Money laundering awash in new ideas

By ANTONIO FINS
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Bulldozers for $387 and 75-cent diamonds sound like bargains, but a pair of financial analysts say they are possible tip-offs to money laundering schemes.

In their latest survey of a U.S. government trade database, two finance professors at Florida International University have highlighted what they think is billions of dollars worth of suspicious international wheeling and dealing last year.

Essentially, people with tons of money earned illegally are said to cleanse the cash by buying goods then exporting them to other countries at grossly undervalued prices to obscure the true source of their profits. An accomplice in the other country then sells the goods at fair market value.

The two analysts, John Zdanowicz and Simon Pak, believe this money, in whole or in part, reflects efforts to launder money from some form of wrongdoing.

"This is a way to launder money, evade U.S. taxes and avoid import duties," Zdanowicz said Thursday in a presentation at a money laundering conference in Miami Beach.

Zdanowicz said that, based on the numbers alone, he cannot prove the transactions are for nefarious purposes. But he says some of the dealing, such as the bargain basement bulldozers and diamonds, suggests that the bankers who finance such selling and buying better be careful they are not being used by launderers.

The study by the FIU researchers was

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just one peek into the intricate world of illicit finance for those attending Money Laundering Alert's 6th Annual International Money Laundering conference at the Fontainebleau Resort Hotel.

This year's gathering, which ends today, drew about 1,000 participants from more than 40 countries, the largest turnout since the first such meeting in 1994.

Charles Intriago, publisher of the newsletter Money Laundering Alert, said the turnout reflects the recognition by a broad array of businesses — from banks to securities brokerages to accountants to money exchange houses — that the money laundering web can snare even the most legitimate and seemingly untouchable businesses.

He and other speakers at the gathering also pointed out that governments across the world have become much more aggressive in the chase for dirty money — from drug dealing proceeds to tax evasion to arms dealers to Asian white slavery.

"This pursuit of dirty money, which totals a couple trillion dollars a year, has become of great interest to lots of people," said Intriglio. "It explains why we have such a bigger crowd this year."

In fact, despite the proliferation of money laundering laws across the globe — there are almost 200 different types of punishable money laundering activities in the United States — the methods launderers use continues to widen.

Smart cards, the faceless Internet, correspondent banking, and the explosion of transnational investment in stocks and bonds have broadened the menu of possibilities for financial criminals.

The backdrop to the conference is increased pressure from the U.S. Treasury Department and other world governments on offshore financial centers. Banks in the Bahamas and other Caribbean islands are under a lot of scrutiny. The government in the Bahamas, for example, has issued new guidelines that will impact some financial secrecy practices, such as the anonymous international business corporations.

Attorney John Byrne, who has served as co-chairman of the American Bar Association's money laundering committee, said money laundering has become so insidious that few businesses are immune to it.

"It's interesting to see the twists and turns and how they are affecting a bigger segment of society," he said. "No one is exempt from the consequences."

The attendees also got a sobering warning from ex-banking attorney Kenneth Rijock in Miami. Rijock, who served three years for money laundering and racketeering charges, told the crowd money launderers never "get left behind."

"Things are always changing and if you don't keep up, you're going to get left behind," he said.

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