the trade?

"Well, maybe in a society that has a different core than the US. If you look at life here in the UK and you look at life in my country, how many cities can you point to that have more than 500 murders per year? When you look at the family unit here do you find the massive amount of broken homes and lack of mentoring, the absence of economic opportunity in certain segments of the community, which gives them no reason not to turn to the world of drugs, either to escape reality or to make money? The fact is some people never get a fair shake right from the beginning. With the imbalances we have, the lack of education and treatment that we offer, with the massive level of incarceration we have, I just don't think... I'm not seeing an answer to the problems by having, say, methyl amphetamine available on a legal basis, condoned by a government."

Hard drugs continue to take a heavy toll in the United States, Mazur observes. "We now have an unbelievable number of deaths from overdoses of heroin. And the Chinese Triads are supplying chemicals to Mexico to create fentanyl, a heroin substitute that's, like, five times as potent. We've people dying left and right on the streets. I just don't see an upside to saying, 'Okay, it's up to you to manage yourself and my hands are washed'. I don't see that happening. I agree that the formula followed in the US in the war on drugs hasn't been a success. But I don't think that totally dismantling what we're doing is the answer; I think supplementing it is: massively increasing education, treatment and economic opportunity will begin to turn the boat around."

The counter argument runs that if you legalise it, take the criminality out and tax drug sales you could use that revenue to pay for the treatment and more besides...

“Well, let’s look at Colorado and Washington, which offer state permits for the legal sale [of marijuana]; they can’t keep up with the demand. So, what has that done? It’s raised the price of high grade marijuana to a ridiculous level. The black market can now come in and compete on price. Do you really think that if you legalise this it’s going to take the cartels out of it? No, it is not. They’ll either make the money legally, or they’ll make it illegally. They’re not going to give up on it, it’s too big a revenue stream.”

Aftermath

The same tenacity was evident in the defence at trial to Mazur’s evidence against the corrupt bankers, who serviced the Medellin cartel accounts. He was on the witness stand every court day for three months. But once the convictions were in, having worked at that level and pitch over an extended period, with his family in hiding, how long did it take to de-pressurise?

“Well, before I finished testifying in the biggest BCCI trial, I was approached by the head of the DEA in Tampa, Florida and asked if I would be willing to leave Customs to be the lead undercover on an operation they had planned. Given my options at the time, I thought that was probably the best choice: I’d been very vocal over my dismay about, amongst other things, the unlawful disclosures to the media and withdrawal of resources at the most critical points in the case. There was already interest in getting me to testify before a Senate subcommittee on these issues and if I had stayed at Customs, envisioning how things would play out, it was probably going to be payback time. So, I thought it would be best to turn a new page and move on to a new agency.”

Joining DEA was contingent on successful passage through its academy in Quantico, Virginia, which was not a problem on the academic side but Mazur was already 41 years old and knew that it was physically exacting.

“I’m sitting there asking myself, ‘Do I roll the dice and hope that I get through this so I get my pension or is that worth it?’ Anyway, I decided it was and I wound up setting up another operation. So, I went back undercover for another 2.5 years.

Looking back now, knowing all you do, would you have changed anything?

“There are things that could have been done more successfully in the [first] operation, there’s no doubt about that. And it’s really important to remember that I was one of 250 members of the team, so not solely able to make a decision to do something different that necessarily changes the course. Doing things differently would apply even more, probably, in the second undercover operation: I had a problem then – my partner was on the take and I didn’t know, and he almost got me killed. He was working with the Cali cartel and that was our target. So, obviously, picking a different partner would have been a good idea.”

Note

1. 'The Infiltrator' will be released on 13 July 2016 - www.theinfiltrator.com. Bob Mazur's book of the same title is published by Hachette www.robertmazur.com/the-infiltrator