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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 8 SEPTEMBER 2001

This newsletter is published regularly and delivered to clients and contacts of Proximal Consulting by e-mail
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AN UPDATE ON SOME OLD FAVOURITES...

Imagine our surprise when we received the e-mail reproduced below from a new friend in Nigeria, via our main e-mail address:

REQUEST FOR ASSISTANCE IN A FINANCIAL TRANSACTION

I am contacting you based on information and esteem recommendation I received of you from a high ranking official in the commercial section of the Nigerian Chambers of Commerce and Industry who guaranteed your reliability and trustworthiness in business dealings. This business proposal I wish to intimate you with is of mutual benefit and it's success is entirely based on mutual trust, cooperation and a high level of confidentiality as regard this transaction.

I am the Chairman of the contract Advisory Committee (CAC) of the Nigerian Federal Ministry of Works and Housing (FMWH). I am seeking your assistance to enable me transfer the sum of US\$16,500,000.00 (Sixteen Million, Five Hundred Thousand United States Dollars) into your private/company account.

The fund came about as a result of a contract awarded and executed on behalf of my Ministry the Federal Ministry of Works and Housing. The contract was supposed to be awarded to two foreign contractors to the tune of US\$60,000,000.00 (Sixty Million United States Dollars). But in the course of negotiation, the contract was awarded to a Bulgarian contractor at the cost of US\$43,500,000.00 (Forty-Three Million, Five Hundred Thousand United States Dollars) to my benefit unknown to the contractor. This contract has been satisfactorily executed and inspected as the Bulgarian firm is presently securing payment from my Ministry, where I am the Executive Director in-charge of all foreign contract payment approval.

As a civil servant still in active government service, I am forbidden by law to operate an account outside the shores of Nigeria. Hence this message to you seeking your assistance so as to enable me present your private/company account details as a beneficiary of contractual claims alongside that of the Bulgarian contractor, to enable me transfer the difference of US\$16,500,000.00 (Sixteen Million, Five Hundred Thousand United States Dollars) into your provided account.

On actualisation, the fund will be disbursed as stated below.

1. 30% of the fund will be for you as beneficiary
2. 10% for reimbursement to both parties for incidental expenses that may be incurred during the course of the transaction.
3. 60% of the fund will be for me which I intend to invest in your country with you as my partner.

All logistics are in place and all modalities worked out for a smooth actualisation of the transaction within the next few working days of commencement. For further details as to the workability of this transaction, please respond by return mail on my confidential E-mail address: fmwhbakare@yahoo.com.or by fax .+234-1759-7154.

Thank you and God bless as I await your urgent response.

Yours sincerely,

Ali Bakare (Engr)

We presume that our Nigerian friend has used a "sniffer" program that identifies e-mail addresses given on web sites and then bulk mailed all those in his newly obtained address book. It goes without saying that all usual comments and warnings apply to such e-mails. (For a complete history and evaluation of Nigerian based frauds download White Paper Number Twelve from our website).

On almost the same day as we received our e-mail (actually we received it twice - presumably just in case we ignored it first time round), another Nigerian fraud came to light in Canada. Three Toronto residents have been arrested as a result of a joint investigation run by the Canadian Federal Bureau of Investigation and US Secret Service. The three men are alleged to have taken part in a global fraud involving more than 300 victims, who lost sums ranging from tens of thousands to millions of dollars.

One of our contacts has also recently received another variant of the Nigerian letter, this time from Mr Albert Sankarah in Congo, who quotes a South African telephone and fax number. His letter reads as follows:

I am Mr Albert Sankarah from the Democratic Republic of Congo and the special adviser to the late President Laurent Kabila.

On the first week of this year the late President assigned me to the Republic of South Africa to conclude the Arms and Ammunitions procurement negotiation with an arm dealing company right here in South Africa as was a call of urgency. Before I left Congo, the President and I were made aware of the plans of the opposition to topple the government.

On the 15th of January 2001, I arrive to South Africa with the sum of US\$23 Million (Twenty Three Million United States Dollars) through diplomatic means. To proceed on my mission I heard the most shocking news of my life; the assassination of the President who sent me on this mission. Having a thought of his death, I saw it as a golden opportunity to enrich and reward myself for my loyalty to him towards the overthrow of the late President Mobutu Sese Seko. I decided to deposit the funds with a reputable Security Company here in Johannesburg.

Knowing that since I am currently seeking asylum here in South Africa, I have got a lot of financial limitations. Coupled with the way in which this money was acquired, I cannot invest or use this money in South Africa. That is why I thus decided to seek for a God fearing person who can assist me in transferring these funds into his company or personal account.

In anticipation of your assistance I have agreed to offer you:

1. 25% of the total funds for your assistance
2. 5% to be set aside for every reasonable expenses incurred by both parties
3. and the remaining 70% will be for my investment in your company

I have done everything necessary that will lead to the success of this transaction before contacting you, so all I want from your side is sincerity. Remember that the key word to this transaction is confidentiality and I assure you that this transaction is 100% risk free. If you are interested in assisting me please notify me on the above telephone and fax numbers. In case you cannot assist, do keep it confidential.

Best regards

The contents of this letter confirm additional information that we have recently received that suggests that South Africa is becoming a centre of Nigerian activity, with many fraudsters operating out of the country, trying to lure innocent "investors" there. Another variation on the dead statesman theme is the following letter, which is currently being sent by e-mail:

Dear Sir,

I am Mr. VArsadi Mobutu, the son of the late President Mobutu Sese Seko of former Zaire now Democratic Republic of Congo. My family and I now live in exile, in Morocco. Due to seizures / confiscation of my late father's properties as well as the frozen of all his bank accounts including that of the family members and the recent confiscation / seizure of his choice property châteaux in South of France, which were all carried by the International Press, made us not to make any meaningful investment without a sincere and trusted front. In this line, therefore, it is the wish of my family to solicit for a trustworthy and sincere person who will invest these funds under trusteeship for the family. We have US\$500m to put in any meaningful investment that will yield good dividend.

SOURCE OF FUND:

Before the death of my father he deposited the above stated funds with a Security Firm here in Morocco. Hence I am in Asylum here in Morocco therefore, I intend to have a front who will manage this fund and invest it into property development, buying of shares / stocks in multinational companies and engage in non-speculative investments, and other related ventures.

As soon as I hear from you I will then arrange a face-to-face meeting for us to deliberate on this investment. It will also, give me the opportunity to assess your capability of handling this investment. Please I will like you to send me your private telephone / fax numbers, to allow us discuss privately and establish a voice contact. Meanwhile reach me on the above stated email. Please treat this matter with utmost confidentiality.

Best Regards,

Varsadi Mobutu.

As always, and at the risk of repeating ourselves, any variation of these letters (whether they claim to originate from Nigeria, Ghana, South Africa – or elsewhere) should be completely ignored, unless of course you wish to loose both money and face.

(Note: All letters quoted have been quoted verbatim, complete with spelling and grammatical errors!)

POLISH CRACKDOWN ON CORRUPTION

Stanislaw Iwanicki, the new Polish justice minister has launched a crackdown on corruption amongst businessmen and politicians, in advance of the upcoming general election. One reason for this new initiative is the arrest of the former head of Poland's leading life insurer, PZU Zycie for his involvement in what has been described as one of the biggest fraud cases since the fall of communism. Grzegorz Wiczerzak is accused of personally profiting from a multimillion dollar loan made by PZU Zycie to an investment company. This incident has once again thrown a spotlight on accepted business practice in Poland where "favours" are necessary to obtain contracts, public tenders and privatization deals. As an example of this, the Polish Telecommunications Minister has been suspended for possibly presiding over a "mechanism of corruption" in the awarding of mobile telephone licences. Previously a deputy defence minister was fired when a newspaper reported that an aide had solicited bribes on the minister's behalf in return for awarding defence contracts.

KAZAKSTAN AMNESTY LEGALIZES \$480 MILLION

The Central Bank of Kazakstan has confirmed that a "grey money" amnesty has brought in \$480 million. The month long "no questions asked" amnesty which ended in the middle of July drew in money from over 3,000 people but only 11.4% of the cash was repatriated from foreign bank accounts. Views on the purpose of the amnesty have been mixed: some commentators saw it as an antidote to previous chaotic tax regimes, whilst others saw it as a method of legitimizing massive amounts of money obtained through bribery and corruption by officials.

ADVISORY LIFTED ON ANTIGUA

On 16 July the UK Government lifted a financial advisory notice that was imposed on Antigua & Barbuda in April 1999. The High Commissioner in London, Sir Ronals Sanders commented that "we have worked very hard to ensure that Antigua and Barbuda applies the highest international standards in the fight against money laundering. We are irreversibly dedicated to maintaining a clean jurisdiction where we can grow our financial services sector on legitimate business".

Notwithstanding this comment we are conscious of our own evaluation of Antigua & Barbuda, contained in Peter Lilley's book "Dirty Dealing", which is as follows:

MAJOR MONEY LAUNDERING PROBLEMS

Antigua is possibly one of the most enticing Caribbean locations for money launderers - subject to various official warnings, particularly as a result of the failure of the European Union Bank in 1997. IBCs are available and there is no disclosure of beneficial ownership. Until fairly recently there was no anti-money laundering legislation, but because of international pressure the situation appears to be improving.

UNITED STATES FAILS TO DO ENOUGH ON FINANCIAL CRIME - ACCORDING TO FATF

Perhaps as a sign of the times, FATF has found that the United States fails to comply with more than a third of its 28 recommendations for action. This places the USA third from bottom in a survey of 29 industrialised nations (only Canada and Mexico scored worse). That having been said, only three countries achieved full compliance - Brazil, Greece and Luxembourg. Even FATF admit that the survey results should not be construed as a measure of the effectiveness of members' anti money laundering systems

This evaluation coincides with the Bush administration announcing that it is reviewing rules to fight money laundering in the US as such rules may be burdensome for US banks without achieving their goal. Treasury Secretary Paul O'Neill has ordered a major review of money laundering regulations aimed at finding out whether the annual spend of \$700 million is giving value for money.

THAILAND BOILER ROOM FRAUD- 84 PEOPLE ARRESTED

Eighty four people have been arrested in Bangkok in relation to an alleged \$66 million fraud. Police raided the offices of a company that were selling bogus shares on a worldwide basis by cold calling potential clients. Thirty six of those arrested were British who had been recruited following interviews at hotels in London, Glasgow and Manchester. The raid appears to have failed to capture those behind this fraud, which initially traded as the "Brinton Group", but also used over 30 other names and addresses.

A FLOOD OF COUNTERFEITS PRIOR TO EURO INTRODUCTION

The impending introduction of the euro has created various unexpected side effects, such as a mini property boom in Spain fuelled by "grey" cash and a flood of counterfeit money in Germany. In the first half of 2001 cases of counterfeit money identified in Germany doubled the previous years total. 15,000 bills have been detected - mostly 20 mark notes, which do not have the metallic seals that are found on larger denomination bills. The problem is particularly prevalent in Bavaria, because of tourism and the state's long international border. It is presumed that the counterfeiters are trying to get rid of the fake marks prior to the introduction of the euro notes on 1 January 2002.

A similar problem is feared in Italy where an avalanche of counterfeit lire is being predicted in the property and luxury goods market prior to the launch of the euro. Last year counterfeit currency with a face value of £6 billion was confiscated in Italy. Italian police are predicting that as soon as the fake lires have been offloaded criminal groups will turn their attention to the new euro notes and coins. Even allowing for the fact that the euro notes are the most sophisticated ever produced it is widely assumed that criminals will attempt to counterfeit them. Ironically perhaps the best time to flood the market with counterfeits is in the first few weeks of the new currency, when the public may still be unfamiliar with what the real notes and coins should look like.

THE FINAL WORD

The following comments and claims are from real CV's submitted to potential employers. No wonder the applicants weren't successful (or at least we presume they weren't successful)!

"Wholly responsible for two failed financial institutions"

"Instrumental in ruining entire operation for a Midwest chainstore"

"The company made me a scapegoat; just like my previous three employers"

"My goal is to be a meteorologist. But since I possess no training in meteorology, I suppose I should try stock brokerage"

NINE NEW WHITE PAPERS ON BUSINESS CRIME ISSUES ARE NOW AVAILABLE FOR DOWNLOAD AT OUR WEBSITE. TOPICS INCLUDE:

- The Abacha Case
- Nigerian & West African Fraud
 - Reinsurance Fraud
- Steps to control Money Laundering
 - Russian Organized Crime
- Money Laundering through Stock Exchanges
- Caveat Emptor: how to protect yourself from financial fraud

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