



July 2003

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*"Entertaining,
well written &
well presented"
-The Irish Times*

*"Paints an
alarming picture..
Lilley has done
his homework"
-IOD "Director"
magazine book of
the month*

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MORE DIRTY DEALING

The second edition of Peter Lilley's book on money laundering "Dirty Dealing" is published by Kogan Page on 23 July. The book has been fully revised, updated and expanded from its original version that was published in 2000. In an extract from the new introduction to the book Peter reflects on the changes that have taken place since the publication of the first edition:

September 11 2001 was to be the day that the world changed. Very soon after the horrific events in the United States media attention was drawn to the underlying topic of the financing of terrorism. Since then the war on terrorism has, to a large degree, been focused on stifling the funding of such activities. Nearly every country has introduced, revised or strengthened its anti-money laundering regime; key nations have issued reports on just how well they are doing, quoting the amounts of terrorist funds that have been frozen or confiscated.

So why, if such progress has been made, do I feel pessimistic about what is happening? The first edition of "Dirty Dealing" was published at the end of 2000. In the final section of the book I concluded that at its dark heart, money laundering and everything related to it is an ethical issue. I observed that it is one of the most corrosive social and business problems of the new century, quoting the United States 1998 International Narcotics Control Strategy Report which observed that

Money laundering has devastating social consequences and is a threat to national security because money laundering provides the fuel for drug dealers, terrorists, arms dealers, and other criminals to operate and expand their criminal enterprises. In doing so, criminals manipulate financial systems in the United States and abroad. Unchecked, money laundering can erode the integrity of a nation's financial institutionsOrganized financial crime is assuming an increasingly significant role that threatens the safety and security of peoples, states and democratic institutions. Moreover our ability to conduct foreign policy and to promote our economic security and prosperity is hindered by these threats to our democratic and free-market partners.

These prophetic words were published in February 1999. I concluded the original edition of this book with the following words: crime can only succeed if the funds generated can be utilized without their true source being known. Moreover criminal activity continues to expand because the washed funds are then reinvested in the business. Money laundering is the critical tool to enable this. It is a dynamic and robust circular process. It will only be stopped when the legitimate business world implements strong coherent anti money laundering procedures in a serious way and when drastic action is taken by relevant authorities against the jurisdictions, people and Institutions that make the washing cycle possible. This is a severe problem - a business and financial apocalypse - that now merits such draconian action. If, as I fear, this will not occur then the future looks very grim indeed.

No one –certainly not me – could have exactly predicted the cataclysmic occurrences of 9/11. However, as the quotation from the 1998 US report shows, there were more than enough warning signs that existed for a number of years to allow one to speculate that something of a horrendous nature would occur, probably earlier rather than later. The only part that virtually everyone got wrong is that it was assumed that the perpetrators of any outrage would be one of the numerous transnational organized crime factions rather than terrorists.

"Dirty Dealing" attempts to tell the story of money laundering in all of its guises and suggests what can be done to control the washing of this soiled money"

This revised edition of "Dirty Dealing" has as its basic premise that money laundering remains one of the key unresolved global issues. The laundering of dirty money is so important because it is the engine that drives all of the planet's corrosive and destructive activities: such as crime, terrorism, drugs, prostitution and human trafficking. Whilst we may now realise that this is a serious problem, I have severe doubts as to whether we have even begun to tackle it. Most – if not all – of the topics I wrote about in the first edition of this book are just as prevalent as then. In fact, there are various pieces of evidence to suggest that we have learnt very little, and the problems are getting far worse.

Immediately prior to the publication of the first edition of "Dirty Dealing", the US Administration was seeking to widen the definition of money laundering to encompass fiscal crimes. Then, as now, I argued that this was a mistake: equally it is erroneous to now merely think that money laundering is only important when it relates to terrorism. Thus, "Dirty Dealing" attempts to tell the story of money laundering in all of its guises and suggests what can be done to control the washing of this soiled money. Above all, we should never forget that money laundering does not take place in a vacuum: somewhere along the line there will always be real human suffering as a result of this dirty dealing.....

Further Information

- The new edition of "Dirty Dealing" is published by Kogan Page on 23 July 2003 and can be ordered online at www.proximalconsulting.com
- Peter Lilley has also contributed a keynote chapter on money laundering in Asia to "Fighting Corruption in Asia: Causes, Effects and Remedies" edited by John Kidd and Frank-Jürgen Richter, published by World Scientific Publishing. Full details can be found at <http://www.wspc.com/books/eastasianstudies/5169.html>

THE ENDLESS SAGA OF NIGERIAN 419 FRAUDS

We have written extensively in previous newsletters of the endless twists of Nigerian/West African 419 frauds. On many occasions we have been somewhat flippant about the fraudulent letters and e-mails doing the rounds. In retrospect perhaps we have been too light hearted about this problem – because these Nigerian con men are probably the most organized criminal group of all.

We therefore think it is time to warn again against the many and varied versions of these letters which are still circulating – and being successful at persuading recipients to part with both their personal details and large volumes of funds. Amongst the current letter/e-mail variants that we are aware of are missives from the following or concerning the following subjects:

Afghanistan - illicit drug money
Africa prime banks
Ajokuta Steel Plant (Nigeria along with Russian partner)
Allied Consulting Group Inc (Lagos)
Amsterdam - Hank van de Kam
Angola funds from abandoned arms purchase contract
Angola UNITA Rebels
Auditor General Abdul Abu
Benin - Contract Awarding Committee ECOWAS
Brunei - funds from "Princess" Haja
Burkina Faso - Bank of Africa (air accident victim - stand in for next of kin)
Concorde - false claims on trusts purported to be held in Nigerian Banks on behalf of victims of the Concorde crash
Congo - William Kabila (or members of the Kabila family)
Cuba - Alberto Martins
Democratic Republic of Congo (Aloys Wakyebawa)
Department of Petroleum Resources

*"These Nigerian
con men are
probably the most
organized
criminal group of
all"*

Development Bank for Southern Africa
Diamond Safari -South Africa
Ethiopian airliner crash
Gabon - Dept of Petroleum Resources, Contract Award Committee
Gambia - funds from Mobutu Sese Seko from Zaire
General Abacha (there are many variations referring to General Abacha or members of his family)
Ghana - Johnson Musole, gold mines
Ghana - Standard Chartered Bank, foreign currency banker
Ghana - Tony Giuei
Indonesia - funds from Tommy Suharto
Iraq - Amir Hussan, looted funds
Iraq - C Johnson, "attache at African consulate" in Iraq
Iraq - Mohammed Aziz (son of General Tariq Aziz)
Ivory Coast - Bank of Africa (Zodos Power)
Ivory Coast - Camara group, cattle vaccine
Ivory Coast - Kenyan Air accident victim (stand in for next of kin)
Ivory Coast - Tony Bamba & Ben Langa
Liberia - natural resources, law change on foreign currency accounts
National Electric Power Authority (NEPA)
Nepal - Royal family deaths (from "Yuvraj Kailash, attorney to late King of Nepal")
Nigeria Alhaji Ishmalia Gwarzo estate
Nigeria - Chief Banny Gemade
Nigeria - any reference to funds left by General Abacha, or purporting to be from relatives of General Abacha
Nigeria - Niger Delta oil spill
Nigerian Chamber of Commerce
Nigerian Federal Bureau of Finance Audit Bureau
Nigerian Federal Contract Award Committee
Nigerian Federal Ministry of Petroleum
Nigerian Federal Ministry of Works and Housing
Nigerian National Gold and Diamond Mining Corporation
Nigerian National Petroleum Corporation Funds
Nigerian oil spillage
Nigerian Petroleum and Development Implementation and Resources
Nigerian Petroleum Trust Fund (PTF)
Nigerian Ports Authority
Nigerian raw gold marketing opportunity
Nigerian Senate House Committee Government Notice
Nigerian Union Bank Plc (Gunn-Finance Pty Ltd)
Nigerian World Bank (funds from Israeli victim of US air accident)
Nigeria World Soccer Fiesta
North Atlantic Securities Company (Togo and Netherlands)
OMPADEC (Oil Mineral Producing Areas Development Commission)
The Philippines - funds from wife of Joseph Estrada
Rapid Global Securities & Investment Company Ltd
RWA Agency relief funds
Serbia - funds from former government of Slobodan Milosevic
Sierra Leone - African Development Bank (gold and diamond trade)
Sierra Leone Apex Bank
Sierra Leone arms purchase through the Netherlands
Sierra Leone - Bank of Sierra Leone
Sierra Leone - cocoa business
Sierra Leone Diamond Trade/Mines
Sierra Leone Rebel Forces
Sierra Leone Revolutionary United Front
South Africa - ABSA Bank official, funds from victim of Lockerbie Pan Am air crash
South Africa (Grubber Gold Co.)
South Africa Diamond Safari Gold Co.
South Africa - Princess Maria Mbonga
South African Anglo Gold Corporation

These letters are entirely fraudulent and you should not reply to them under any circumstances

South African Mining Corporation
South African Ministry of Mining Resources
Spain (Madrid) - Barrister Thomas Graham - funds from estate of Monica Cummings
Tanzania - son of late President Julius Nyerere
Togo- African Development Bank - stand in for next of kin (Ryu Suhyoon)
Togo (Ethiopian aircrash 1996)
Togo - International Bank of Africa
United Bank for Africa Plc (foreign account holder deceased)
USA, New York - Global Finance (Keem Almustapha) - funds from estate of September 11 victim
West African Allied Forces (ECOMOG)
West Africa - Simon Jefferson (gemstones fund)
Yugoslavia - funds in European currencies gathered by Slobodan Milosevic and others indicted by the War Crimes Tribunal
Zaire Mobutu Army Elite Corps
Zaire - relatives of Mobutu Sese Seko
Zaire - South African Arms Purchase
Zenith International Bank Nigeria (funds left by Butch Miguel, died on Egypt Air Flt 990 Nov 1999)
Zimbabwe - farmers
Zimbabwe - tobacco business

As always our advice remains the same: these letters are entirely fraudulent and you should not reply to them under any circumstances. None of the events or offers described in them are genuine – the people behind them are skilled fraudsters. Don't be taken in!

FRAUD/MONEY LAUNDERING WARNINGS

Amongst the fraud and money laundering warnings that we have recently become aware of the following three are particularly noteworthy:

WORLD BANK WARNING

The World Bank has warned against investment deals and advance fee fraud schemes that misuse the name of the World Bank and/or claim to be affiliated with the World Bank Group. In several of these schemes criminals have falsely represented that they are "World Bank Auditors" or members of the "World Bank West African Regional Delegation". Bogus faxes have been sent using official looking World Bank letterheads together with quoting names of actual World Bank Group Staff names. Although the World Bank do not state as such in their warning, it is fairly obvious that such misuse of their name and details is being carried out by Nigerian/West African fraudsters.

The World Bank Group consists of the following entities, the names of which may be used in a fraudulent manner: the International Bank for Reconstruction & Development, the International Finance corporation, the International Development Association, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes.

US OCC FRAUD ALERT

The US Office of the Comptroller of Currency has warned against various forms of worthless financial instruments entitled "Sight Draft", "Bills of Exchange", "Due Bill" and "Redemption Certificate".

These financial instruments usually have the following characteristics:

- They are created to look like a standard bank cheque
- They state that the instrument is payable through the US Treasury, the Comptroller of Currency or the Commissioner of the Inland Revenue Service
- There are no encoded account numbers printed on the bottom edge of the

World Bank Fraud Warning

US OCC Fraud Alert

document

- The person signing the document is not authorized to do so

SPANISH & DUTCH LOTTERY LETTERS

Various warnings have been issued regarding letters or e-mails claiming that the recipient has won a large amount in a Spanish or Dutch lottery – and you are to keep quiet about it as the prize winner information cannot be made public. These letters are part of an advance fee fraud scam – on contacting the “lottery operator” you are asked to provide details of your bank account and confirmation of your identity. You are then asked to pay an “administration fee”. Remember:

- You can’t win a lottery prize if you haven’t bought a ticket!!
- Legitimate lottery operators don’t ask for “administration fees”
- Don’t provide personal identity information to an unknown third party

More information can be found at the website of the official Spanish lottery regulator (<http://onlae.terra.es> – click on “Otros Avisos”) and the New Zealand Consumer Ministry (www.consumer-ministry.gov.nz)

GLOBAL NEWS ROUNDUP

FATF: On June 25 2003 the Financial Action Task Force revised its money laundering “blacklist” of countries, removing St Vincent and the Grenadines. The current list of “Non-Cooperative Countries and Territories” are:

1. Cook Islands
2. Egypt
3. Guatemala
4. Indonesia
5. Myanmar (Burma)
6. Nauru
7. Nigeria
8. Philippines
9. Ukraine

At the same meeting the FATF issued its revised Forty recommendations to combat money laundering. The major changes that have been included are:

- Specifying a list of crimes that must underpin the money laundering offence
- The expansion of customer due diligence processes for financial institutions
- Enhanced measures for higher risk customers and transactions, including correspondent banking and politically exposed persons
- The extension of anti-money laundering measures to designated non-financial businesses and professions (casinos, real estate agents, dealers in precious metals/stones, accountants, lawyers, notaries and independent legal professions, trust and company service providers)
- The inclusion of key institutional measures, notably regarding international co-operation
- The improvement of transparency requirements through adequate and timely information on the beneficial ownership of legal persons such as companies, or arrangements such as trusts
- The extension of anti-money laundering requirements to cover terrorist financing
- The prohibition of shell banks

UNITED STATES: The former Ukrainian Prime Minister Pavlo Lazarenko has been released from jail in the United States. Lazarenko has been held in a detention facility near to San Francisco since 1999. He is accused of laundering \$114 million through US banks whilst he was Prime Minister – he has pleaded innocent to these charges. Additionally he faces two counts of murder and is wanted on charges of embezzlement, misappropriation of government property and abuse of office in Ukraine. He will remain

UK authorities struggle under the weight of SARs

free until his scheduled US trial date of 18 August

UNITED KINGDOM: Early in July English newspapers reported that the UK police are struggling to cope with the number of money laundering Suspicious Activity Reports (SAR) submitted to them. Although this is not a new story – as this problem has existed since 9/11, if not before – the scale of the backlog shows just what a woefully deplorable situation exists. Suspicious Activity Report cases have grown from 15,000 in 2000 to 63,000 in 2002 with the number this year expected to exceed 100,000. The current backlog? 58,000 cases – in other words nearly a years worth of reports.

Swiss rise in suspected laundering cases

SWITZERLAND: Reported cases of suspected money laundering have also risen in Switzerland: up by 56% in 2002 an compared with the previous year. However the total amount of money that is suspected of being laundered is down: from CHF 2.7 billion in 2001 to CHF 667 million in 2002. For the first time reports from the non-banking sector exceeded those from the country's banks. Following 9/11 and its after effects, 95 reports submitted in 2001 involved suspicions of terrorist financing – but by 2002 the total was down to 15.

Saudi Arabia: stiff new laws following US pressure

SAUDI ARABIA: In the middle of June the Shura Council of Saudi Arabia approved new legislation confirming stiff penalties for money laundering offences. The 29 article law stipulates jail terms of up to 15 Years and a fine of seven million riyals for those found guilty of carrying out money laundering through charities or organized gangs. The bill also bans any commercial or financial transaction in which the parties involved are not fully identified. It also requires financial institutions to keep records for a minimum of ten years and adopt measures to uncover and report suspicious transactions

South Africa: New AML regime

SOUTH AFRICA: The Financial Intelligence Centre Act 2001 came into effect on 1 July – finally bringing South Africa in line with AML international standards. The Act imposes duties on South African banks to establish and verify the identity of all customers, report suspicious or unusual transactions, keep records of all transactions for up to five years, develop internal rules for staff together with reporting suspicious transaction to the Financial Intelligence Centre which was set up earlier this year.

Jamaica: new laundering methods

JAMAICA: Karl Plummer, the Deputy Superintendent of Police in Jamaica has observed that money laundering on the Island has now infiltrated various new areas of economic activity. These include: money remittance services, the lottery, stage shows, car dealerships, hotels, lawyers and real estate professionals. DSP Plummer observed in June that "It is estimated that US\$ 50 billion is laundered through the Caribbean on an annual basis – that is greater than the entire GDP of the region". Jamaica is one of the main transshipment points for drugs being transported from Colombia to North America – this in turn results in the profits being sent back via remittance services or by money couriers. In 2002 Jamaica got US\$ 1.2 billion in inward remittances – the second highest level per capita in the world.

Need a venture capital loan – here's one to pass on

UNITED KINGDOM: On 27 June three men were jailed for a total of 13 years for a worldwide multi million pound phantom loan scam aimed at foreign businessmen. Working thorough bogus front companies the three men promised to arrange huge venture capital loans. More than 100 businessmen applied for loans of between £750,000 and £25 million for projects including hospitals, luxury hotels and golf courses. The three convicted men – George Steen, Dennis Andrews and David Andrews – charged a "registration fee" of £6,900 and a "due diligence" fee of £20,000. The three gave a false respectability to the business by inviting victims to elaborate presentations at the Grand Hotel in Brighton and a "signing ceremony" at the Dorchester Hotel in London. None of the victims noticed a small print condition that required a "collateral bond" of 40% of the borrowed amount before any funds were paid. The UK Serious Fraud Office commented that George Steen – the main perpetrator – had obtained at least £1.8 million in this fraud, none of which has been recovered. The men only advertised in foreign newspapers to avoid British clients turning up on their doorstep.

THE FINAL WORD

The 10% rule: according to the London "Evening Standard" Russians spent \$30 billion in 2002 on bribes – a tenth of the country's gross domestic product.

Bank robber John Gladney was arrested very close to the bank he had just robbed in Columbus, Ohio because police noticed he was walking strangely, as if he was in pain. When he left the bank forty-year-old Gladney had stuffed a money bag down the front of his trousers – just before the chemical dye pack inside the bag exploded.

SERVICE DIRECTORY

NEWSLETTER SUBSCRIPTIONS & PREVIOUS ISSUES

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KYC DUE DILIGENCE WARNING DATABASE & NEWSLETTER– Can you afford to be without this critical intelligence?

We also publish a monthly Know Your Customer Due Diligence Newsletter. The June edition contained warnings relating to over 200 individuals and/or companies currently known to be involved in fraud and money laundering.

The annual subscription to this newsletter is £250, which includes a fully searchable cumulative MS Excel spreadsheet database that contains details of all warnings issued by us since February 2003. These now exceed 1,000 companies and/or individuals. You can get further details of this newsletter at: www.proximalconsulting.com

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PUBLICATIONS BY PETER LILLEY

Copies of Peter Lilley's two most recent books, "Dirty Dealing: the untold truth about global money laundering" & "Hacked, Attacked & Abused: Digital crime exposed" can be ordered online at www.proximalconsulting.com

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