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THE MONEY LAUNDERING MITIGATION FIRM

due diligence *training *asset tracing *compliance & assurance *investigations *strategic advice *research

MONEY LAUNDERING & BUSINESS CRIME NEWSLETTER ISSUE 6 APRIL 2001

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YOU'VE NEVER HEARD OF THE COUNTRY? POSSIBLY BECAUSE IT DOESN'T EXIST!

Whilst most of us have probably heard of the Dominion of Melchizedek (*for further details see white paper 6 on our web site*), and various frauds connected with this non-existent state, it may come as a surprise to realise that there are many more "micro-nations" with equally dubious claims to nationhood. The US Department of State confirms that there are 191 countries in the world – but none of the following "nations" appear in their list. The Internet has facilitated the growth of numerous new "micro-nations" – many of which are the creation of conmen who offer false passports, fraudulent financial documents and bogus companies.

There are of course a few "micro-nations" that have been set up purely for fun: such as the Principality of Outer Baldonia that was founded on a tiny rock off Nova Scotia in 1949.

Its government charter was based on swearing, drinking and lying about the size of fish caught. The Principality gained some sort of notoriety when it declared war on the Soviet Union.

However many of the "micro-nations" have more dubious and devious agendas. Our research has shown that each of the following "nations" have issued passports, or have had passports issued in their name, which could be used for fraudulent purposes. None of these passports are legitimate:

- Colonia
- Conch Republic
- Corterra (Republic of)
- Empire Washitaw de Dugdahmoundyah
- Hutt River Province
- Khalistan
- Koneuwe (Republic of) – actually somebody's back garden in Zurich!
- Oceanus
- Paisos Catalans Calalunya
- Palmerya (Principality of)
- San Christobel (Republic of)
- Trust Territory of the Pacific Islands
- Vera Cruz (Free and Independent State of)
- Vikingland Furstentum Wikingland

Additionally there are numerous sham organisations that issue passports, which once again are totally fraudulent. Our list of these quasi-organisations is amazing long: amongst the more plausible sounding bodies are:

- Association D'Entrade Humanitaire International
- UNO (United Nations Office, Inc.)
- Centre d'Information Corps Diplomatique et Consulaire

Amongst the more notable "micro-nations" are the Conch Republic, Redonda, The Kingdom of Talossa and the Hutt River Province.

The Conch Republic does actually exist in a physical form (well kind of!). It was "formed" on 23 April 1982 in response to the United States border blockade of Florida Keys. As their website (www.conchrepublic.com) explains "Since the United States Government insisted on treating the Keys like a foreign country, Key West Mayor Dennis Wardlow seceded from the Union, declared war, surrendered, and demanded foreign aid. During the intervening years the US never reacted to the secession, thereby establishing sovereignty for the Conch Republic under International Law". Whilst the Conch Republic do issue passports, the aims of this country appear to be rather more spiritual as it "aspires only to bring more warmth, humor and respect to a planet we find in sore need of all three". However holders of passports from the Conch Republic may not put those documents to such altruistic purposes.

Redonda and Talossa, two separate "micro nations" appear to be at the more lunatic end of the spectrum. The Island of Redonda, according to its comprehensive website (www.redonda.org) "lies in the Caribbean Sea...thirty four miles WSW of Antigua and approximately fifteen miles NW of Montserrat. It is about one mile long by one third of a mile wide...and is a rocky and uninhabitable remnant of an extinct volcanic cove".

Perhaps a clue to its authenticity is given by the contact details for this "nation": which are care of a PO Box number in Norwich, England. The Kingdom of Talossa was formed by a 13 year old high school student who is now King Robert 1: it has existed on the Internet since 1995 and once again the contact details for this "country" – in Milwaukee, perhaps give the game away.

The Hutt River Province perhaps ought to be taken more seriously – or at least the fraud risks posed by it. This entity originally claimed to be an independent American Indian nation in Canada, but now claims to be an independent state in South West Australia. The Hutt River Province Trade Bureau Corporations Register "provides facilities and services to any persons of good character wishing to establish a Business Name, Corporation or Company". Currently the following business names and corporations are "registered" in this way:

- Carvalue
- Take Control
- Graphic Lane
- Asia Corp.
- Buttler
- Asiapacific Network Crop
- Cars.net.au Corp.
- Apacnet Corp.
- Guatemala Trading Corp.
- Trade Force One Corp.
- Drug Aid Corp.
- David Ross Holdings Corp.

And finally we cannot leave without casting an eye once again on the Dominion of Melchizedek. Whilst there are many comical aspects to this and other micro-nations, risks posed by non-existent companies and fraudulent passports originating from such operations are very real. Melchizedek has, it is claimed, its own stock exchange: so watch out for the following companies, which are listed there:

- Rotuman Dominion National Airlines
- Rotuman National Copra Corporation
- Rotuman National Fishing Corporation
- John Hassan Inc.
- Airline Transportation & Leasing Services Ltd.
- Bank of Salem
- FBHC, Ltd.
- Hong Kong Private Bankers
- Pacific Paradise Citrus Corporation
- The International Monetary Reserve
- Taongi Import Trading Company
- Movieland Development USA, Inc.
- Equitable Suisse Bank, AG.
- Dominion Productions, Inc.

Note: We have a more complete list of fraudulent nations and passport issuers. Please feel free to e-mail us for a copy of it

MONEY LAUNDERING BYPASSING THE BANKING SYTEM

As thought for some time now, latest reports and evidence suggests that because of increased legislation and vigilance money laundering is being forced to move out of the banking system and into less regulated distribution channels.

One example of how this can be achieved is through a typical trading company:

A Company in the United States wants to launder \$1 million in cash. It uses this money to buy 200 watches at approximately \$5,000 each and then exports them to subsidiary companies or associates in Ireland, the Bahamas, France, Italy – in fact, any country you like. The importer in the other country is invoiced for, and pays \$5 for each of the watches and then sells them at their market value of \$5,000. Apart from avoiding relevant import taxes, the United States company has succeeded in laundering \$1 million out of the United States – it reappears as perfectly legitimate business turnover in another country.

A SLIGHTLY DIFFERENT CHOICE OF TAX HAVENS

Just prior to the United States Tax Day, outdoor recreation and adventure web site GORP.com released a slightly different list of top ten tax havens, focusing not only on favourable tax policies but also the potential for adventure. Amongst the recommendations given are:

1. Bahamas: "Soft sand beaches....swimming with sharks for the adrenaline addicted....a classic Caribbean tax haven"
2. Belize: A fair share of Mayan ruins, tropical forests, wildlife, top class fishing, rare birds....and tax-free opportunities
3. Cayman Islands: "...conjure up those stereotypical images of powdery white beaches, bright blue water, pastel architecture and tropical ease"
4. Puerto Rico: "If you feel the need to be, well, a bit more underhanded about this tax haven thing, you can always go underground, to Rio Camuy Cave Park – the world's third largest underground river cave system"
5. Switzerland: "The protective mountains (and banks) of Switzerland have famously hidden quite a lot of money, and this alpine country prides itself on neutrality and discretion"
6. United Kingdom: "if you don't have cloven feet, of course, a lusty hike through England's pleasant pastures green or along its sheer chalk cliffs is the perfect way to enjoy the countryside"

WARNING - FRAUDULENT BILLS OF EXCHANGE

The Slovak Gas Industry State Company (Slovenský plynárenský priemysel, š.p.) has taken the unusual step of running advertisements in various financial newspapers worldwide concerning high value bills of exchange. The advertisement read:

In recent times, there have been appearing, mainly in the media, various misleading reports regarding Bills of Exchange, supposedly drawn on Slovenský

plynárenský priemysel, š.p., Bratislava. It is alleged the stated Bills of Exchange appears the signature of the former Managing Director- Ing. Ján Ducký.

The Management of SPP, š.p., Bratislava presents its opinion regarding the affair as follows:

- 1. The existence of the subject "Bills of Exchange" is not connected to any business activities of the company. The Bills of Exchange neither appear in the books of the company nor do there exist business contracts in respect of the performance of which they should act as a payment instrument.*
- 2. Contrary to the legislation regarding State Enterprises there are statements that the "Bills of Exchange" were issued after prior agreement given by the Government of the Slovak Republic before the elections of 1998. Nor does this authority result from the Constitution of the Slovak Republic, so this is expressly disinformation.*
- 3. It does not match the facts, as stated in some reports, that the Government or the company would pay some of the Bills of Exchange. On the contrary, we consider all the subject Bills of Exchange to be fraudulent, and for this reason criminal notices have been made. At present they are the subject of an investigation.*

The Management of the company considers the activities connected with the said "Bills of Exchange" to be an attempt to discredit the credibility of the company and by this also the process of its privatization, and assures potential investors, that together with the respective state authorities, they will do their utmost to abolish these doubts.

THE RIPPLE EFFECTS OF VARIOUS ANTI-MONEY LAUNDERING REPORTS & INITIATIVES CONTINUE...

The ripple effects from anti-money laundering initiatives from FATF and the US government continue to be felt at various locations and jurisdictions:

- In Grenada it was reported in early March that the following offshore banks had all had their licenses revoked by the Grenada International Services Authority:
 - Ø Electra Finance Bank Ltd.
 - Ø Sattva Investment Bank Ltd.
 - Ø Network International Bank Ltd.
 - Ø Trafalgar Atlantic Bank Ltd.
 - Ø 21st Century Banking Corp. Ltd.
 - Ø New London Investment Bank Ltd.
 - Ø Bank of Atlantic Ltd.
 - Ø Carib Bank International Ltd.
 - Ø Dominion Bank Corp.
 - Ø First Mercantile Bank Ltd.
 - Ø Pacific Crown Bank Ltd.
 - Ø Worldwide Bank Ltd.
 - Ø Southwind International Bank Ltd.
 - Ø Union Caribbean Bank Ltd.

- Ø Commercial Bank & Trust International
- Ø Euro Credit Bank & Trust Ltd.
- Ø First International Bank of Grenada Ltd.
- Ø Commercial Bank & Trust International
- Ø Euro Credit Bank & Trust Ltd.

The Prime Minister of Grenada commented that "We have an image problem to correct and we will correct it. We will make sure that we have a viable, clean offshore centre that can bring good business to the country and bring people here that we all can be proud of"

- Although the current position is not entirely clear because of ongoing legal action the Central Bank of the Bahamas appears to have officially revoked the licence of Suisse Security Bank & Trust
- In Nauru (as reported in our last newsletter) the president, Bernard Dowiyogo did face a parliamentary vote of no confidence and lost, primarily because of the tarnished reputation the island has gained because of money laundering activities there. However it is worth noting that Dowiyogo has in fact been President five times before and there have been three changes in Nauru's government in the last two years
- In the Cayman Islands MA Bank, which was named in the Senate Report as having laundered \$7.7 million for a Mexican drugs cartel, has been taken over by the Cayman Islands Monetary Authority. The Monetary authority has also told 62 shell banks that their licences will be revoked if they do not open and staff offices in the territory by October 2001
- In the Bahamas it is estimated that there are more than 400 companies licensed to conduct banking and/or trust operations, and 125 of these are brass plate operations. New regulations are now forcing such brass plate operations to either close down or establish a physical presence in the Bahamas.

Other information: "The minority staff of the Permanent Subcommittee on Investigations report on Correspondent Banking: A gateway to money laundering" summarised in newsletter 5 and the report is linked to at www.proximalconsulting.com

GLOBAL NEWS ROUNDUP

EUROPEAN UNION: The EU Commission has pledged 1.2 million Euros to foster police co-operation with Central European countries waiting to join the EU. The countries involved are Bulgaria, The Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. The funds are to go towards training authorities in these countries in the areas of extradition, confiscation of assets and judicial co-operation for fighting organized crime

LEBANON: The Lebanese parliament have approved a new law to fight money laundering in the country's banking system, which is one of the last bastions of banking secrecy. Lebanon was named as one of the 15 "uncooperative countries" by the FATF in June 2000. The law targets corruption, drug money and illegal arms dealing (but not tax evasion). It enables the state – for the first time – to lift banking secrecy rules on accounts suspected of illegal operations. Punishment for money laundering includes confiscation of related funds and up to seven years imprisonment

UNITED KINGDOM: Tony Blair is believed to want to make an organised crime bill a high priority if he wins the general election, particularly after hearing concerns of police chiefs who believe that the drugs market is worth about £8.5 billion – or 1% of the country's national output. A suggestion that has been widely voiced is that UK legislation would be modelled on the American Racketeer Influenced Corrupt Organizations Act (RICO)

UNITED STATES: In Norfolk Virginia the general manager of a car dealership was found guilty of money laundering for drug dealers. Also found guilty were various other employees and drug dealers. The case shows how invasive laundering proceeds of the drugs trade has become in the United States. Guy Amual, aged 24, faces up to ten years in jail and a hefty fine. Amual repeatedly sold cars to drug dealers for cash, then wrote receipts, titled the cars and helped get bank loans in other peoples names. In one example a car was shown as being bought by a 67 year blind man, who not only couldn't possibly drive the vehicle but also knew nothing about it

THE FINAL WORD

The Wall Street Journal under the headline "Ex-Pot Smuggler Turns Over New Leaf In Search for Job" reports that Brian O'Dea, who has recently completed a 10 year jail sentence for importing 75 tons of marijuana into the United States has advertised his skills in a classified advert. Looking for a legitimate job, Mr O'Dea listed his previous business experience as:

- "Co-owned and participated in the executive level management of 120 people world-wide in a successful pot smuggling venture with revenues in excess of \$100 million annually"
- "Expert in all levels of security....extensive computer skills...well travelled and speak English, French and Spanish"

O'Dea concludes by commenting that "references are available from friends, family and the U.S. Attorney"

The return to the news (at least in spirit) of Robert Maxwell also allows us to recall some of his more eccentric behaviour. He very rarely went to restaurants for fear of being poisoned, but when he did make rare visits, his personal butler and chef accompanied him. In his office he drank coffee from a massive mug bearing the legend "I am a very important person"; He once spent most of a day shouting at a secretary, only to be amazed when she burst into tears. "Who did this to you" he exclaimed "I'll sack them!"

YOU CAN NOW CHECK MONEY LAUNDERING & BUSINESS CRIME HEADLINES THAT ARE UPDATED DAILY ON OUR WEBSITE AT WWW.PROXIMALCONSULTING.COM EACH HEADLINE IS LINKED TO THE FULL STORY

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