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THE MONEY LAUNDERING MITIGATION FIRM

MONTHLY MONEY LAUNDERING & BUSINESS CRIME NEWSLETTER ISSUE 1 APRIL 2000

This newsletter is published monthly and delivered to clients and contacts of Proximal Consulting by e-mail

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A WORD OF WELCOME

We are very pleased to welcome you to our regular monthly newsletter that we hope you will find both interesting and useful. Our aim is provide a digest of relevant information and news concerning the global problem of money laundering and the underlying phenomenon of organized crime. By distributing through e-mail we can ensure both quick distribution and totally up to date information. If it is possible with such a serious subject we hope that you enjoy reading this newsletter – if any of your colleagues would also like a copy sent to them please have them e-mail us at proximal@blueemail.ch and we will put them on our distribution list. As always, if there is any matter you would like to discuss with us please do not hesitate to contact us.

Peter Lilley

THE UNITED STATES NATIONAL MONEY LAUNDERING STRATEGY 2000

The newly released United States “National Money laundering Strategy for 2000” provides yet more tangible proof of the high importance placed by the US Administration on tackling money laundering. This document is essentially a blueprint for what domestic action is to be taken to stem the dramatic rise of washing dirty money. The laundering process is described as “A global phenomenon of enormous reach”. The 127-page report comments that it is crucial to fight money laundering for three fundamental reasons:

- By fighting money laundering the criminals who are committing the underlying offences can be pursued
- Money laundering facilitates foreign corruption thus undermining US efforts to promote democracy and stable economies overseas
- By fighting money laundering the integrity of the financial system is being defended against the corruptive influence of dirty money

United States authorities are to take further steps to identify and control domestic money laundering. Federal authorities have increased scrutiny in four geographical areas that have been designated "high risk money laundering and financial crime areas". The four are:

- New York and New Jersey: obviously in the spotlight because of the recent and ongoing Russian money laundering case involving the washing of billion of dollars through banks such as the Bank of New York. In 1998 and 1999 financial institutions in this major financial centre reported \$33 billion worth of suspicious transactions to the authorities.
- Los Angeles: a fairly obvious target because of its importance as a drug manufacturing centre and port
- San Juan, Puerto Rico: a gateway to the USA for drugs
- The country's southwest border of Arizona and Texas: convenient for smugglers from South America, particularly relevant nowadays due to the high level of activity from drug cartels in Mexico as well as Colombia. However its inclusion is because of cash being smuggled out of the country using this route

The new strategy announced in early March also calls for casinos, brokerage firms and other firms involved in money transactions to notify authorities of suspicious transactions. Additionally one element of the Strategy is to put more resources into the smuggling of currency out of the US. In 1999 US Customs seized \$60 million in cash being taken out of the country – including \$16.5 million on the southwest border.

On the international front the strategy document shows how the US government are particularly focussing on offshore financial centres – as various recommendations relate to taking punitive action against non-cooperative jurisdictions. Once again the United States clearly states that it will give training and technical assistance to nations that are making efforts to control money laundering.

Even more interesting is the proposal to develop initiatives to address the problem of foreign government officials who systematically divert public funds and assets to their personal use.

The calls by Tony Blair to have minimum set penalties for drug dealers across Europe has thrown into focus the differing jail sentences awarded across Europe, as the table below shows

COUNTRY	SENTENCE	COUNTRY	SENTENCE
UK	Up to life	Greece	5 to 20 years
Belgium,	10-20years	Ireland	Up to life
Denmark	Up to 10 years	The Netherlands	Up to 12 years
France	Up to 30 years (member) Life (Organizer)	Portugal	Up to 15 years
Germany	15 years in severe cases	Sweden	2-10 years

E- COMMERCE AND ORGANIZED CRIME

Reporting by MSNBC suggests that organized criminals perpetrate much more Internet based credit card fraud than previously thought. The topic has recently been back in the news generally as Amazon.com discovered a Russian based scam to defraud the company of \$70,000 utilizing stolen credit card information. The article quotes Cardservice International, a credit card processor, who estimate that a third of all fraudulent Internet transactions originate in the former Soviet Bloc. They have specifically identified various instances where money was being created and wired to St Petersburg.

At the moment Internet credit card usage amounts to approximately 2% of the total usage: but fraud losses on the Internet are 30% higher than normal terrestrial usage.

Yet again the speed of the transaction, geographical spread and anonymity of the buyer all are facilitators in the growth of Internet credit card fraud – and the seeming very low level of detection and prosecution. The article contends that not a single one of the crooks outside the US has been prosecuted. One probable low-level crook, 22 years old Russian Student Roustam Kamilievich Mingazov has been arrested after goods purchased with fraudulent credit card details were delivered to his apartment in Reno Nevada. Interestingly the details were from 63 different credit cards, mostly genuinely issued to Americans. The orders placed for goods using these details originated from computers in Cheylabinsk, Russia. Mingazov claims that his only involvement was limited to an Internet contact with “Andrei” (those were the only contact details known) who said that Mingazov could earn some money by having various packages sent to his address.

The full MSNBC article “E-business vs. the perfect cyber crime” by Mike Bruner can be read at www.msnbc.com:80/news/376973.asp?cp1=1

COLOMBIAN INFILTRATION OF EUROPE

“They even market their drug using brand names – like No Way Out and Death Wish – as a way to instill customer recognition and loyalty”

-William Ledwith, the US Drug Enforcement Administration

The on-going fight against the Colombian Cocaine Cartels by the American Government continues: but the criminals themselves are now both targeting the heroin market in Europe and utilizing even more European financial and banking channels to launder money. In the United States itself the Colombians have been fighting a war with Chinese, Asian and Turkish heroin suppliers. The Colombians appear to have won: as it is now estimated that they supply over 60% of the heroin in the country. Crucially they have achieved this by undercutting the price of their competitors and supplying heroin with a 95% purity level.

Various arrests across Spain late last year highlighted a major Colombian money laundering operation that involved a group of individuals of various nationalities washing dirty money through the Spanish banking system. One key element of the process was Spain's strong historical and contemporary links with South America.

It is now believed on the drug trafficking front that London's Heathrow Airport is emerging as a vital gateway from South America to Europe. Drugs are being carried in hand luggage on flights from South America that have a connection to mainland Europe through Heathrow. They are then handed over to English couriers who transport the drugs to European cities, particularly Amsterdam and Madrid. English couriers are less obvious than South American or Spanish ones. Police at Madrid Barajas Airport have targeted flights from Latin America for a considerable amount of time but are now also increasing surveillance on flights arriving from London. However no arrests have yet been made at Heathrow, Madrid or any other European airport that we are aware of.

UNLICENSED FINANCIAL INSTITUTIONS

As far as we are aware there is no global warning list of unlicensed financial institutions or similar entities that are currently trading. Each month we will attempt to provide details of any such firms that we know of so that if these bodies approach you or any of your contacts/clients you are forewarned about their background.

The Dutch regulatory authorities believe that the following firms are offering services in the Netherlands and are unlicensed to do so. Thus they advise investors not to do business with them. We also understand that these firms are also offering “investment opportunities” by cold calling companies and individuals across the world but do not have the relevant licenses to do so.

Pilatus Finance Consultancy,	Lucerne,	Switzerland
Belida Brothers Holdings SA,	Geneva,	Switzerland

United Assets	Zug,	Switzerland
Meridio Investment AG,	Zug,	Switzerland
GMF Finanz AG,	Basel,	Switzerland
Free Bank,	Zurich,	Switzerland
Kelstern Invest,	Luxembourg,	Luxembourg
Forexia AG,	Zug,	Switzerland
NST AG,	Lucerne,	Switzerland
Quotes GmbH,	Lucerne,	Switzerland
Bathgate, Dreyfus & Pierce Ltd,	Lisbon,	Portugal
Fimanet Finance Management,	Baar,	Switzerland
Innotrend Trading,	Baar,	Switzerland
Zakenkantoor Koch,	Maasmechelen,	Belgium
Baco Securities AG,	Zug,	Switzerland
Anlage- und Vermögensgenossenschaft e.G. (AVG)	Düsseldorf,	Germany
Combus Finance	Zürich	Switzerland
Atlas International GmbH	Neuss	Germany

And finally please remember that the Dominion of Melchizedek does not exist in reality and if you see any company claiming to be based there or an individual holding a passport from there you should be proceed with extreme caution – or preferably not proceed at all.

If you are aware of any similar firms or individuals or any warning lists in the public domain please e-mail us so that we can include details in future newsletters.

THE IMPORTANCE OF DUE DILIGENCE TO REALLY KNOW YOUR CUSTOMER

The global legal and regulatory regimes place an increasing onus on all types of organizations to carry out Know Your Customer (KYC) checks prior to establishing any business or financial relationship. Thus the need to verify and validate new business or customer contacts has never been more paramount. Prior to establishing a business relationship you need to establish whether your prospective partner - whether it is a company or individual - is providing you with full and accurate information. More importantly you need to confirm that you are not becoming involved in a money laundering scheme or being associated with organized criminal activity. Additionally you need to establish that you are not about to lose money by becoming the victim of a fraud.

In response to this daily threat we are able to offer a confidential Global Due Diligence Check service that is structured to provide focused intelligence in a cost efficient manner structured to your individual needs. This service has:

- World wide coverage
- Totally discreet
- Fixed Price
- Provides critical intelligence
- Local knowledge and information
- Normally provided within ten working days

Utilising comprehensive research facilities, local contacts and world-wide associates working to tried and tested methodologies we supply the intelligence you need so that you can maximise the

opportunities available whilst avoiding previously hidden risks. We aim to go behind the information provided to uncover the true facts, thus providing the comfort and reassurance you need before establishing a new business or customer relationship. We seek to confirm the bona fides and probity of your prospective customer.

One important facet of this research is the bespoke databases we have created cataloguing and detailing information and intelligence covering both general and specific money laundering organized criminal activity.

We are particularly adept at providing background information on high net worth individuals and/or associated corporate entities. This is particularly relevant if you are, for example, working in a private banking or law firm environment.

Our reporting aims to:

- Validate the address and other details provided by the subject thus ensuring that basic checks are carried out and the person is who they say they are
- Detail general intelligence on the status of the subject and source of funds, enabling you to evaluate the suitability of the person/company
- Establish whether any links exist between your customer and money laundering, organized criminal or fraudulent activity

As we realize that whilst it is vital to carry out KYC due diligence checks we also appreciate that such checks must be cost effective. Thus we provide these services on a fixed price basis for each report commissioned.

We are able to provide information on both individuals and companies across the world. Including but definitely not limited to the following geographical areas:

United Kingdom; Switzerland; Belgium; France; Spain; Austria; Luxembourg; Italy; The Netherlands; Scandinavia; North America; South America; Russia and the former Soviet Union; Pakistan; Australia; The Far East; The Middle East

For more information or to arrange an initial consultative meeting please contact us

NEWS ROUND- UP

HOW TO STEAL MILLIONS IN CHUMP CHANGE

A fascinating article from Scientific American on how a massive fraud totalling \$45 million was perpetrated on 900,000 credit cards – can be found at <http://www.sciam.com/1999/0899issue/0899cyber.html>

RUSSIAN EXECS MOBILIZE AGAINST CROOKED DEALS

How Russian businessmen are tackling corruption and organized crime. From Christian Science Monitor: <http://www.csmonitor.com/durable/2000/03/22/pls4.htm>

GANGSTERS' GRAVEYARDS

So that's where the money goes: an article from the National Enquirer on opulent tombs of Russian gangsters <http://www.nationalenquirer.com/stories/11623.html>

DISAPPEARING MONEY

Because of the Crown not offering any evidence Mohammed Abubakar was freed on March 10 in the United Kingdom. He had been accused of defrauding an American millionairess out of almost \$950,000. It was alleged that he had convinced her that pieces of black paper could be turned back to \$100 bills with a special chemical (he must have been reading those letters from Nigeria). The victim was left with blistered skin, a sink full of fast dissolving notes and a bottle of the secret chemical that exploded in her fridge.

DRIVEN TO CRIME

Motorists driving through Poland no longer have to pull over for the police at night – as many highway robbers have been posing as uniformed police officers complete with a red light on the roof of their cars. This new rule does beg the question of what genuine police officers have to do if they legitimately wish to stop a motorist.

THE FINAL WORD

A couple living near to Dallas Texas thought it was their lucky day when they found a bag in the middle of the highway containing \$300,000 in cash and a handgun. Being honest citizens they handed it in to the local police, but when nobody claimed it they tried to apply for it themselves under the common law of "finders keepers". There's just one problem – because the cash had traces of cocaine on it the DEA has determined that the whole amount is drugs money and have confiscated it. The couple have now hired an attorney whose main argument is that the majority of US currency has traces of cocaine on it. However as the DEA point out if it is drugs money and the couple win it through litigation they might like to consider that the original owner may try and get it back...

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