



THE ONLINE MBA YOU PROBABLY CAN'T GET INTO UNC KENAN-FLAGLER BUSINESS SCHOOL

News Page Six Sports Entertainment

Table with 2 columns: Tests moved, Ebert cancer, DJ Clue busted

Tom's tears Tom Hanks says his Broadway debut, the opening night of "Lucky..."

Knicks win MIAMI — On this night, LeBron James couldn't touch Carmelo...

Office bars It's 5 p.m. on a Thursday, and Margaux Guyonneau is holding court...

Story sidebar with Like (3), Share (18), Email, Print buttons

Banks' \$1.6T secret

Laundering dirty \$\$

By JOHN AIDAN BYRNE Last Updated: 12:05 AM, April 1, 2013 Posted: 10:43 PM, March 30, 2013

Citigroup last week was just the tip of the iceberg — expect more major banks to be raked over the coals by regulators for lax controls in the hot \$1.6 trillion money-laundering world, a top financial expert told The Post.

The Federal Reserve, Citi's regulator, slapped the bank giant and the American branch of its Mexican affiliate, Banamex USA, on Tuesday over cracks in its detection processes for dirty money that's laundered by criminals through the financial system.

But "Citibank is not alone," international financial investigator L. Burke Files told The Post. "I am sure we will see warnings to JPMorgan Chase, US Bancorp, TD Bank, American Express, Bank of America and even HSBC before the year is out.

"They are not intentionally bad, they are just too big and remote from the risk," said Files, a money-laundering expert who travels the globe cracking down on, and speaking about, multimillion-dollar fraud.

"Furthermore," he added, "they are under economic pressures to lower costs and increase revenue, which means reducing staff and not upsetting the revenue cart."

Compliance, meanwhile, is given short shrift in some quarters of the banking sector.

"Many of the banks will treat their compliance people like pariahs," said Kieran Beer, editor-in-chief at the Association of Certified Anti-Money Laundering Specialists' MoneyLaundering.com. "The businesspeople will think they are just a nuisance, getting in the way of making real money."

Files says criminal gangs and financial fraudsters are gaming the banks. They know the soft touch. "Mr. Bad Guy wants to move a few million — just a few million. What does it take to buy or compromise a clerk making \$60,000 per year to either subvert the system or just let them know what the bank's KYC (Know Your Client) or EDD (enhanced due diligence) requirements might be? Once you have the bank's checklist, you can game the bank."

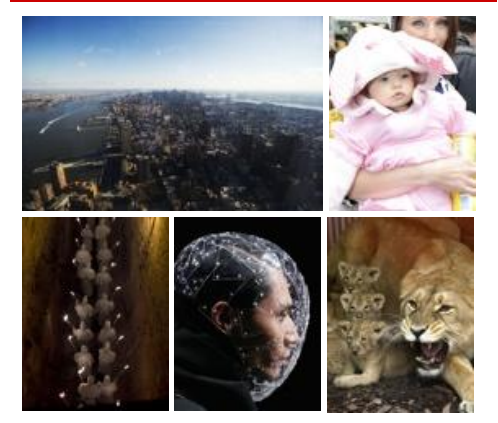
Tuesday marked the second embarrassing and costly rap for Citi in less than a year. The Office of the Comptroller of the Currency (OCC) hit Citi with a cease-and-desist order last April. The OCC called on the bank to ramp up its anti-money laundering controls.

GOLD IRA SECURITY. SAFETY. STABILITY. Request a Free Gold Guide >>

Get New York Post Emails & Alerts Your Email Address SIGN-UP

Photos Videos Blogs

Post Pics More Post Pics >>



Post Video

(In a separate case last December, HSBC was slapped in a record \$1.92 billion deal with regulators, settling claims it moved billions of dollars for countries like Iran and empowered Mexican drug lords to transfer money illegally through the bank's US affiliates.)

This latest time, the Federal Reserve blasted Citigroup for ineffective internal controls for overseeing suspicious money movements. And now it must embark on a program to plug the leaks. Although no fines were issued in the latest case, the program could cost Citi dearly — potentially hundreds of millions — through the hiring of more compliance staff, using expensive consultants and lawyers, and implementing new procedures to catch the money crooks, according to Beer.

Experts who spoke to The Post say money laundering in today's high-tech financial markets has gotten more sophisticated since the events of 9/11 heightened concerns about terrorist and crime-fueled money transfers.

Six percent of cash flow in the US is the laundering of money, assuming the same percentage of the US economy is riddled with fraud and theft, says Files. Spending on anti-money laundering compliance will reach \$5.8 billion this year, up from \$5 billion in 2012, according to industry estimates. About \$1.6 trillion is laundered worldwide, the most recently available rough calculations by the International Monetary Fund and United Nations indicate.

We recommend

- Government mortgage help ruining consumer credit scores (Business)
- Ryan Lochte pool party broken up by angry man looking for his fiance (Page Six)
- James Franco turned down sex with LiLo, she had 'issues' (Page Six)
- Bikini model's 'nudes' flash (Local News)
- FDNY EMS workers post gory, private photos of patients online (Local News)
- Big debt on campus (Business)

From around the web

- Bradley Cooper Reveals 20-Year-Old Girlfriend and We Take Back Everything Nice We Said About Him (MamasLatinas)
- Pregnancy Not Treating Kim Kardashian Well (Hollyscoop)
- Khloé Kardashian Odom Flaunts Her Figure in Tight White Mini Dress (Cambio)
- Lindsay Lohan Leaves 'Good Morning America' (Zimbio)
- \$12K in checking? You're Lemon-ing (Bankrate.com)
- 10 credit card perks you didn't know you had (CreditCards.com)

Recommended by



The smartest investment you can make during the recession. Top CD accounts in the nation...



This approaching Obama scandal will change the White House Administration and our country, overnight

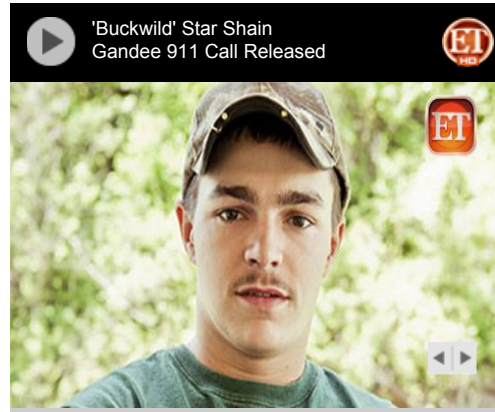


See why this wonder "weight loss pill" has top doctors raving.



If you are a smoker and live in [Arizona] you need to read this...

ADVERTISEMENT



News | Gossip | Sports | Weird | Entertainment



This approaching Obama scandal will change the White House Administration and our country, overnight



The smartest investment you can make during the recession. Top CD accounts in the nation...



Jan 2013: Homeowners in Arizona may be eligible for 2.5%(2.6% APR) refinance rate

Advertisement

GET A \$25 GIFT CARD PLUS 2 WEEKS FREE WHEN YOU SUBSCRIBE TO THE NEW YORK POST TODAY!

CLICK HERE

GET A \$25 GIFT CARD PLUS 2 WEEKS FREE WHEN YOU SUBSCRIBE TO THE NEW YORK POST TODAY!

CLICK HERE

Explore NYPost.com

News: Business, Opinion, Columnists, Local News

Customer Care

Contact Us
FAQ
Today's Paper

Subscribe

Home Delivery
Email Newsletters
iPad

Advertising/Partners

Media Kit
Coupons
Contests/Sweepstakes