

INTERVIEW: Ex-undercover agent Robert Mazur talks about compliance — part two

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In part two, Robert Mazur, former U.S. Federal undercover agent, talks about the two types of "brain" that he sees in the banking world — compliance and account relationships. He examines how account relationship managers can be encouraged to embrace compliance.

In your article for Thomson Reuters Regulatory Intelligence, "The truth behind the Panama Papers", you said that regulators should not waste time and money introducing new regulations which "unscrupulous professionals will dance around". Do you believe that some financial services professionals comply with regulations outwardly and yet continue to provide covert services to those who seek secrecy for their money? Can regulators do nothing about this?

Regulation is part of the resolution. Regulators are carrying the major banner. If it were not for the regulators, where would we be with respect to HSBC, Wachovia Bank, Union Bank of California and many other banks?

The great majority of people involved in the management of banks, both in compliance and account relationships, have good intentions. But there is clearly some in the international banking community that intentionally market this kind of money: telling people who are trying to hide their money from governments that they can help them. This has gone on for decades.

How many times do we see drug traffickers, arms dealers, terrorists, or world leaders involved in transactions that are veiled by offshore entities? Clearly, this doesn't happen by accident, but I am not trying to indict the entire banking world. That's not the case at all.

The compliance people I met in Singapore last week agreed with me that there are two types of "brain" in a bank. They said they did their very best to inform management about risk, and the merits of closing account relationships in certain situations, but were frequently overridden by account relationship executives, who attempted to justify to management the legality of funds which compliance believed were highly suspect. The compliance people told me it was a constant battle to get account relationship managers to embrace compliance goals.

Is it not more about getting the management to embrace the goals of compliance?

No, it is the account relationship managers who need to be enticed by management to embrace compliance goals. Banks are in business. The corporate culture has to embrace compliance and its requirements. Based on the feedback I received from the people I spoke with in the compliance world, they don't have that luxury. It's a battle.

If you are a part of the account relationship team and you are rewarded financially based on how many deposits you bring in, do you think you might see things differently from a compliance officer? If an account relationship manager closes an account, he or she is taking money out of his or her own pocket.

How then should banks get account officers to embrace compliance goals?

When I was at a conference in the Caribbean several years ago I spoke to a banker from a private banking division in an American bank. He explained to me that his management required him to sign a contract personally guaranteeing that he would reimburse his bank for any losses the bank incurred on occasions when he, as the head of the private client division, convinced management to override a compliance proposal to close an account. Not all banks do that, but it's a start.

Maybe management should also reward account managers if they come forward and say: "I know I initially said that this was a good account relationship but when I look at the account closely and get the benefits of compliance's perspective, I think this is a highly risky account. I think there could be problems. I think we should file a suspicious activity report."

Now if an account relationship manager were to do that, income will be taken away from him or her. Why not find a way to give account relationship managers a financial incentive for looking out for high-risk customers for the benefit of the bank beyond their own wallet? Shouldn't their goals include helping the bank to be an honest and healthy member of the financial community? It should be.

One of the things that is missing at the global level which would make a huge difference is to take a very long and serious look at the law relating to whistleblowers. In the United States, a whistleblower can be paid as much as 30 percent of what the government recovers. For example, the [UBS officer](#) who provided details about the criminality that once existed at UBS received \$104 million reward. Why shouldn't a person who knows about billions of dollars being laundered receive a similar reward? That's not something that is embraced in many countries.

Perhaps not in Asia.

It needs to be. Whistleblowers are extremely important. Beyond whistleblowers, let's take a close look at the success the United States has enjoyed in its voluntary disclosure programme which offers to citizens willing to admit that they evaded income taxes by using foreign bank accounts. A citizen can come forward knowing that he or she will not be criminally prosecuted, and agree to pay back taxes, together with fines and penalties, as long as he or she provides, in great detail, information about who in the international banking community helped them to launder money or evade income taxes.

In your presentation last week, one of your slides, "We are servicing money that seeks secrecy", struck me as a truth which no one has really talked about openly. Have regulators addressed this?

Regulators have openly addressed the issue in the prosecutions that have stemmed from their regulatory work. They know this is going on. Certainly it played an important role in helping to gather the evidence which led to the admission of guilt by many of those banks. But regulators can't do it alone, and I do not believe you can regulate morality. This is a moral issue.

You have talked about setting up an agency which would focus on tracking money laundering activity. Do you think there should be more cross-border cooperation? At the moment do you see enough cross-border cooperation between governments in tracking money laundering?

Money laundering is a global problem. If you don't attack from a global perspective you are not going to be able to see the result. Secondly, I can't speak on what's happening on global cooperation because I am no longer a part of law enforcement.

People tell me that international cooperation is getting better as time goes on, but it is far from what it should be. The land of opportunity now for criminal organisations in terms of money laundering is China.

The critical factor for successful money laundering is the lack of transparency, and it seems unlikely that the Chinese government will honor requests for records from international law enforcement agencies as readily as other jurisdictions would. [Trade-based](#) money laundering is more popular now than ever. There are many countries which are equipped to take in cash and exchange it for goods, but China is in the best position.

If you look at the Guangzhou Enterprise case, not only was it in the best position to help criminal organisations transfer cash into goods that can be sold, the goods they made available were also counterfeit. Let's look at the benefits to criminal organisations. They commit crimes, they take the cash and use it to buy goods. It legitimizes them. The goods which they buy are later sold for three to four times what they are worth because they are counterfeit goods that are smuggled out of China.

That's just emboldening criminal organisations throughout the world. It gives them a tremendous opportunity to expand their financial power through that formula. For every illegal dollar that they legitimize, they can multiply that by three to four times because they are selling counterfeit goods.

Do you see tracking bulk bank note transactions as one of the key aspects in combating money laundering? Would this be the sole responsibility of governments?

No, I talked about the need to develop an [agency](#) with sole responsibility for identifying money launderers and prosecuting them. Rather than adapting an existing agency, this should be a new taskforce which is suitably empowered to be a threat to money launderers.

When you were an undercover agent, just how did you manage to stay alive?

I am just one of literary hundreds of people who have done this type of work. Steve Murphy and Javier Pena from the Drug Enforcement Administration (DEA) did much more with respect to the prosecution of Pablo Escobar than I ever dreamed about doing. In its own way, what I did had a big impact probably because I got the opportunity to deal not

just with the people within the cartel but also with the senior executives of a major financial institution – BCCI - on behalf of those people. I got to see how they interacted when no regulators were around and how they managed their private client division.

I am at no more risk than thousands of law enforcement officers. I don't know how I made the journey to be able to sit here on the opposite side of the table from you. I am probably the last person to be able to determine quite why some people consider me to have been successful. I do not see myself as being any different from my colleagues. Many people have a tremendous burning desire to do the right thing and I was fortunate to work in that environment.

Did you have any near-death situations? I understand that the underworld offered half a million dollars for your death.

I have been in undercover meetings where I was accused by powerful and dangerous cartel members of being an undercover agent for the DEA. I talked my way out of that situation, but it wasn't easy. With regard to the contract on my life issued by the cartel, that fact was reported by two law enforcement agencies and an intelligence agency, but I was not the first agent to have a contract placed on my life.

What motivated you when you were a deep undercover agent?

What drove me - the best way I can describe it - is that it was a burning desire to get information nobody else could, and to learn new and important things about the highest levels of criminal conduct.

What was most difficult about leading a double life? Did you ever forget your role?

No, you can never forget your role. I went through undercover training. I had great mentors and leaders. I had a lot of support, without which I would not have succeeded. And hopefully I had listened closely to what needed to be done to get things done. You cannot go alone in this. It's impossible.

You have seen some of the worst of humanity. What kept you sane during those days when you were laundering money for Pablo Escobar's Medellin cartel?

The same thing that I think keeps other law enforcement officers focused: a burning desire to make a difference. The mission became the most important thing in my life. More important than anything else.

Even your family?

Looking at it now, unfortunately, yes. There are things I would do differently if I had the chance to do it all over again.

Did you have strong religious or spiritual beliefs when you were a deep undercover agent? I would imagine that someone in your role needs some kind of spiritual support because you have to be more sane than those around you.

I have had a belief all of my life and I have my spiritual practice. I don't talk with other people about my relationship with God or my spiritual relationship.

Having laundered money and seen money by the ton, what does money mean to you these days?

When I see mountains of cash I see evidence; I don't see money.

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