

The tough battle against crooks with a telex machine

By Charles Batchelor

BANKING should be booming in the western Pacific. From Saipan to Nauru, from the Marshall Islands to the Cooks, islands throughout the region have been attracting the attentions of would-be bankers.

The remoteness of these exotic locations from the major financial centres is no deterrent. In fact, distance from the established world of banking and from the tiresome regulations which govern its participants is one of the attractions. For the last thing that many of the banking applicants want is too close an eye to be kept on their operations.

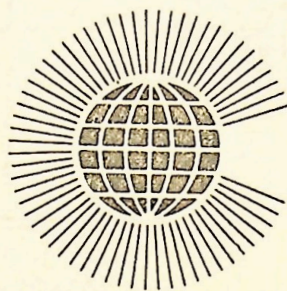
With the American authorities turning the heat on the traditional Caribbean centres of offshore banking the criminals have sought out less accessible destinations through which to channel payments, launder the proceeds of drugs or prostitution, or take the final pay-off in elaborate international frauds.

The desire of some of the Pacific islands to develop new sources of revenue to boost their economies make them a ready prey for the fraudster.

A bank set up on one of the Pacific islands handled payments of no less than \$160m

in its first six months of business. Investigators believe these were the proceeds of Chinese criminals active in South East Asia.

"All you need is a crook with a telex machine," says Dr Barry Rider, head of the Commonwealth Commercial Crime Unit,



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a small team of investigators set up in November 1981 to meet the growing threat of international commercial crime.

Rider, a deceptively relaxed 33-year-old, combines his crime unit work with an academic career at Jesus College, Cam-

bridge. A lawyer by training, he spent five years in the criminal investigation field in the Far East before being asked to set up the unit.

"Some countries in the Pacific are trying to develop too quickly as financial centres," he says. "The difficulty is that the only time you can regulate these banks is when they apply for a licence. Once they have got a licence banking secrecy come into play and there is no way of checking what they are doing."

"The problem is that there are no viable sources of information to positively vet people applying for bank licences. Even if you were one of the UK clearing banks dealing with one of these 'banks' in the Pacific or the Caribbean it would take two to three weeks to check the credentials of the people you were dealing with."

Rider and his small team have been attempting to fill that information gap working from cramped offices in the Marlborough House headquarters of the Commonwealth Secretariat off London's Pall Mall.

"If someone applies for a banking licence in, say, the Cook Islands and we know he is linked to drug operations

then he won't get his licence," says Rider.

Working on a shoe-string budget the crime unit has built up an impressive information base on known fraudsters around the world.

The crime unit was set up to foster co-operation between national law enforcement agencies within the Commonwealth in their fight against commercial crime. However, many Third World countries simply did not have the skills to handle this type of crime and from the start the unit was deluged with requests for intervention in specific frauds or attempted frauds.

In its brief existence it has handled no fewer than 800 requests for help from Commonwealth countries ranging from Antigua to Zimbabwe, Australia to Singapore. It has also dealt with requests from the U.S., the Soviet Union, Indonesia and Switzerland in cases where Commonwealth countries were also involved.

How does the unit work? A typical request might come in the form of a telex seeking information on someone who has applied for a banking licence or who is offering a loan to a

government—in return for the payment of an arrangement fee in advance.

The unit's own rapidly expanding files or contacts with law enforcement agencies around the world can usually provide a profile of the individual involved or the bank he is using and establish any crime connections.

A commissioner in one Commonwealth country kept a suspect financier waiting in his outer office while he sent off an urgent request for information from the crime unit. The suspect, who was seeking a letter of introduction to the finance ministry, turned out to have a criminal record and was detained on the spot.

The unit's work reflects the growing belief among crime prevention agencies that tracing the flows of money is the most effective way to crack crime. Don't go for the drug peddler on the street — which is small fry anyway — go for the men making the big money transfers as the organisers of the rackets move their earnings to safer destinations, this argument goes.

This was an important theme to emerge from a four-day conference held in Cambridge last week to look at the misuse and

abuse of banks and other financial organisations.

The gathering, attended by 300 ministers, senior law officers and policemen from both Commonwealth and non-Commonwealth countries, called for governments to consider legislation to ease access to financial and other records.

It urged an attack on organised crime through its financial assets and called for money laundering — not itself an offence — to be declared unlawful in certain circumstances.

The ingenuity of the criminal means that frequently the profits of crime will move halfway round the globe before reaching their final destination.

In one case, documents found on a courier picked up in Hong Kong related to financial dealings involving banks in four European countries. Among the documents were letters of deposit drawn on a bank still trading in a U.S. trust territory in the Pacific despite the fact that its banking licence had been suspended. The bank owners were traced via Miami and New York to a Mafia boss who was laundering the proceeds of drug trafficking through a lengthy chain of transactions.

The crime unit is currently concentrating its efforts on the problem of "shell" banks — banks set up in offshore centres to "front" a criminal organisation.

"We are targeting known professionals who are involved in setting up crooked banks," says Rider. "These are lawyers, bankers and accountants who act as mercenaries for the Mafia and other organised crime groups in violation of the ethical stan-

INTERPOL

dards of their profession."

The unit is co-operating in this venture with Interpol, the Paris-based organisation set up to co-ordinate the work of police forces to combat cross-border crime.

When Commonwealth law ministers took the decision in 1977 to set up their own commercial crime unit they saw it as complementing Interpol, which they felt was not wholly adequate to combat this form of crime.

The law ministers took the view that while Interpol was the most effective means of communication over specific ordinary criminal law offences it lacked the resources or the powers to do much about economic crime.

The crime unit too has had to survive on very tight finances, though Rider feels its increased recognition has led to slightly more generous funding. Rider is now backed by two full-time investigators with legal and accountancy training and three assistants with legal and police backgrounds on secondment from Fiji, Zambia and Singapore.

Being part of the Commonwealth Secretariat has its advantages, he argues. "We could not operate as part of a high profile organisation such as the United Nations or the Foreign Office. We need speed and an informality. Unfortunately this also means we have low profile funding."

Compared with the billion dollar profits of organised crime, the funds that are available to the Commonwealth Crime Unit are minimal. "We are still just playing at it," says Rider, with a wry smile.