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THE MONEY LAUNDERING MITIGATION FIRM

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In this issue:

- **Prime Bank Instrument Fraud**
- **Proximal Country Monitor – a new monthly report**
- **Politicians & Money Laundering**
- **Unlicensed Financial Institutions**
- **The Final Word**

Comments made to us in the last month have shown that the Prime Bank Instrument fraud type (which in itself is a variation, and extension of, advance fee fraud) is very much still with us – and people are still being taken in by the vast returns being promised. In our first article we outline the tell tale signs of such frauds and how you can protect yourself from them.

Our second major article considers the strong links that seem to exist between politicians and money laundering. Certainly it is our view that the US authorities are seeking to identify what action can be taken in this respect.

We also begin a regular monthly country report, each month focusing on a different country and outlining the money laundering/organized crime risks that exist there.

As always we hope that you find this newsletter interesting and informative.

Peter Lilley

PRIME BANK INSTRUMENT FRAUD AND SUCHLIKE..

The most prevalent fraud in the mid nineties was the offering of credit notes allegedly issued by major banks. Evidence now suggests that these schemes are still being offered across the world. The credit notes are termed prime bank notes, prime bank instruments or standby letters of credit (and a variety of other bogus terms). The fraudsters convince gullible purchasers that the notes can be sold in a few weeks' time at a very large profit. They add that secrecy is needed because the banks want to keep this moneymaking proposition for themselves and away from the general public. Of course, both the documents and terminology is fraudulent. The United Kingdom Salvation Army lost more than £5 million in this way: six people have lost £15 million through the same fraud and criminals operating from Torquay were arrested in September 1995 allegedly responsible for £100 million global fraud which involved a network of over two hundred companies, particularly targeting individuals in Germany and the United States. Amongst the reasons given to invest by the criminals responsible are the following favourites.

- ◆ This is a once in a lifetime experience.
- ◆ It is a bank-to-bank transaction therefore there is no risk.
- ◆ It is a self-liquidating loan.
- ◆ The money is totally safe and 100% refundable. The money will stay in the "escrow account" until an authentic message is received from a bank to confirm that the transaction is ready to start.
- ◆ It is impossible to conduct a due diligence investigation that will provide a full disclosure of every aspect of the transaction. Confidentiality is one of the most important benefits associated with these transactions. If breached, every entity with cash or marketable securities would become aware of the opportunity and thus the superior returns would no longer be available to attract investors.

Contrary to the last claim, experience in this type of fraud, as with many if not most others is that effective due diligence verification prior to entering a business relationship with a previously unknown business partner will pay dividends in both saved time and money. The fraudsters know that if you do conduct due diligence enquiries you will quickly discover what a sham the entire proposal is – thus they do all that they can to persuade you not to make any enquiries into their probity/honesty.

It's not only prime bank notes - investment scams can cover almost anything such as:

- Boiler Rooms/Telephone marketing
- Pyramid promotions
- Advance fee frauds
- Ponzi schemes

- Loan roll programs
- Gold & Silver mines
- Oil Wells
- Coins/Precious Metal schemes
- Livestock - especially ostriches!

Recently we have also seen investment opportunities that begin something like this....

Minimum Investment: \$10,000,000	
Contractthere can be no claim over the investors funds in any circumstances....
Documentation needed	Copy of investor's bank statement Copy of investor's passport
Note	this transaction can be immediately repeated twice more, earning the investor not less than 180%. Time period: twenty banking days

The sales tactics employed are common to all types of fraud - and should serve as red flag warning signs to help identify potential frauds:

1. The fraudsters employ high-pressure sales tactics, insisted on a split second decision. It has been known for the perpetrators to have a courier visit you straight after your conversation to pick up your cheque / money.
2. A "guaranteed" investment with a high return without any risk - and you honestly believe such a thing exists?
3. The fraudster is unwilling to provide written information or state what official registrations he has.
4. Alternatively the fraudster (whether it is a company or individual) provides references and additional information: all of which is completely false - but you don't know that until or unless you check it - or until it is far too late.
5. The fraudster suggests you invest on the basis of trust (?!?)
6. The investment opportunities are in another country - particularly concerning where that territory is an offshore location or involves the participation of an offshore "bank"
7. The fraudsters ask for your bank details or credit card details for "verification" or "identification" purposes - this is rubbish - what they are attempting to do is empty your bank account or blow

your credit card limit. Alternatively you have to pay an upfront fee to participate or arrange the deal.

8. The whole deal is based on inside information or an “unannounced” major breakthrough in a particular industry/sector (it is unannounced because it hasn't happened!)
9. Your contact point is extremely unwilling to let you discuss this wonderful opportunity with a third party

In all cases the opportunity presented to you is just “too good to be true” and will make you or your company millions.....

PROXIMAL COUNTRY MONITOR

We have, over the last two months, undertaken for our own research purposes, a complete evaluation of the money laundering and organized crime risks across the globe on a country by country basis. Each month in this newsletter we will include a short summary of a different country and the inherent risks present there. We start with one of the planet's worst drug producing countries, Burma.

BURMA

CLASSIFICATION: A MAJOR DRUG PRODUCER

US GOVERNMENT POSITION (99): A major drug producing and/or transit country which has not been certified as trying to combat the problem. The Country is the world's largest producer of Opium. Money Laundering problems are exacerbated by a cash based economy and whilst anti money laundering legislation exists, it is not enforced; Details are sketchy but because of the major drug producing levels it must be suspected that domestic money laundering is substantial. Commentary suggests that Casinos on the country's borders are used for money laundering, as these establishments are entry points to the international financial system. The government actively encourages drug groups to invest their profits in legitimate enterprises, and it is rumoured that the Government itself is involved in drug trafficking. There is no problem with international organized crime as such, but domestic groups obviously present as part of the drug production and distribution culture.

POLITICANS AND MONEY LAUNDERING

It has been suggested that there must exist somewhere a subliminal link between the three words “politician”, “money” and “laundering”. Consider the following evidence for this theory:

- Asif Ali Zardari, husband of Benazir Bhutto, the former Prime Minister of Pakistan was imprisoned there for kickbacks and indicted for money laundering in Switzerland. Benazir Bhutto herself was also alleged to have benefited from corrupt payments and laundered money
- When the pendulum swung back in Pakistan Nawaz Sharif after being overthrown by a military coup was also accused of extensive money laundering
- Former German chancellor and the architect of reunification Helmut Kohl has admitted to receiving upto £670,000 secret donations to the Christian Democratic Union party whilst in power. It is claimed that sizeable proportions of this money were laundered through Liechtenstein
- Various politicians in Hungary, Romania and Slovakia have been accused (either formally or through the press)of receiving illegal payments and corruption
- Raul Salinas, brother of the former President of Mexico was imprisoned for murder and investigated for illicit enrichment
- Roland Dumas, the former French foreign minister, and a cast of many other French politicians up to and including the late President Mitterand who have all been alleged to have benefited from the laundering of illegal payments made by the French oil giant, Elf.
- Allegations against everybody and anybody upto Boris Yeltsin in the Kremlin, for laundering funds offshore
- Jaime Lusinchi, former President of Venezuela and a client of Citibank charged with misappropriating government funds
- Nigerian claims that former head of state Sani Abacha and fourteen other persons (including various family members and official representatives) "systematically plundered" the Nigerian Central Bank for many years together with committing a series of property crimes (including fraud, forgery, embezzlement and money laundering). As at 21 January 2000 Swiss authorities had frozen funds totalling \$645 million.
- Two daughters of the former President of Indonesia, Radon Suharto, have been accused of looting billions of dollars from the country
- Former political leaders of Kazakhstan have been accused of large scale money laundering through Geneva, other parts of Switzerland and Liechtenstein

Whilst this catalogue of allegations against the formerly perceived great and good may prove beyond any doubt the dictum that absolute power corrupts absolutely it also, without wishing to appear flippant about such cans of worms, suggests that the chances of getting away with money laundering if you are a politician are substantially less than if you are a criminal. The criminalization of politics reaches it's zenith in the narco-state, where it is hard to tell the difference between organized criminals and the ruling power. It has long been held, for example, that the Burmese military junta is actively involved in drug trafficking. However at a practical and pragmatic level what is also obvious that, whilst not wishing to downplay this problem, ruling politicians across the world are always at the mercy of the administration/government which follows them into power.

And of course one sure-fire way to discredit predecessors (who are normally political opponents) is to accuse them of fraud, corruption and money laundering.

UNLICENSED FINANCIAL INSTITUTIONS

Following our listing in last month's newsletter there are various other financial institutions that appear to be operating as unlicensed entities, and thus their probity and honesty must be severely in doubt. We have included as a separate list at the end of this document all such entities that we are currently aware of.

THE FINAL WORD

Jose Guadalupe Pedro-Cruz was picked up by police officers in Lexington, North Carolina after he picked up a "suspicious" package from the post office. The officers searched his car, carried out a roadside drug test and were proud to announce the department's "largest methamphetamine bust". Mr Pedro-Cruz was jailed for two weeks after being charged with drug trafficking. The police then carried out more tests – at which stage they discovered that the "flour looking substance" found in the package, was in fact.....flour. The accompanying waxy looking blocks were Mexican candy. The police immediately released Pedro-Cruz, commenting that they had "done everything in good faith" , apart from perhaps asking Pedro-Cruz exactly what was in his "suspicious" package!

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PROXIMAL CONSULTING
Unlicensed Financial Institutions List 5 May 2000

Based on information we have received we believe that the following companies may be offering financial services in various jurisdictions without the necessary licenses.

ATLAS INTERNATIONAL GmbH	Neuss	Germany
AVG	Dusseldorf	Germany
BACO SECURITIES AG	Zug	Switzerland
BATHGATE DREYFUS & PIERCE LTD	Lisbon	Portugal
BELIDA BROTHERS HOLDINGS SA	Geneva	Switzerland
COMBUS FINANCE	Zurich	Switzerland
FIRMANET FINANCE MANAGEMENT	Baar	Switzerland
FIRST EQUITY TRUST AG	Pratteln	Switzerland
FOREXIA AG	Zug	Switzerland
FREE BANK	Zurich	Switzerland
GMF FINANZ AG	Basel	Switzerland
INNOTREND TRADING	Baar	Switzerland
KELSTERN INVEST	Luxembourg	Luxembourg
LAKE ADVISORY HOUSE GmbH	Immensee	Germany
MERIDIO INVESTMENTS	Zug	Switzerland
NST AG	Lucerne	Switzerland
PILATUS FINANCE CONSULTANCY	Lucerne	Switzerland
QUOTES GmbH	Lucerne	Switzerland
UNITED ASSETS	Zug	Switzerland
ZAKENKANTOOR KOCH	Maasmechelen	Belgium