

Follow the Dirty Money

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LAST month, a federal district judge approved a deal to allow Barclays, the British bank, [to pay a \\$298 million fine for conducting transactions](#) with Cuba, Iran, Libya, Myanmar and Sudan in violation of United States trade sanctions. Barclays was discovered to have systematically disguised the movement of hundreds of millions of dollars through wire transfers that were stripped of the critical information required by law that would have enabled the world to know that for more than 10 years the bank was moving huge sums of money for enemy governments. Yet all federal prosecutors wanted to settle the problem was a small piece of the action.

When Judge Emmet Sullivan of federal district court in Washington, who ultimately approved the deal with Barclays, asked the obvious question, “Why isn’t the government getting rough with these banks?” [the remarkable response was that the government had investigated but couldn’t find anyone responsible.](#)

How preposterous. Banks can commit crimes only through the acts of their employees. Federal law enforcement agencies are simply failing to systematically gather the intelligence they need to effectively monitor the crime.

The Barclays deal was just one in a long line of wrist slaps that big banks have recently received from the United States. Last May, when ABN Amro Bank (now largely part of the Royal Bank of Scotland) was caught funneling money for the benefit of Iran, Libya and Sudan, it was fined \$500 million, and no one went to jail. Last December, Credit Suisse Group agreed to pay a \$536 million fine for doing the same. In recent years, Union Bank of California, American Express Bank International, BankAtlantic and Wachovia have all been caught moving huge sums of drug money, but no one went to jail. The banks just admitted to criminal conduct and paid the government a cut of their profits.

Wachovia alone had moved more than \$400 billion for account holders in Mexico, \$14 billion of which was in bulk currency that had been driven in armored cars or flown to the United States. Just who in Mexico did anyone think had that kind of cash? Of course, the government did a thorough investigation but could find no individuals responsible.

Bankers are escaping prosecution because law enforcement is failing to expose the evidence that some bankers market dirty money. Years after the transactions occur, any effort to prove what was known at the time is practically impossible. The bankers simply say they didn’t know where the money came from. Naturally, prosecutors look for ways to get around trying to prosecute those sorts of cases, and instead make deals.

It should be up to law enforcement agencies to bring prosecutors solid proof of what the

bankers knew and said at the time they knowingly handled ill-gotten money. This is not difficult, only time-consuming.

In the 1990s, while I was a federal agent working to gather evidence against Colombian drug cartels, I spent a year and a half building a sophisticated undercover identity as a money launderer, with the help of a half-dozen informants and concerned citizens. Then, for the next two and a half years, I infiltrated the highest levels of one cartel and began dealing with their banking contacts. I recorded hundreds of conversations behind boardroom doors with sophisticated international bankers.

They readily gave me access to all the tools of their trade, starting with lawyers who knew how to create offshore corporations for crooks in places like Panama, Hong Kong, the British Virgin Islands and Gibraltar. The bankers also provided secret safe deposit boxes abroad, and arranged for currency to be shipped in safes to places like Dubai and Abu Dhabi, where large cash deposits are not recorded. My money could then be repatriated to the United States disguised as offshore loans. Account details were whispered in secret meetings so that paper never crossed borders. And any records sought by any government could simply be destroyed.

The evidence I gathered led, in the early 1990s, to the demise of the Bank of Credit and Commerce International, the seventh largest privately held bank in the world, and Capcom, a multinational commodities trading company. More important, it put a slew of bankers behind bars and got their tongues wagging, so much so that we learned where Manuel Noriega, the former Panamanian general, had hidden his fortune in payoffs from Colombian cartel leaders.

Revenues from global drug trafficking — estimated to add up to more than \$400 billion a year — are just one small component of the money, known as flight capital, that criminals try to hide from governments. This capital also includes proceeds from things like tax evasion, trade with countries under sanctions and arms dealing. It's big business. The desire to have a share in this business has led the private client divisions of many international banks to develop sophisticated skills to avoid scrutiny from regulators.

Tracking and confiscating the fortunes of terrorist organizations, drug cartels and organized criminals is important for national security, and yet no single federal law enforcement agency systematically investigates the international bankers and businessmen who launder this money. What's needed is a small but elite multi-agency task force, including representatives of the intelligence community and accomplished members of law enforcement agencies from other nations, that could identify the institutions and businesses that handle the bulk of the dirty money flowing around the globe. A task force numbering 100 people or less, at least initially, could compile a database containing detailed information about bad banks and money launderers.

Some of this data could be culled from the various law enforcement agencies' existing files. But investigators should also debrief the hundreds of high-level criminals now being held in our prisons to get detailed information about their allies in the banking and business community.

The task force should also try to identify every asset used by major criminal and terrorist organizations. If one of them buys a million-dollar airplane, for example, investigators should find out where the money to buy it came from. All this information should be kept in the

same database.

It would be important for this task force to have access to records of the Federal Reserve and the central banks of cooperating nations to find out which financial institutions are depositing large amounts of American dollars. (If investigators had had such access years ago, it would have been easy for them to see the billions in currency that Wachovia was shipping from Mexico.) By getting access to wire systems operated by the Fed and the Society for Worldwide Interbank Financial Telecommunication, investigators could also identify and track the accounts for which banks convert cash into wire transfers. Here again, the information should be added to the database. Eventually, all this collected data could reveal a pattern of activity that would point to dirty bankers and businessmen.

To make use of this intelligence, undercover agents from around the world should be trained and equipped with the tools needed to infiltrate the banking and business community. Working with the information in the database, they could inflict a devastating blow to the fortunes of the underworld and its money launderers. Finally, the government would be able to prosecute the people personally responsible for laundering billions of dollars worth of criminal profits.

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