

COMPLIANCE WEEK

Robert Mazur: Old tricks still work for launderers; new policies could help



By [Aly McDevitt](#) Thu, Apr 1, 2021 12:02 PM



“I want you to understand how much of what I saw [undercover] impacts what we see today,” former federal agent Robert Mazur told attendees of Compliance Week’s “Financial Crimes Risks, Trends, and Proven Practices” virtual conference Wednesday.

In the 1980s, Mazur used his undercover alias, “Bob Musella,” to infiltrate some of the deepest levels of the underworld, establishing himself as an apparent linchpin for money laundering. For two years, Mazur/Musella played a key role in laundering the dirty cash of the Medellín Cartel, the world’s largest drug cartel led by Pablo Escobar. While “Musella” dealt with the kingpins of Escobar’s inner circle, Mazur secretly recorded roughly 1,200 conversations—not only with drug traffickers and money launderers, but with senior executives of what was then the seventh-largest privately held bank in the world: Bank of Credit and Commerce International (BCCI).

Mazur said the money laundering methodologies he learned back then are very much alive and well today.

“If you look at the [most recent] 20 deferred prosecution agreements ... when it gets to the issue of techniques that were used, the facts of the deferred prosecutions, they match what BCCI was doing,” he said.

The former undercover agent revealed these techniques one by one.

Tricks of the trade

BCCI bank officers first steered a “special client” to a law firm to have offshore entities formed. There are many attractive locations for this: Panama, the British Virgin Islands, Gibraltar, the Isle of Man, and Liberia are just a few.

A “special client” had all mail held at every bank branch so customs would not see it. They also had safety deposit boxes in each branch, paid for in cash and never registered in the name the bank accounts were under.

A “special client” was invited to off-site locations for bank business to avoid being seen at physical branches.

“**Back-to-back loans**” were a technique BCCI bankers favored, Mazur said. This was a situation in which a client would deposit cash in a branch location, and the bank would credit a certificate of deposit (CD) somewhere else to “park” the cash there. Then, separately, the bank would issue a loan in another part of the BCCI network to a different entity—knowing the beneficial owners of the CD and the loan were the same person. After 90 days, back-office entries were made to offset the debits and credits within BCCI to make the books equal.

Stripping wire transfers “was a sport at BCCI,” Mazur said, as were numbered accounts, where only a bank manager knew who was associated with the number.

Bundling transactions and bank-to-bank transfers: In this situation a BCCI branch (say, in the Bahamas) shipped a collective amount of currency to the U.S. Federal Reserve and overreported the amount in the shipment. Because no one counted it, this would result in a customs and monetary instrument report with an inflated figure, whereby a launderer like Mazur/Musella could credit the amount to an account in the Bahamas. The money never had to cross the border.

Mirror trades: In this scenario, a commodities trading company received a cash deposit from a launderer in one location, moved the money to a house account in another location, and then simultaneously made a buy and sell of, say, gold futures at the same time for two different entities with the same beneficial owner. The proceeds from the sale would be transferred to a third-party account, which the launderer controlled, and then moved back to the beneficial owner.

Here’s an example of how these techniques used then are still alive and well today: In 2017, Deutsche Bank was fined \$630 million by U.S. and U.K. regulators for failing to prevent \$10 billion in suspicious trades being made out of Russia. The scheme involved mirror trades of rubles for blue chip stocks bought and sold simultaneously for U.S. dollars and U.K. pounds.

How the compliance function can help

Mazur identified an inherent problem in financial institutions that leaves them vulnerable to exploitation for money laundering. He called it something apropos of his own years leading a double life: “Dual-brain syndrome.”

On one side of the house, a financial institution is home to compliance professionals who establish an effective anti-money laundering compliance program and are rewarded with a commensurate salary. On the other side, the institution employs account relationship managers whose goal is to bring in deposits; these individuals are rewarded by a base salary plus a commission based on those deposits. Therein lies the dilemma: The two sides of the house are motivated by competing interests.

“The industry is in dire need of creating incentives to bring compliance and sales closer together,” Mazur said. As such, the former agent proposed two ideas:

One is to use personal guarantees. One bank executive told Mazur that as head of his institution’s private client division, he signed a personal guarantee that if the bank incurred a loss based on an account compliance advised against, he was held personally responsible. Now the executive sees compliance as his best friend.

Mazur’s second suggestion was for **financial institutions to set up a system whereby an account manager was financially rewarded for his loyalty to the institution.** Rather than letting that manager incur a loss from a missed commission, that employee would receive some compensation for coming forward and turning away a lucrative but potentially suspicious client.



Aly McDevitt has a background in education and college consulting. Prior to teaching, she was an editor/author at Thomson Reuters.