

Riggs Bank, Corruption, & Money Laundering

THE INVESTIGATORS



**The Outlandish Inside Story of the
Investigation That Created the
Multi-Billion Dollar AML
Compliance Industry**

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Introduction – Where Modern AML Started

The modern era of Anti-Money Laundering compliance is now 20 years old. In 2003, maybe 5,000 people worldwide worked in AML. Today, hundreds of thousands do. Over \$200+ billion is spent annually on people, software, conferences, certifications, consulting, and legal fees. Many of you reading this make a living in this AML industry. Why? How did all this happen?

It started with The USA PATRIOT Act. In response to the September 11, 2001, terror attacks in the U.S., American policymakers believed removing barriers between government agencies and aligning efforts between financial institutions and law enforcement would make us safer and reduce crime.

It's debatable whether, over the past 20 years, detecting and preventing crime and terror improved. One thing that is not debatable is that we got a "check the box" compliance system where regulatory agencies and financial institutions' primary focus is avoiding embarrassing failures.

How did we get these outcomes – hundreds of thousands of new workers, trillions now spent, and a tick box system? Why is AML compliance this way?

This story provides the answer.

It is a story about a small Washington, DC bank, a dictator, an arrogant banker, weak and embarrassed regulators, and a U.S. Senator with a long interest in failed AML oversight. It is also a story of the small team of AML investigators that uncovered one of the most notorious money laundering, fraud, and corruption schemes of the past 30 years and how this scheme impacted and shaped AML compliance.

Some of you know the outlines of what occurred at Riggs Bank between 2003 and 2005. Many of you do not.

There is a voluminous U.S. Senate Investigation Report, hundreds of news articles, conference presentations, and webinars that tell some aspects of the Riggs Bank money laundering and corruption cases. But this is the first insider, first-hand account of the investigation that triggered the U.S. Senate hearing that forced the Office of the Comptroller of the Currency and the Federal Reserve to make Bank Secrecy Act/Anti-Money Laundering (BSA/AML) compliance and enforcement their top regulatory priority, which, in turn, created today's massive AML industry.

A Bit of Background

Riggs had some particularly unsavory customers, including the governments of Saudi Arabia, Equatorial Guinea, and that small oil-rich African country's dictator, Teodoro Obiang. Other Riggs clients included Chile's former military dictator, Augusto Pinochet.

Riggs Embassy and International Banking department was known in the U.S. capital for two decades as the "bankers to the most important money in the world." The Embassy business felt prestigious. Several larger banks, including Wachovia and HSBC, tried to compete in this market, but Riggs held accounts for 150 countries, dominating the foreign diplomat banking business. In the late 1990s, several compliance issues emerged, but bank management and the Office of the Comptroller of the Currency (OCC), Riggs's primary regulator, were unprepared for how dramatically the new PATRIOT Act world changed Embassy Banking's risk. Riggs was literally the bank of Politically Exposed Persons, many of whom were extraordinarily high-risk.

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In late 2002, Newsweek published allegations that senior Saudi Arabian officials, through their Riggs accounts, may have funded several of the September 11, 2001, hijackers. The article drew worldwide media attention and panicked the OCC.

Descending immediately upon Riggs, the OCC began a full-throttle BSA/AML examination in early 2003. That exam had many consequences for Riggs and, ironically, for the OCC too.

Riggs's response to the OCC actions sparked a series of events, leading to one on January 9, 2004, when the Riggs AML investigation team used section 314(b) of the USA PATRIOT Act. With records obtained from other financial institutions under 314(b) requests, Riggs investigators pieced together an international fraud, corruption, and money laundering scheme that drew the attention of the U.S. Senate, the Department of Justice, the OCC, the Federal Reserve, the Federal Deposit Insurance Corporation, and media from around the world. Subsequent Riggs investigations forced action by regulatory and judicial authorities in the United Kingdom, Spain, and Chile. What happened on January 9, 2004, was the beginning of modern AML compliance and enforcement. More details on this later.

The discovery on January 9, 2004, led to a U.S. Senate investigation revealing that the OCC and the Federal Reserve failed for years to supervise Riggs Bank adequately. This had immediate and long-term consequences for the entire U.S. and global banking industry. To protect themselves from policy maker's threats and public embarrassment, regulators changed their approach to AML compliance regulatory examinations, and financial institutions felt the impact.

Although allegations about the Saudis started the Riggs Bank investigation, what you will read in this story has little to do with the Saudis. The Riggs story became something much different.

Of particular interest in this story, you will meet the man I, without hesitation, call the most consequential person in the history of AML compliance. You will see him lead the investigation that uncovered corruption and money laundering at Riggs. Then, you will read how he becomes pivotal in two significant international crime and money laundering regulatory (and regulator) failures of the 2000s, Wachovia Bank and HSBC.

Two decades have passed since the USA PATRIOT Act became law and the Riggs Bank investigation ended. Over those 20 years, AML compliance has grown and changed in thousands of ways. In 2021, the U.S. government mandated, through the AML Act of 2020, that AML "modernize." Re-think regulations and regulatory oversight. Encourage innovation and technology. Get institutions to improve programs. It sounds like changes, driven by people and technology, will continue.

But no matter how much AML compliance grows and what new technology makes possible, it remains a profession of people who want to contribute in some way to maintaining a sense of order and justice and at least put a few obstacles in the way of criminals and terrorists.

In part, this is why I am writing this story now. Two decades is long enough to see what came from Riggs. As the industry modernizes, understanding how and why AML compliance evolved is helpful to avoid repeating past mistakes.

This story explains how the AML compliance industry grew from a niche field 20 years ago to a multi-hundred-billion-dollar industry today. It shows how U.S. investigations and regulators' reaction drives European regulatory regimes to act similarly. This means poor approaches are contagious. But perhaps so are good ones.

But I wrote this mainly because it is a story about what AML *should* be. At its core, AML is an investigative discipline. The primary purpose of AML compliance is to identify, investigate, and report

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suspicious activity. AML is now layered with endless policies, procedures, and box-ticking, and sadly, very few in the field will ever have an opportunity to work on investigations that have an impact. The opposite was true for us at Riggs Bank in 2004; nearly all our investigations did.



Prelude - How History Happens

Historical events are caused by *actions* creating changes that then have *consequences* (cause and effect). These consequences last long after the precipitating events, thus making them “historical.” The people involved, their motivations, and how they act on those motivations are additional critical ingredients. Certain conditions exist that serve as kindling that, when hit with a spark, fuse components together at the right time and in the correct sequence.

Between 2003 and 2005, the conditions, the causes, the people, their motivations, and the spark all aligned, and they included:

Location - Washington, DC, the nation’s capital and center of political and regulatory power – right under the nose of the Office of Comptroller of the Currency, the Federal Reserve, the U.S. Senate Permanent Subcommittee on Investigations, the Department of Justice, and every US-based foreign embassy.

History - In the 1990s, Riggs ran ads in the Washington, DC, market with the line, “The most important bank in the most important city in the world.” The Riggs Bank headquarters was a block from The White House. Its marquee branch sat across Pennsylvania Avenue from the Department of Treasury and The White House. It’s rumored The White House underground escape tunnel network may exit here. Founded in 1840, Riggs Bank played an important part in history, including financing the Mexican-American War, the development of the telegraph, the purchase of Alaska, and the first expedition to the North Pole. Riggs was the bank of 23 U.S. Presidents, including Abraham Lincoln, Ulysses Grant, and Dwight Eisenhower.

Unique, High-Risk Business - Riggs’s Embassy Banking division counted 90% of the foreign embassies in Washington, DC, as customers. Included among these relationships were countries like Cuba, Iran, Saudi Arabia, and Sudan.

Timing – The U.S. and much of the world were still on edge from the September 11, 2001, attacks on New York and Arlington, Virginia. New security measures installed at airports, color-coded threat warnings, and follow-up shoe bombing and anthrax attacks increased fear among citizens, lawmakers, and law enforcement.

USA PATRIOT Act – Signed into law by George W. Bush on October 26, 2001, the PATRIOT Act overhauled Anti-Money Laundering and Terrorist Financing regulations. For those of us in the industry at the time, 2001 and 2002 were a waiting game. Regulators were writing rules, with most financial institutions making do with existing programs, people, and systems.

The Spark - A Fateful News Article – The match that lit the flame that became the Riggs Bank story was published on November 21, 2002, when Newsweek reporter Michael Isikoff published: “9 – 11 Hijacker: A Saudi Money Trail?” In the article, the lede reads as follows: “The FBI is investigating whether the Saudi Arabian government- using the bank account of the wife of a senior Saudi diplomat- sent tens of thousands of dollars to two Saudi students in the United States who assisted two of the September 11 hijackers, according to law-enforcement sources.” The “bank account” to which Isikoff refers, was held at Riggs Bank.

All the pieces were on the table, but the puzzle remained unassembled. Nothing was scripted or ordained; no outcome was determined.

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If what you are about to read was not uncovered, AML compliance over the past 20 years would have looked very different.

The Riggs Bank story is serious and significant – people went to jail, one of America’s historic institutions was sold and no longer exists, massive international corruption and money laundering was uncovered, and the basis for AML as we know it today was formed. And what happened at Riggs Bank from 2003 to 2005 is also entertaining and funny. Here it is.



Riggs Bank, Pennsylvania Avenue 1973. Looking over Albert Gallatin’s (Secretary of Treasury under Thomas Jefferson and James Madison) caped shoulder sits the Riggs marque branch.

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Riggs Bank and 9/11?

It was a dream office—nine stories up from the corner of 17th and H Streets, N.W., in Washington, DC. To the left, my view was the New Executive Office Building. Looking to the right, 50 yards south, was the Old Executive Office Building, the western edge of the White House complex.

In 2003, the nation's capital was an armed fortress. Sitting at my desk on a Saturday morning, catching up on the week's work, I looked down onto 17th Street. There, an industrial crane lifted anti-aircraft missile launchers onto the New Executive Office Building's roof. I wondered who decided to fire those and had difficulty imagining what it would look like to see one hit a plane over the White House.

In 2003, Riggs Bank was a \$5 billion, 50-branch bank in Washington, DC. Being in Washington, Riggs provided banking services to the U.S. government, including several three-letter agencies, local residents, small businesses, foreign embassies, and diplomats. Iconic Riggs branches included the flagship on Pennsylvania Avenue across from the White House and another, the Golden Dome branch on M. Street, N.W., in the heart of Georgetown. The people working at Riggs were proud of the bank's history and place in the Washington, DC, community.

A third iconic branch sat on the Northwest side of Dupont Circle, wedged between Connecticut and Massachusetts Avenues. Known as the start of "Embassy Row," this was the location of the bank's International and Embassy Banking division. Here, dozens of bankers served 150 foreign embassies and thousands of diplomat staff.

Joe Allbritton acquired Riggs in 1981. By then, Allbritton was building a substantial nationwide television and print business with eight TV stations, including WJLA ("Joseph L. Allbritton") in Washington, DC. Allbritton was the former owner of The Washington Star newspaper, the last local competitor to the Washington Post.

Joe Allbritton loved being the banker to foreign leaders and diplomats. During the 1980s and 1990s, he grew the Embassy Banking and International division, opening two offices in London, one on St. James's Street, three minutes from Buckingham Palace, and the second in the Mayfair neighborhood near Hyde Park. Riggs also had offices in Germany, France, the Bahamas, and Miami.

Access to the world's senior-level diplomats in D.C. and leaders in foreign countries thrilled many at Riggs. It even provided Allbritton with justification to purchase a Gulfstream V jet, not something many 50-branch banks own.

But in the end, the thrill did not outweigh the costs or risks.

Embassy Banking, in D.C. and its foreign locales, never made money. It was a loser for Riggs's bottom line. Holding foreign embassy deposit accounts did little for Riggs financially. Riggs was a notable government lender in the 19th century but was not in the 20th or 21st century.

And boy, a few OCC examiners seriously disliked Embassy Banking.

International political decorum means the U.S. government permits most countries to have embassies in Washington, DC. Even sworn enemies like Iran and Cuba have a diplomatic presence in the U.S. with offices called "Interest Sections." Riggs had Interest Section accounts for Cuba and Iran and their employees (Riggs did not bank North Korea). The accounts were considered high-risk because of who they were. However, the transaction activity was benign. The Cuban government had little money, and the poor employees had even less. The Iran Interest Section had a few small offices

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in Pakistan's embassy, staffed with Iranian nationals who had moved to the U.S. before the 1979 Iranian revolution.

While the Cuban and Iranian accounts were of little concern to the OCC, three relationships did give several OCC examiners heartburn. Eventually, the Senate Permanent Subcommittee on Investigations, the FBI, the DOJ, several other three-letter U.S. agencies, the Federal Reserve Banks of Richmond and Miami, the FDIC, the U.K.'s Financial Services Authority (predecessor to today's Financial Conduct Authority), The Supreme Court of Chile, and the National Court of Spain came to feel similarly.

The three problematic relationships were:

1. The Royal Embassy of Saudi Arabia and certain members of the royal family.
2. Equatorial Guinea's official government and embassy accounts controlled by its President, Teodoro Obiang, and accounts of the President's son, Teodorin.
3. Augusto Pinochet, former president of Chile.

I will just briefly touch on the Saudi relationship and Pinochet in this story. Each will be the topic of future writing.

BSA Exam History and Embassy Banking

Between 1997 and 2003, the OCC conducted 14 full or targeted Bank Secrecy Act (BSA) compliance exams of Riggs. Most of these included examining Embassy Banking. In the late 1990s, exams found Riggs was slow to implement a BSA program commensurate with the risk a few examiners believed Embassy Banking presented. Yet, while regularly finding the program needed to improve KYC policies, monitoring, training, internal audit, and high-risk account identification and despite warnings from field examiners, none of the findings led to any formal enforcement action.

During this time (1997 – 2001), tension began between the OCC field examination staff and OCC management. The field examiners, led by Joe Boss, believed Riggs's BSA weaknesses deserved formal action. In June 2001, the OCC convened its Washington Supervisory Review Committee to look at the findings from the 2000 BSA Report of Examination. By this time, the field examiners felt three years of repeated weaknesses in KYC, monitoring, and high-risk account identification warranted a serious OCC response. The Examiner in Charge felt otherwise. He argued to the Supervisory Review Committee that Riggs management was making the necessary BSA program improvements. No formal enforcement action was issued.

In early 2002, Riggs hired a new Chief Compliance Officer, which assuaged the OCC enough to buy the bank time to implement AML program upgrades. When banks bring in new risk managers, regulators often give them a "start-over" period where the new management is allowed time to make improvements. The months of leeway given, in hindsight, proved problematic in this case.

In the Spring of 2002, the OCC selected Riggs and two dozen other banks to survey terrorist financing detection and reporting procedures. During this review, the OCC came across Augusto Pinochet's Embassy Banking accounts. For those unfamiliar, Augusto Pinochet was a Chilean General who seized control of the South American country in a 1973 coup. He was later declared President and ruled until 1990. During his reign, he was accused of "disappearing" over 3,000 people opposed to his policies. He was universally considered a dictator. Pinochet was accused of human rights abuses, torture, ordering assassinations, drug and arms trafficking, and corruption. In other words, not the best bank customer.

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But complicating the situation was the fact Pinochet was a strong anti-communist who, during the US-Soviet Cold War, became a CIA favorite and an ally to several U.S. Presidential administrations. Despite being a dictator, he was on the U.S. side in the grand geopolitical struggle of the time.

I will pass over what is the second-best AML story in history (Augusto Pinochet and the Riggs Bank investigation of his accounts) and leave it for another edition of this chronicle. For our purpose here, let me sum up the lunacy of what transpired between the Riggs Embassy Banking manager and the OCC examiners during the Spring 2002 examination.

During the exam, examiners met with senior Embassy Bank management, who, it appeared, decided to see if they could win the award for the dumbest things ever said to the OCC. The relationship manager, Carol Thompson, regaled the examiners with stories of her efforts to woo Pinochet and make him a Riggs customer. With OCC jaws on the floor, Thompson then instructed the examiners they were not allowed to have any account documentation and were forbidden from referring to Pinochet by name in any conversations or written communication. Thompson asked the OCC examiners to guarantee neither they nor their agency would share the information she provided about Pinochet with any other part of the U.S. government.

I'll pause here while you reread that paragraph.

There were several OCC examiners who, rightfully, had serious concerns about Riggs, particularly Embassy Banking. One of them was Joe Boss.

I haven't spoken to Joe in years, but I am confident he would be fine when I describe him as tenacious and gruff. Joe worked in the OCC's Short Hills, NJ, office. I always sensed Joe didn't fit in with "the suits" at his agency. Joe's persistence and refusal to remain quiet at the OCC are essential to this story.

During the Summer and Fall of 2002, the OCC and Riggs worked to resolve the Pinochet matter, which was thought to have been put to rest when Riggs agreed to close the accounts. This pissed off Joe Allbritton, Riggs's owner. Allbritton liked visiting Pinochet and having pictures taken together as Pinochet stood on a Santiago tarmac, greeting Allbritton disembarking from the Riggs Bank Gulfstream jet.

With the Pinochet accounts closed, things remained quiet until late Thursday night, November 21, 2002, when Newsweek reporter Michael Isikoff published this story: "9 – 11 Hijacker: A Saudi Money Trail?" The story opens,

The FBI is investigating whether the Saudi Arabian government- using the bank account of the wife of a senior Saudi diplomat- sent tens of thousands of dollars to two Saudi students in the United States who provided assistance to two of the September 11 hijackers, according to law-enforcement sources."

The bureau, they say, has uncovered financial records showing a steady stream of payments to the family of one of the students, Omar Al Bayoumi. The money moved into the family's bank account beginning in early 2000, just a few months after hijackers Khalid Almidhar and Nawaf Alhazmi arrived in Los Angeles from an Al Qaeda planning summit in Kuala Lumpur, Malaysia, according to the sources. Within days of the terrorists' arrival in the United States, Al Bayoumi befriended the two men who would hijack American Flight 77, throwing them a welcoming party in San Diego and guaranteeing their lease on an apartment next door to his own. Al Bayoumi also paid \$1,500 to cover the first two months of rent for Al Midhar and Alhazmi, although officials said it is possible that the hijackers later repaid the money.

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Sources familiar with the evidence say the payments--amounting to about \$3,500 a month--came from an account at Washington's Riggs Bank in the name of Princess Haifa Al-Faisal, the wife of Saudi Ambassador to the United States, Prince Bandar bin Sultan, and the daughter of the late Saudi King Faisal.

Springing into action, as regulatory agencies do when reading a bank under their supervision may have helped finance a part of the worst terror attack in U.S. history, the OCC scheduled a January 2003 "Saudi Targeted Examination." This exam, unsurprisingly, uncovered serious AML compliance weaknesses and ended in June 2003, leading to the first of the Riggs Bank OCC Consent Orders.

Pay Attention to All the News

During the intensity around the Saudi exam, with the OCC and Riggs management focused on the Royal Kingdom's Embassy accounts, a Los Angeles Times reporter, Ken Silverstein, on December 6, 2002, just ten days after Isikoff's Newsweek report on the possible Saudi – hijacker connection, published this article, "The Crude Politics of Trading Oil" which begins:

WASHINGTON — Strange things happen around here when a country discovers oil.

For most of its 34 years of independence, Equatorial Guinea was best known for the outlandish brutality of its rulers, which left the tiny West African country isolated on the international stage.

Then in the mid-1990s, American oil companies found vast oil reserves there and Washington quickly took notice. Two years ago, Rep. William J. Jefferson (D-La.) led the first congressional delegation there. The Bush administration, faced with heavy lobbying from the oil industry and eager to reduce U.S. dependence on Middle East oil, reopened the U.S. Embassy in Equatorial Guinea, which was shuttered in 1995.

Now, the U.S. is Equatorial Guinea's major trading partner, and the country will soon become sub-Saharan Africa's third-largest oil producer behind Nigeria and Angola. African countries already provide the United States with about 15% of its oil, nearly as much as Saudi Arabia, and that figure could grow to 25% by 2015, according to the National Intelligence Council, a panel of intelligence officials and outside experts that studies global trends and reports to the director of the CIA.

It all sounds like a successful case study of how Washington and U.S. corporations, faced with turmoil in the Mideast and a potential war in Iraq, have been aggressively seeking out new suppliers of oil.

There's just one problem: Equatorial Guinea is headed by an embarrassingly corrupt government with a notorious human rights record.

The article did not say who banked Equatorial Guinea, and no record of the OCC mentioning the article to anyone at Riggs exists. Everyone's attention remained on the Saudis.

Then, on January 20, 2003, while the OCC examination was underway and with everyone still focused on the Saudis, Silverstein published a second article in the L.A. Times, "Oil Boom Enriches African Ruler," in which he writes (emphasis added):

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WASHINGTON -- As vast offshore oil fields generate hundreds of millions of dollars for tiny Equatorial Guinea, there are few signs of the petroleum boom in the impoverished West African nation.

Most of the population lives on about a dollar a day, and a U.S. State Department report found "little evidence that the country's oil wealth is being devoted to the public good."

So where has the money gone?

That has been declared a "state secret" by Equatorial Guinea's ruler, Brig. Gen. Teodoro Obiang Nguema Mbasogo.

But the Guinean ambassador to the U.S. and other sources close to Obiang say the country's oil funds are held in an account at Riggs Bank in Washington.

According to several of those sources and others familiar with the account, more than \$300 million of the country's energy earnings has been deposited in the account by international oil companies active in Equatorial Guinea, including ExxonMobil Corp. and Amerada Hess Corp. The money is under the direct control of Obiang, the sources say.

"Oh, shit," you would think. "Now the OCC is going to drop the hammer." However, as explosive as this second article was – naming Riggs as the bank of an oil-rich despot, it went unnoticed by the OCC.

The articles did not, however, go entirely unnoticed. Simon Kareri, the Riggs Embassy Banking Senior Vice President, whose client portfolio included all African and Caribbean embassy relationships, saw it. To introduce you to how Kareri viewed criticism of his clients, below are a few excerpts from a letter he wrote on December 12, 2002, to Riggs executives where he reacts to the December 6, 2002, L.A. Times article.

"The writer (Silverstein) seems to have a grudge against the whole world..." "Equatorial Guinea has never been a 'pariah state.'"

According to Kareri, the Equatorial Guinean president receiving nearly 99% of the vote in the last election is not unusual. Kareri said these landslide victories are customary among the African electorate.

The best part of Kareri's memo is when he addresses President Teodoro Obiang's alleged corruption. Simon, quite indignant, writes, "I take exception to that (the corruption allegations) because I know this person quite well." Kareri ends his letter: "I wish in due course you will get to know the President of Equatorial Guinea and witness his simplicity firsthand." Oh, boy.

Despite Silverstein's two articles, Riggs pays little attention to the Equatorial Guinea accounts, and the OCC pays none.

January and February continue to see the OCC examiners, including Joe Boss, Lois Trojan, Elsa de la Garza, and David Hunter, dig into Riggs, the Saudi relationship, and Embassy Banking.

At this point, OCC management no longer gives Riggs the benefit of the doubt. Weekly, the OCC team excoriates the Riggs BSA/AML compliance program, finding failures with KYC, monitoring, investigation, high-risk customer identification, and internal audit.

By early March, Riggs hired KPMG to conduct its assessment, make recommendations, and show the OCC this time was different. It would be different in one way – After years of waffling and

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giving Riggs time to fix weaknesses, the OCC made it clear that now, finally, the agency would issue a BSA/AML Enforcement Action against Riggs.

The Riggs Board of Directors signed that Consent Order on July 16, 2003. Included among the mandates, Riggs was required to:

- Form a BSA Compliance Committee of the Board.
- Re-organize the entire Compliance function, including the BSA function.
- Hire a competent BSA Officer.
- Implement new policies, procedures, and processes for every BSA requirement, particularly monitoring, investigation, and SAR reporting.
- Overhaul the BSA Internal Audit function.
- Implement a comprehensive training program (and this was the requirement sparking the fire that led to the end of Riggs).

Riggs was a flurry of work through March, April, and May 2003: consultants, examiners, management, and board meetings. Attention was devoted to two issues: what was happening with the Saudi accounts, and how would Riggs fix its AML compliance program?

But there was one other thing that happened in March 2003. The Permanent Subcommittee of Investigations of the Committee on Governmental Affairs of the United States Senate issued a subpoena to Riggs requesting information about the Equatorial Guinea relationship. It appeared someone did read the L.A. Times.



George W. Bush and Bandar bin Sultan, Saudi Ambassador to the U.S. and Riggs Customer

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The Investigators

So, who am I, and what part do I play in this story?

In early March 2003, I was a Director at KPMG's Forensic group. Before the big consulting firms created Financial Crimes Risk Management practices, those who worked on BSA/AML matters were part of Forensics or regulatory teams.

From 1991 to 1996, I was a U.S. Secret Service Special Agent in the New York Field Office. After leaving the Secret Service in 1996, I joined the Security Services group at JP Morgan & Co. in New York City. For two years, I managed what we call today an "Enhanced Due Diligence" group of a dozen analysts researching JP Morgan's Private Banking clients. I also delivered money laundering awareness training to JP Morgan's businesses, and when the rare occasion arose to investigate and file a Suspicious Activity Report, I led those investigations.

In 1998, I left New York, headed to Washington, DC, and joined EY before moving to KPMG in 2002. As a consultant, I traveled a lot. In 2003, I had a young family, so when the opportunity to manage an engagement at Riggs Bank in Washington, DC, 30 minutes from home, came up, I was eager to do so. During March, April, and May 2003, our KPMG team did what consultants do. We set up in a conference room, tapped away on laptops all day, and charged a ton of money. I spent considerable time with the OCC examination team, trying to gauge what was happening and where the bank needed help.

By June 2003, Riggs Bank hired me as the Executive Vice President, Compliance and Security. I was the "competent BSA Officer" the Consent Order required. My responsibilities included not just BSA/AML but Consumer Compliance, Information Security, and the physical security of all branches, offices, and people.

My first job was to build the department. Fortunately, there were good people already there; there just were not enough. There was a manager, Bill Ward, hired in May 2003, just a few weeks before I started, and four investigators. Bill joined Riggs after spending years as a police officer in Ohio and a fraud investigator at AT&T Wireless. One investigator, also new to the bank, was Phil Hannum. Phil had a career as a police officer and detective in Fairfax, Virginia. Their first job was to dig into the Saudi accounts and determine where money was coming from and where it was going.

While trying to find people to staff the department, I spent most days in meeting after meeting with the OCC examiners and the bank's senior management. As anyone who's ever worked in a Consent Order environment knows, meetings consume your time. Everyone wanted to know what progress we made yesterday. Add to these demands a newly active Board of Directors who began convening monthly meetings, and my days were busy.

I made several additional critical hires in June and July 2003. I recruited Pete Balint away from KPMG to build out the new AML transaction monitoring function and Jon Glass to manage AML and fraud investigations. Jon joined from AT&T Wireless, where he had worked with Bill Ward.

By this time, we had some breathing room. The OCC saw us making progress. Even though they kept a small number of examiners at Riggs, they seemed willing to let us build the department and continue investigating the Saudi relationships and several other high-risk Embassy Banking accounts, including Yasser Arafat's Palestinian Liberation Organization accounts, in which we discovered quite a bit of fraud and corruption (to no-one's surprise).

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In the summer of 2003, I heard about the Permanent Subcommittee's Equatorial Guinea subpoena. But, as strange as it sounds, I cannot recall precisely when the General Counsel told me. I know I was not concerned at the time. With all the attention on the Saudis (the OCC was not the only government agency with a high degree of interest in our investigation), building the department, meeting with the OCC every day, and attending board and executive meetings, the availability of my attention for Equatorial Guinea was limited. I knew the legal department was gathering documents to comply with the PSI subpoena. I planned to have the entire relationship reviewed when I hired an old friend whose first job would be to get a handle on all things Embassy Banking. His name is Bryant J. Moravek, or as most know him, B.J.

Let me cut right to it: B.J. Moravek is the most consequential person in AML compliance and investigations history. It is because of B.J. this industry exists today the way it does. Without B.J. Moravek, there is no Riggs story, no Department of Justice prosecution of Wachovia, and no Department of Justice investigation of HSBC. Without B.J., the Riggs story never becomes the Riggs story. There is no massive push by U.S. regulators to crack down on AML compliance failures, eventually leading to European regulators becoming more active and inclined towards enforcement. These sound like bold statements. Particularly for those asking, "Who is B.J. Moravek?"

I first met B.J. in the Spring of 1990 at the White House when George H.W. Bush was the President. I had begun what I still call the "coolest college job in America."

As a junior at George Washington University, through a series of serendipitous events, I ended up in a position as a "Stay in School Clerk" at the Presidential Protection Division of the U.S. Secret Service. This was a program where I worked at the White House complex two or three days a week and helped with administrative work supporting the several hundred agents who protected the President of the United States. I got \$6 an hour and a full-access White House pass. I'd wake up in a college dorm in the morning, and later that day, I would walk past the Cabinet Room and the Oval Office, stroll down the Colonnade next to the Rose Garden, and invite friends and family to watch Marine One take off or land on the South Lawn.

During my work, I met all the Agents assigned to "PPD" – the Presidential Protective Division. B.J. was one. Always polite and engaging, it was hard to miss B.J. and his presence. Six feet two, 215 pounds, B.J. carries himself with a purpose. Not rushed, but always acting with a sense of deliberateness. Daily accomplishment is B.J.'s fuel. Do stuff and get stuff done. Later, at Riggs, I remarked I had never seen then, nor since, anyone get so much done in an eight-hour day.

In 1983, B.J. became a Secret Service Agent in El Paso, Texas. At the time of his appointment to the Secret Service, B.J. was a Texas Highway Patrol Officer. Before he got to Texas, B.J. started his law enforcement career as a State Trooper in Pennsylvania. Tracking counterfeiters and forgers by day in Southwest Texas and doing things for fun, like bull riding in El Paso and Juarez, Mexico, at night, B.J. was enjoying the Federal Agent life.

Things moved fast for B.J. As the public knows, the Secret Service protects the President, the Vice-President, their families, other Executive branch officials, and visiting foreign heads of state. Usually, your assignment to the Presidential Protection Division comes six or seven years into your career. B.J.'s transfer to Washington and PPD came sooner, in 1986. You see, B.J. is a horseman.

Theodore Roosevelt was the last President to get around full-time on a horse. President William Taft replaced the White House horse stables with cars in 1909. But in the 1980s, President Ronald Reagan loved horses.

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To escape Washington, Reagan frequently flew to his 688-acre "Rancho del Cielo" near Santa Barbara, California, spending most days riding horses, clearing brush, and repairing fences. Since no President goes anywhere without a detail of Agents, the Secret Service needed Agents skilled at handling horses. Completing mounted horse training as a Pennsylvania and Texas State Trooper, B.J. was an accomplished rider. So, after just three years as a field agent in El Paso, he went off to PPD in Washington.

Still unfamiliar (and unconcerned) with the etiquette and image of being a PPD Agent, B.J. showed up at the White House for his first day, a midnight shift, looking more like he was ready for a rodeo than the White House. His Western-cut suit and cowboy boots didn't quite fit the "spit-shined and polished" Secret Service Agent image.

In September 1991, a few months after graduating from G.W., I began my Special Agent career in the New York Field Office. A few months prior, B.J. was transferred to the New York office after five years on PPD.

I graduated from the Secret Service Academy in March 1992, ready to protect and investigate. Returning home to New Jersey from Washington, DC, after graduation, I received a call with my first assignment. B.J. phoned to tell me to be on a plane from Newark to Bentonville, Arkansas, where President Bush was traveling. During the 1992 Presidential campaign, B.J. worked in the Protective Operations squad, where all 200 New York Field Office agents would get their protection assignments and fly around the country. That year, I visited over 20 states, from California to Maine.

When the 1992 campaign ended, I returned from travel to focus on check forgery cases, and B.J. transferred to the Credit Card Fraud squad.

Among investigators, someone gets to work the "big cases." The ones that break new ground get attention from management and get local or national news coverage. B.J. was one of these investigators, always working the "big case." This raises the question: Are great investigators assigned significant cases, or do they make what appears ordinary into something big?

According to the U.S. Criminal Code (18 USC 1029), "Whoever knowingly and with intent to defraud produces, uses, or traffics in one or more counterfeit access devices" is committing a crime. In 1993, two men posing as ATM service repairmen delivered a machine to the Buckland Hills Mall in Manchester, CT, a Hartford suburb. The ATM "malfunctioned" all weekend. After users inserted their cards and entered their PIN, nothing happened – no cash. Two weeks later, the ATM "repairman" returned to retrieve the machine. No one realized the device captured hundreds of users' card details and PINs. Making what we used to call "white plastic," the perpetrators started traveling the country, withdrawing hundreds of thousands of dollars from victim's accounts.

In 1993, this was a newsworthy case. Nothing like it had been seen before. Coverage from the New York Times and the major news networks brought the type of attention that means law enforcement better solve this quickly; otherwise, it could affect whether consumers remain confident enough to continue to use ATMs. B.J. took the case. B.J. tracked ATM usage nationwide for two months, but the suspects withdrawing the funds would always use disguises, preventing any useful pictures. A break in the case came when agents found a storage facility in Connecticut where the suspects had stashed another phony ATM. To pay the monthly rent, the bad guys sent U.S. postal orders (the equivalent of cash). Postal orders cannot be traced to individuals, but some codes let B.J. know at which post office the orders were purchased. In this case, for several months, the orders used to pay the storage facility originated in Manhattan, at the 34th Street and Park Avenue branch.

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Setting up surveillance near the post office in late June 1993, B.J. sat with the only witness who could identify either suspect – a woman who had sold the suspects a device that encoded the counterfeit cards' magnetic stripe with an actual account holder's bank account and PIN data. As the day wound down, with no sign of the suspect entering the post office to buy a money order, B.J. suggested he and the witness go to TGI Fridays for drinks (Did I mention the witness was a beautiful redhead?). B.J. told the dozens of agents helping with the surveillance to head home.

While sitting at a table near the front window chatting up the witness and into what B.J. describes as his "third half gallon margarita," who strolls by but the suspect! The witness and B.J. jump up and begin to follow Alan Scott Pace on the streets of Mid-Town Manhattan. This was the time before cell phones, so as they followed Pace northbound on 7th Avenue, B.J. would hand quarters to the witness whenever they passed a pay phone, and she would call the New York Secret Service command center with updates. As the dispatcher called back the surveillance teams that had left the area an hour prior, B.J. followed Pace into a Radio Shack store. With Pace occupied speaking with an employee at the counter, B.J. quietly removed the other customers and, once the store was clear, put his service weapon to Pace and ordered him to the ground. Looking up, he saw the unforgettable redhead and knew it was over.

In 1994, B.J. and I were transferred to the Bank Fraud Squad, where B.J. was my supervisor. We worked together investigating schemes then known as "Prime Bank" frauds. A twist of an Advance Fee scam, the "Prime Bank" con involves a supposedly secret network of the world's largest banks that issue "Prime Bank Notes" guaranteeing significant returns. The con is that these notes and the bank network selling them are open only to a select few. By some miracle, a broker (the con man) invites the soon-to-be victims into this secret world. If a mark (victim) asks to validate the Prime Note with the bank that purportedly issues it, the con man explains the bank will deny its existence. This is how secret these deals are! But, if you pay the broker an up-front fee, you are granted access to this secret system, and you will reap the returns just like the elite bankers who deny any such business exists.

Amazingly, people fall for these schemes. Layering on names of global banks, exotic locations, and fancy sounding words like "bank to bank key tested debentures," the gullible fall for it. I learned a lot about human nature.

In one particularly elaborate case involving millions in lost investment, I traveled to Hong Kong to work with the Royal Hong Police. There, I met and worked with Detective Pete Hazlewood. AML readers may know Pete from his former roles as global head of AML for HSBC, Deutsche Bank, and Standard Chartered. Pete is now back in Hong Kong as Prudential PLC's Group Chief Security Officer. It was through my friendship with Pete that, in 1996, I left the Secret Service to join JP Morgan's Security Services department in New York. In anticipation of the 1997 handover of Hong Kong from Great Britain to China, Pete, like many Royal Hong Kong police, left the force for the private sector. In Pete's case, JP Morgan hired him to start and manage an Asia-Pacific fraud and AML unit. Hearing JP Morgan's New York headquarters office was looking for help in its fraud and AML investigation group, Pete recommended me.

After five years as a Secret Service Agent, I realized I did not want to make the agency into a 25-year career. I received Pete's call and moved to JP Morgan in October 1996. This started my AML career.

By 1996, B.J. was transferred to the Baltimore Field Office, where he continued to work Prime Bank Note cases, including one joint Secret Service - Securities & Exchange Commission investigation

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where Lewis Rivlin, the ex-husband of Alice Rivlin, then Vice Chairman of the Federal Reserve, was ordered to pay \$6.5 million in reimbursement for selling phony securities.

The ATM fraud case, the Rivlin case, and several other B.J. investigations garnered a fair amount of media coverage, grabbing the attention of New York Senator Al D'Amato's staff members. In 1996, D'Amato began pressing the major Swiss banks, including UBS and Credit Suisse, to reveal the full extent of their institutions' involvement as bankers to the Nazis before and during WWII. D'Amato was the Senate Banking Committee Chairman and used his position to launch an investigation into this sordid and despicable history. To help run the investigation, D'Amato requested B.J. be assigned to his office, temporarily taking leave from the Secret Service.

B.J. brought a team to the National Archives to scour the Office of Strategic Services (the WWII-era agency that later became the CIA) records. In the thousands of files, B.J. uncovered documents showing Nazis shipped gold seized from Jews, including the personal effects and dental fillings of the millions who died in the concentration camps, to Swiss banks. The case broke wide open in early 1997 when a night watchman at the UBS offices in Zurich, Christoph Meili, came upon stacked boxes waiting to be shredded. He saw these boxes contained WWII-era accounts records. It was illegal under Swiss law to destroy these files. Meili smuggled a few account records from the bank and gave them to a local Jewish organization. When the organization revealed they had these documents, Meili received numerous death threats. Fearing for his life, Meili vanished from Switzerland and turned up a few days later in the U.S. Unconfirmed rumors exist a Secret Service Agent helped smuggle him out of Switzerland to the U.S.

In 2003, after B.J. hit 20 years with the Secret Service, he was looking to retire. I asked him to join me at Riggs to build and manage the Security & Investigation Group, where he would oversee all physical security of the bank and its branches and all fraud and AML monitoring and investigations.

B.J. joined Riggs in late August at a busy time. Two OCC exams were scheduled for October. The first was a Customer Identification Program review, and the second was an E.G. relationship review.

In 2003, the Customer Identification Program, or CIP, became the "Fifth Pillar" of AML Compliance. It was a radical notion, ready to upend bank compliance as it was known to that point. I asked Jon Glass, the head of Investigations, to read the regulation, report the details, write a policy, and build a program to roll out to the bankers.

Riggs was Jon's first job at a bank. Before Riggs, Jon managed fraud operations at AT&T Wireless. A day after asking Jon to take on the CIP, he came into my office puzzled, holding the new CIP requirements. "Let me see if I understand this correctly," he said. "To open a bank account, we must get a customer's name, date of birth, address, Social Security Number, or some other government-issued number?"

"That is correct!" I proclaimed. It sounded like Jon was well on his way to mastering AML compliance.

"You know, before anyone gets a cell phone contract, all this information is required, and there isn't a law about it." We just looked at each other and laughed. Welcome to AML compliance, where getting a customer's name is a government regulation.

Embassy Banking Tour

In June 2003, soon after my first day as a Riggs executive, I was introduced to Embassy Banking and started to learn how the bankers thought about themselves and their customers. It had a weird vibe.

Significant operational and cultural changes were needed among the bankers and customers. Crucial to changing the culture was changing Embassy Bank client's expectations. Since Embassy Banking viewed itself like an adjunct State Department – prim and proper etiquette, nice suits, soft talking, avoiding direct and clear communication, and lots of bullshit – management was concerned about how each foreign embassy would react to having to follow new rules (or any rule for that matter).

Many Embassy Banking department staff viewed themselves as extensions of the foreign embassies and viewed their job as accommodating ambassadors and embassy staff. As a result, Embassy Banking workers often acted like paid staff to their embassy clients, not Riggs employees.

Need cash delivered to your embassy? No problem, we're on it. Need to open new accounts, but signing signature cards is low class and beneath a foreign diplomat's stature. No problem, we'll just cut, copy, and paste your signature from other cards on file. Want to stuff \$10,000 in cash into an ATM without a deposit envelope? No problem, we'll pick it up off the floor for you the following day (this happened at the Riggs Bank McLean Virginia branch – it was a Saudi Embassy customer).

This culture needed to change. I decided to join the Embassy Banking relationship managers as they met with each client to explain the new AML policies.

One by one, with the assigned Embassy Banking manager, we went to the foreign embassies to meet senior staff to inform them of the new AML rules. We let them know we would need proper identification for all new account holders, that hand deliveries of cash were a no-no, and that from time to time, we may call to ask about the purpose behind certain transactions.

The Embassy Bankers were nervous – "What if we offend them with these new rules?"

The visits were fun, and some were surreal, including the meeting with the Iranian Interest Section. As I mentioned, Iran has what is known as an Interest Section office, which is housed in the Pakistan Embassy.

What I remember most about this meeting was trying not to laugh as Ray Lund, the head of Embassy Banking, sat on a couch under a gigantic portrait of a robed Ayatollah Khomeini strolling through a rock garden. I guess the picture was an attempt to make the Ayatollah seem like a regular old guy.

By the time our embassy tours were over, I had gained a few pounds from all the fantastic food we were served and pretty wired from all the strong African, European, and South American coffee we drank.

B.J., Meet Embassy Banking and Simon Kareri

Winston Churchill is attributed with saying, “An American diplomat is sometimes like a bull who carries his china shop around with him.” It is believed the British Prime Minister was referring to then-U.S. Secretary of State John Foster Dulles. If Churchill had known B.J. Moravek, he would have recycled this line.

Let me describe B.J.’s communication style. State and federal law enforcement agencies were male-dominated and raucous in the 1980s and 1990s. For context, when I was in the Secret Service in the early 1990s, we referred to our organization as a “fraternity with guns.” The agents that excelled were those who got stuff done. There is also a F**K load of cursing, a communication style where B.J. excels.

One way to describe B.J.’s communication style is “Shakespearian Profanity.” The different uses of “F**K” and “shit,” “asshole,” and a few more I don’t even want to abbreviate - verbs, nouns, adjectives, pronouns, adverbs, objects, and predicate – cannot be adequately described in writing. You must hear it to believe it. There is beauty in it. Dirty word sonnets that in a business setting stand out and are shocking to hear.

The workplace in 2003 wasn’t as uptight and guarded as today, but it wasn’t a Deadwood or Mad Men episode either. In late September 2003, I attended the OCC’s examination of Riggs’ U.K. operations in London. I got a phone call from a Senior Vice President in Embassy Banking, a proper English woman who managed the European relationships. B.J. had just finished delivering his first Embassy Banking AML training session. She called me to tell me, “My husband is a former Royal Marine; I can assure you he’s never heard language like that.” I smiled and asked how the training went. After calming down, she acknowledged the training would have a lasting impression and no one there would forget what they learned.

I also got a call from B.J. that day letting me know Simon Kareri missed the Embassy Bank training. Simon considered such things a nuisance and beneath him.

Let’s Meet Simon Kareri.

Simon Kareri was arrogant, dangerous, and a total pain in the ass. He treated his staff like indentured servants, his colleagues with disdain, and the rules as though they did not apply to him – because they did not. The case of Mali businessman Foutanga Dit Babani Sissoko and Simon Kareri is a great example.

In 1995, Sissoko convinced a manager at Dubai Islamic Bank that, by using black magic, he could double any amount of money. The manager, Mohammed Ayoub, was intrigued. He accepted an invitation to Sissoko’s home and brought along a sack of cash. According to Ayoub’s testimony in later lawsuits and criminal investigations, he said after leaving the money on a table in Sissoko’s home, lights flashed, and smoke appeared. When the smoker cleared, there it was, on the very table in front of him, the money doubled!

Between 1995 and 1998, Ayoub made 183 transfers totaling \$250 million to Sissoko’s worldwide network of bank accounts, including his Riggs account. How did he get an account at Riggs?



Simon Kareri

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A Sissoko dream (or scam) was to establish an airline headquartered in Mali. He secured a few planes and wanted to add a helicopter or two. He found two copters to purchase – both Vietnam War-era Huey's. They needed to be shipped through Miami before heading to Mali. U.S. Customs required a specific export license because these copters could be quickly re-fitted for military purposes. Unlikely to get a license, Sissoko tried to bribe the Customs officer with \$30,000. With an arrest warrant issued, Sissoko was soon picked up in Switzerland and extradited to Miami.

Things then got weird(er).

Sissoko's legal team grew to include several high-profile attorneys, including former U.S. Senator from Indiana Birch Bayh. Sissoko showered Miami with cash after being bailed out for \$20 million. He bought his attorneys luxury cars, donated \$300,000 to a local Miami high school to pay for the school band's travel to march the New York City Macy's Thanksgiving Day Parade, and, for some reason, wrote \$40,000 in checks to actor Sherman Helmsley – that's right, George Jefferson was indeed moving on up. Helmsley even appeared at a later court proceeding as a character witness for Sissoko.

Sissoko enlisted a handful of African diplomats in Washington, DC, for support. Representatives from Togo and Gambia traveled back and forth to Miami from Washington, appearing in court proceedings vouching for Sissoko's credibility and character. One diplomat was Pascal Akoussoulou Bodjona from the Togo Embassy. At the time, Bodjona was a commercial attaché and later became Togo's ambassador to the U.S. As the head of Embassy Banking's Africa region, Kareri's involvement with Sissoko likely came about through his relationships with the Togo and Gambia officials.

After Sissoko's release on bail, he was confined to house arrest in Miami. During this time, Simon flew to Miami and opened a Riggs account for the Mali con man. Yes, Simon did that – opened an account for a non-resident Mali citizen under indictment for attempting to bribe a U.S. Customs officer.

According to records obtained in lawsuits, Bodjona, the Togo diplomat who appeared in court to praise Sissoko, received \$1.9 million from Sissoko's Riggs account. When the extent of Sissoko's fraud was later revealed, he was sued by Dubai Islamic Bank. As part of that suit, Simon was deposed and said he had concerns about Sissoko's source of funds but never reported those concerns to anyone at Riggs.

Beyond illustrating the lengths Kareri would go to "serve" clients, the Sissoko matter is essential to this story for another reason. In the 1990s, the Sissoko story came to the attention of Robert (Bob) Roach, Counsel and Chief Investigator on the Permanent Subcommittee on Investigations.

While the PSI never held hearings or issued a report regarding Sissoko, Roach remembered Kareri's involvement. In part, seeing his name again appear in the 2002 and 2003 L.A. Times articles led to the March 2003 PSI subpoena to Riggs.

The E.G. Exam Begins

With the regulator's deep concerns about Embassy Banking, the Senate's Permanent Subcommittee on Investigations subpoena hanging overhead, Simon's arrogant, petulant personality, and B.J. beginning to unravel the complexity of the E.G. relationship, the OCC started its examination on October 6, 2003.

The Equatorial Guinea Relationship

Older readers may remember the Parade Magazine. For those who do not, Parade Magazine was a staple of Sunday newspapers in the U.S. Placed among the comics, it was my introduction to world events and pop culture trivia as a kid in the 1970s. On Sunday, February 22, 2004, Parade published, as its cover story, "Who Would You Say Is the World's Worst Dictator?"

The good news was only one of the top ten World's Worst Dictators was a direct Riggs client – Teodoro Obiang Nguema, supreme ruler of Equatorial Guinea. As Parade writes,

This tiny West African nation was a forgotten dictatorship until major oil reserves were discovered in 1995. Since then, U.S. oil companies have poured billions of dollars into the country. The bulk of the oil income goes directly into the U.S. bank account of President Obiang[.]. In July, state radio announced that Obiang "is in permanent contact with the Almighty" and "can decide to kill without anyone calling him to account and without going to Hell.

From my perspective, which I shared with the Board of Directors, I was pleased we only banked one of the ten dictators directly. However, Riggs did have the embassy accounts for five countries run by the Worst Dictators, including Cuba, Sudan, and Saudi Arabia. Six out of ten. Not too shabby.

The Equatorial Guinea Accounts

Equatorial Guinea is located on the central coast of West Africa. It consists of a section of the mainland continent and Bioko, an island Northwest of the mainland, where its capital, Malabo, sits. The county's population is about one and a half million people and is the size of Massachusetts, but thankfully without the obnoxious sports fans.

Formerly a colony of both Portugal and Spain, Equatorial Guinea gained its independence in the 1960s, elected a president who promptly did away with its constitution, declared himself ruler for life, and murdered or exiled one-third of the population. Having seen enough, the president was overthrown by his nephew, future #6 on the World's Worst Dictator list, and future Riggs Bank customer, Teodoro Obiang Nguema Mbasago.

Obiang (as we refer to him) had his uncle tried, convicted, and executed. Since seizing control in 1979, Obiang has won every election with nearly 100% of the vote. This incredibly high popularity may have something to do with his imprisoning and torturing political opponents and suppressing dissent.



Teodoro Obiang

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Relations with the U.S. were never strong, and in 1995, the State Department closed its Embassy in Equatorial Guinea. Soon after, however, oil was discovered. By 1997, companies such as Amerada Hess, ChevronTexaco, ExxonMobil, Marathon Oil, and Total of France were finding large oil deposits.

Growing to \$700 million in deposits and loans and 60 different accounts, including deposit, investment, and savings, the E.G. - Riggs Bank relationship began in 1996 with the opening of the first account, what became known as "The Oil Account" into which the oil companies would send millions of dollars.

A nation's central or state bank typically manages accounts that receive hundreds of millions in payments from oil companies. E.G. had no state or central bank. Riggs acted like it was E.G.'s national bank or treasury.

Among the other E.G. accounts were those set up for the president's wife, Constanca Mangue Nsue, into which hundreds of thousands in cash was later deposited, and the Washington, DC, E.G. Embassy accounts that paid embassy staff salaries and maintenance costs.

Two accounts that later became the focal point of our investigation were the Otang accounts and the accounts of Obiang's son, also named Teodoro, known as Teodorin, the name we will use when discussing him. (Obiang = Dictator Dad; Teodorin = Son, Dictator in Waiting)

Otang was a Bahamian shell company set up by Kareri through the Riggs Bahamian branch. Did I mention Riggs had a Bahama branch? The branch was later closed, and offshore accounts and investments operations were moved to Jersey, the Channel Island (UK) banking haven off the coast of France's Cherbourg Peninsula.

President Obiang never had a personal account at Riggs Bank. He was, however, the sole beneficial owner of the Otang account. Between 2000 and 2002, over \$11 million in cash was deposited into Otang. How the cash got into the account is so cliché that it's hard to believe it was real. Kareri, always the consummate customer service professional, would haul the cash, including two \$3 million deposits, into the Riggs Dupont Circle branch in suitcases weighing about 60 pounds each. Sometimes, the cash was wrapped in plastic, and sometimes, it had to be fed through the high-speed counter. And no, Simon did not report the cash to Compliance, nor did the Riggs AML monitoring pick it up and report anything suspicious. Kareri's team did complete a CTR but filled it out incorrectly (of course).

Teodorin, the President's son, in 2004 was the E.G. Minister of Forestry. Instead of living in a forest, however, Teodorin lived in Los Angeles, the Beverly Hills Hotel, to be exact. Teodorin is one of two presidential sons and is now notorious for stories about his outrageous spending on homes in Malibu, Paris, and South Africa and accumulating Ferraris, Bugattis, and Lamborghinis. He even spent \$275,000 on a glove Michael Jackson wore on tour in the late 1980s. In 2012, The U.S. Department of Justice and French police brought seizure charges against some of his funds and property. In 2004, Teodorin held accounts at Riggs, managed by Kareri, and while his profligate spending was known by many, no corruption or embezzlement charges were yet levied.

A common characteristic among dictators who rule over countries with large deposits of valuable natural resources is they must own and control "the vertical integration" businesses needed to support drilling, mining, and building. As a competent dictator, Obiang owns and controls all the companies providing materials and services required for oil exploration. These include:

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- Abayak - E.G.'s only construction company and approved importer of construction materials. When thousands of oil workers show up, they need places to live, eat, and play. Someone must build all the housing, dining, and recreation facilities.
- Forestry – Grupo Sofana and Somagui Forestal are two companies controlled by Teodorin, the LA-based son. In addition to oil, E.G. has trees harvested for lumber. Lumber is needed by big oil companies for construction.
- Security – Sonavi is the E.G. security company needed to protect the oil company's property and personnel. The president's brother owns it.
- Telecommunications – Controlled partly by Abayak, the president's construction company, Nusiteles, is E.G.'s national telephone and computer services company.

Kareri was happy. He managed the bank's largest relationship. More than that, he saw himself as instrumental to the Equatorial Guineans and efforts to modernize their country.

In a May 17, 2001, letter to Obiang, drafted by Simon and signed by himself and other Riggs senior executives, Simon wrote:

The Riggs Bank relationship with you and your Government (sic) is based on respect for you and our ability to anticipate and fulfill your requirements. We are confident that we can be of great assistance to you by providing you access to the best financial experts both at Riggs and within the entire financial services industry for positive contributions to the development of Equatorial Guinea.

We believe our relationship offers a significant opportunity to provide sound financial counseling that will directly benefit the citizens of Equatorial Guinea. We are also confident that together we can reinforce your reputation for prudent leadership and administration as you lead Equatorial Guinea into a successful future.

Yikes.

In late September 2003, B.J. Moravek began investigating the E.G. relationship. He was just a few weeks ahead of the OCC. National Bank Examiners Lois Trojan and Joe Boss started their E.G. examination on October 6, 2003. With B.J. digging and Lois and Joe right behind, Kareri would soon show he was ill-equipped to process the fact not everyone saw one of the world's brutal dictators as a valued client.

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Never. Make. It. Personal.

Kareri believed he was integral to lifting the Equatorial Guinean people and their misunderstood and benevolent leadership into modernity. Imagine Kareri's cognitive dissonance when he realized some, like B.J. and the OCC, did not feel similarly.

B.J.'s investigation and the OCC examination crawled through October and into November 2003. The E.G. files were poorly maintained, with many required account opening, Know Your Customer, and correspondence records incomplete. This aided Kareri's stonewalling. B.J. was forced to make repeated document requests.

Kareri's small team of junior bankers was unhelpful. Simon managed his team as you imagine Obiang managed him – keep your mouth shut unless told otherwise. Fearing for their jobs if they disobeyed Simon, his staff were an additional obstacle.

Endless questions were raised as B.J. and the OCC slowly compiled records, reviewed transactions, and read correspondence. How many E.G. accounts were there? Who were the signatories? What was the purpose of each account? What signatories were related to whom? Were these government accounts or personal accounts? Was there supporting documentation for large transactions? Where the hell did the \$11 million in cash deposit come from?

With so many questions and only Kareri to provide answers, tensions rose. B.J. viewed his authority as absolute – because it was. I told him we needed to know everything about this relationship before the OCC did. We were not going to be caught flat-footed. I liked Lois and Joe. They were strict examiners, and from their prior dealings with Riggs and Embassy Banking, they had little trust in anyone at Riggs – with good reason. I knew we were toast if they viewed my team and me as they did prior Riggs compliance management. Our approach was for B.J. to work quickly ahead of Lois and Joe and to share everything he found with them – total transparency.

Simon was not getting it. Throughout October and November, he remained obstinate. He canceled meetings with B.J., debated whether anyone had the authority to question him, and was incredulous we could not see the good he was doing for Riggs and the dear leader of E.G. and his people. He would plead with me to get the OCC to back off – they, too, could not see his value and importance.

With the OCC's work taking longer than planned and B.J.'s patience fried, the fateful meeting in the history of AML took place on Wednesday, December 3, 2003.

The Dupont Circle offices, both outside and inside, were regal. When the Allbritton's bought Riggs Bank, they gutted, rebuilt, and decorated the Dupont Branch to welcome foreign diplomats – the bank's own private State Department reception lounge. There was a tendency to speak softly, sit upright, and adopt some unknown, weird foreign accent when inside.

Since late September 2003, Simon has avoided attending AML training. The Consent Order Riggs signed in July mandated all employees be trained. Kareri's name atop the "untrained" list stood out, particularly with the OCC's E.G. exam underway. The solution was for B.J. to train Simon one-on-one. This was risky.

After weeks of pressuring Simon to commit to a day and time, on December 3rd B.J. drove one mile up Connecticut Avenue from our 17th Street offices to Dupont, where he met Kareri to deliver the training. It did not go well.

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Simon was agitated and, as he told B.J., “insulted” by the treatment from the AML team and the OCC. Defiant, he sat as B.J. informed him of the new policies and procedures required of everyone and that no employee or relationship was to receive special treatment. The tension rose. Simon reminded B.J. about the E.G. relationship’s significance. He criticized the rubes in compliance and at the OCC, who failed to understand his importance to the bank. Kareri made it clear B.J. was incapable of understanding the complexity and nuance required to manage such a significant relationship. If B.J. and the OCC continued, they were jeopardizing the future of the E.G. relationship, which would harm him professionally.

That was it.

Simon lecturing B.J. was just too much. You can insult and demean some people, and it rolls off their backs with little problem. B.J. is not one of those people. For those who know B.J., there is one rule – Never! Make! It! Personal!

And now it was personal.

Furious, B.J. left the Dupont Circle office and drove back to our 17th Street headquarters, gripping his steering wheel until his fingers grew purple and numb. He burst through our 9th-floor office door, stomped to Jon Glass’s office, seething, leaned onto Jon’s desk, poked his finger towards Jon, and through gritted teeth growled, “You get me something on that piece of shit mother****r NOW!”

Jon popped out of his chair like a Champagne cork, a big smile on his face, “You got it, boss.”

Jon vaulted to Pete Balint’s office, instructing Pete to look through every E.G. account and find something that didn’t look right.

You may wonder, “Didn’t Riggs have a transaction monitoring system to detect suspicious activity? Wasn’t software watching every transaction and spitting out alerts? Well, not really.



B.J. Moravek (white shirt) and Jon Glass planning mayhem

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In the early 2000s, the Transaction Monitoring industry was small. Today, dozens of companies worldwide build and sell TM systems. In 2003, there were maybe six or seven - Search Space (now Actimize), Mantas (now Oracle), Prime (now part of FIS), Norkom (SymphonyAI), and Assist//Ck (acquired by Experian).

Riggs purchased Assist//Ck in 2001, and since its implementation, no alert ever resulted in a SAR. In a bizarre procedure, alerts were collected by a Deposit Operations clerk who sent each alert to either the branch where the alerted customer's account was domiciled or to a relationship manager from Private Banking, Embassy Banking, or Business Banking. She would ask, "Is this okay or a problem? For the thousands of alerts, the answer was always, "It's okay."

In the clerk's defense, when we arrived in June 2003 and looked at the Assist//ck alerts, we realized they were useless. No proper rules nor scenarios were set, nor any tuning or testing. Confronted with Consent Order requirements to design and implement effective transaction monitoring, Pete Balint developed exception reports and rule-based scenarios for cash, wire transfers, loans, trust activity, and two services of particular concern to the OCC, PUPID, and Pouch transactions (These familiar to anyone?).

But as good as these ad-hoc systems were (the OCC examiners called them "the Gold Standard" – ha!), very little recent E.G. activity was out of the ordinary. Receiving hundreds of thousands of dollars from ExxonMobil and Marathon Oil was expected. Pete needed to look at the accounts – all of them – and follow the scientific investigative approach most credited with discovering history's greatest frauds – "Ocular Shock,"¹ or, referred to by season investigators as the "What jumps out at me as I look at this?" method.

Pete scoured the accounts, looking for something unusual. The challenge was that in accounts where everything looks wacky and involves such large dollar transactions, where do you begin? How about Teodorin, the dictator's son?

Scanning the incoming and outgoing activity, one transaction stood apart from the private jet rentals, large credit card payments, and Rodeo Drive shopping sprees. "What is this \$140,000 check to 'Bolly Ba'?" Pete wondered. Several things made it stand out – the first was the name - "Bolly Ba." Is this a person or a business? And if it's a person, who is it, and if it's a business, what is it? The check was written a week prior, on November 28, 2003. It was deposited into a Bolly Ba account at Bank of America.

Pete searched Lexis and learned Bolly Ba was a licensed realtor in Virginia. On its face, this seemed to answer Pete's question – who is this, and what is the purpose of the transaction? Pete knew the E.G. government, and many E.G. diplomats owned real estate in Virginia and Maryland. For many of those purchases, Riggs provided mortgages and letters to realtors attesting to the buyer's "good character" (Simon wrote these letters).

Pete moved on, looking for something else that stood out. A week later, when reviewing Pete's work, something about the Bolly Ba check caused Jon Glass's (Pete's boss) suspicion. Recall that Jon managed the AT&T Wireless fraud group before joining Riggs. While there, Jon honed his investigative senses. Many of these techniques were atypical and unorthodox. When hearing them, I thought it was just part of Jon's odd but enjoyable sense of humor. One Jon Glass investigation maxim

¹ Credit to "Ocular Shock" goes to Matt Schriener, currently BSA Officer of Bremer Bank, St. Paul, MN. In 2004, Matt was part of a team of Sheshunoff Consulting, helping the Riggs Consumer Compliance team.

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is be on the lookout for funny sounding names. Another is, be wary of a full name that consists of two first names ("James Ray")."

Jon brought the Bolly Ba transaction to B.J. "Something isn't right here. Look at this guy's name – it sounds funny."

B.J. didn't comment on Jon's unorthodox investigative techniques. But B.J. agreed something felt off.

B.J. wrote the following email to Simon:

>>> *Bryant Moravek* 12/17 4:12 PM >>>

Mr. Kareri:

Recently (11/28/03), Mr. Obiang wrote a personal check to a Mr. Bolly Ba for \$140K. The check was deposited by Mr. Ba locally. There are no notations in the memo section of the check.

Our research has determined that Mr. Ba is a VA licensed realtor. We know of no property holdings belonging to Mr. Obiang in the Washington, D.C. area.

Can you offer any insight into the circumstances surrounding this transaction?

Regards,

B.J. Moravek

On December 18, B.J. received from Simon the following reply:

-----Original Message-----

Date: 12/18/2003 07:46 am (Thursday)

From: Simon Kareri

To: Bryant Moravek

CC: David Caruso; Ray Lund

Subject: Re: Transaction Re; Teodoro Nguema Obiang

Mr. Moravek:

Mr. Nguema has been in the entertainment business in the United States for over 3 years. During that time, he has travelled (to Miami, Los Angeles, Las Vegas, Chicago, Atlanta, Hawaii, NY and the Washington area and has many associates. Many of these people he meets always seem to want to interest him in business investment. Its not uncommon that he will give them checks.

In this case, I called Mr. Nguema since he is travelling in the US currently. He loaned the money to one of his realtors to invest in dilapidated and section 8 housing.

Simon Kareri

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And what do you think B.J. thought of this response? Section 8 housing? Yeah, right. Game on!

It's been over 20 years since the USA PATRIOT Act became law. Its impact on financial crime is debatable. Millions of SARs sit in FinCEN databases, and financial institutions have collectively spent trillions of dollars implementing and running AML programs. Yet, crime continues to rise, criminal organizations grow, and illicit profits soar. Maybe without the PATRIOT Act, it is worse. Setting aside the debate about the entire law's effectiveness, one section, 314(b), when used, is a potent tool, and it played a critical role in the E.G. investigation.

From FinCEN's, "314(b) Fact Sheet:"

Section 314(b) of the USA PATRIOT Act provides financial institutions with the ability to share information with one another, under a safe harbor that offers protections from liability, in order to better identify and report activities that may involve money laundering or terrorist activities.

Section 314(b) codified a common "under the table" practice of bank investigators before 2001. At that time, many AML investigators were former law enforcement. On our team at Riggs, we had former Secret Service and FBI agents and former Washington, DC, and Fairfax County, Virginia, detectives. This was the norm. Banks hired former law enforcement for security, fraud, and AML positions partly because of their information networks. It was through these networks that banks would share information about customers, accounts, and transactions. Everyone knew this was a murky practice, but it was how investigations got done. This is why Congress codified it – to bring it out from "under the table" and put rules in place.

On December 5, 2003, Riggs investigator Phil Hannum contacted Bank of America to request account information about Bolly Ba. We were told retrieving and sending the account records would take a few weeks. Phil learned from B of A that before the \$140,000 deposit, Ba never had account balances greater than \$10,000.

December rolled on without much movement on the E.G. investigation or information about Bolly Ba. Unknown to us then, it was the clichéd "calm before the storm."

Adding to the feeling of calm was positive news the Riggs board, management, and AML team received from the OCC. On December 17, 2003, I sat in the Board of Directors meeting in the enormous conference room at the Riggs Pennsylvania Avenue branch overlooking the Treasury Department. Beginning the meeting, the board heard from the OCC Examiner in Charge (EIC). In his remarks, the EIC reported the OCC conclusions from a recent examination. (Besides the E.G. examination that began in October, the OCC examined our new Customer Identification Program and assessed our progress on the July 2003 Consent Order).

The EIC told the board Riggs was making "great strides in monitoring suspicious activity [,]" and the recent CIP review was satisfactory. Work remained, of course. The EIC was concerned the E.G. account officer (Kareri) "might not be completely objective and advised Compliance and Security to monitor the accounts carefully." A board member asked the EIC whether the OCC had found any instances of money laundering. The EIC said the OCC had not. However, the EIC did say the OCC considered the E.G. relationship "high risk," and the Riggs Investigation Group needs to continue its review. The board agreed. B.J. let Kareri know:

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---Original Message---

From: Bryant Moravek

Sent: Wednesday, December 17, 2003 4:31 PM

To: Simon Kareri

Cc: David Caruso; Ray Lund; Bob Roane

Subject: Re: Debit Memo

Mr. Kareri:

As of today, pursuant to a meeting of the Riggs' Board - the entire E.G. relationship has now been classified as a "high risk" account. Consequently, the account will now be the focus of enhanced due diligence as mandated by new policies and procedures.

Additionally, as you were informed yesterday, the OCC considers the E.G. relationship to be of "high risk".

Our performance in our review of the relationship will be of primary importance when it comes to a decision by the OCC to lift the consent order we are currently operating under.

Considering these factors, I am once again requesting that you provide me with the transactional clarification that I have requested.

Regards,

B.J. Moravek

Kareri was perturbed.

>>> Simon Kareri 12/17 4:52 PM >>>

B.J.

Respectfully,(sic) can you please tell me the mandate that has been given by senior management regarding these accounts of Equatorial Guinea. Your office has been investigating every transaction and payee of the country, Embassy or personal accounts etc. I need to know if you care to inform me what this mandate is all about.

Thank you

Simon

By Christmas 2003, we felt good. The attention around the Saudi accounts had faded. Our team was hired, new procedures were in place, staff trained, my department was given the financial resources needed, and Consumer Compliance was in good hands with Cindy Pehl – a fantastic compliance veteran I hired to manage all things non-BSA/AML.

Beyond the focus on AML, Riggs was executing our local growth strategy. After a recent systems conversion, the bank planned to expand our retail branch and commercial lending presence around Washington, DC, into the growing and prosperous Virginia suburbs of Fairfax and Loudoun counties. Even without the Saudi and E.G. issues, bank management wanted to de-emphasize the

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International and Embassy Banking business – neither ever made money, and the time and attention it took from management impeded the bank’s safer, more predictable business.

The AML team took a hiatus over the Christmas and New Year holidays, ready to return, or as B.J. said, “strap on our loin clothes, sharpen our swords, and gird for battle” in early January 2004.

Before breaking for Christmas and leaving to visit family down south, B.J. reminded me he was going to “take that piece of shit, Simon, out.” He suspected a problem with the Bolly Ba check and needled me that something was awry. “Perhaps,” I said, but I was skeptical that Teodorin would involve himself in something shady with Kareri – Teodorin was shady all on his own. Why enlist Simon?



Riggs Bank, Pennsylvania Ave Branch Lobby

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New Year, New Surprises

In response to the Consent Order, we created a “SAR Committee” whose function was to make decisions on SAR filing. The committee was unnecessary, but we felt it demonstrated the bank’s seriousness to the OCC by showing senior management involvement in AML compliance. Three of us - me, Bob Roane, the Chief Operating Officer, and Joe Cahill, the General Counsel met frequently to review the investigative reports and recommendations Jon Glass or B.J. presented. Over time, the committee became a rubber stamp of what Suspicious Activity Reporting became – a Gatling gun of over-filing.

We didn’t start this way. For the first year, we operated on the quaint notion SARs should help law enforcement. Having a team of former local and federal law enforcement investigators, including myself, we felt confident we knew what useful SARs looked like.

On Friday, January 9, 2004, the first SAR Committee meeting of the new year kicked off. B.J. updated us on the Bolly Ba check investigation as it stood at that moment. B.J. reported we received the 314(b) materials from B of A that morning but did not have time to review them yet.

The records B of A sent on January 9th included copies of checks Bolly Ba issued after the December 1, 2003, \$140,000 deposit that initially caught the attention of Pete Balint and Jon Glass. Once the \$140,000 check cleared on December 8, 2003, Ba wrote a \$139,000 check to a person named “Nene Fall.” We had no idea who Nene Fall was, nor did B of A. But we knew whoever she (or he) was, the \$139,000 check was deposited into an account at Chevy Chase Bank (now part of Capital One).

The SAR Committee meeting ended. B.J. returned to the 9th-floor offices while I remained for 10 minutes in the 3rd-floor conference room, speaking with Bob Roane about other matters.

It was these 10 minutes that would change the direction of AML compliance and enforcement for the next 20 years.

Riggs and Chevy Chase were two of just a few Washington, DC, area-based banks, and there were many strong relationships between the institutions. Kevin Smith was Chevy Chase Bank’s Chief Security Officer. Kevin’s brother, Chip Smith, was a Secret Service Agent with whom B.J. and I worked. In fact, Chip retired as the Special Agent in Charge of the New York Field Office, where both B.J. and I were stationed. B.J. knew Kevin well and wanted to expedite the 314(b) request. He called Kevin while I remained on the 3rd floor, still speaking with Bob Roane.

B.J. wanted to know who “Nene Fall” was, the person to whom Bolly Ba wrote the \$139,000 check. What Kevin told B.J. was the Jenga block that brought down the whole Riggs and AML compliance tower.

“Her full name isn’t ‘Nene Fall,’” Kevin told B.J. “Her full name is, “Nene Fall **Kareri**. She lives at 1526 Ingram Terrace, Silver Spring, (MD).”

This was it.

Nearly all the funds from the \$140,000 check went from an account holder who happened to be the son of one of the most corrupt dictators on earth to someone with the same last name and address as the account manager – Simon Kareri. B.J. did not know all the facts yet but knew he had Simon.

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I will never forget the moment I returned to the 9th floor. B.J.'s office was next to mine, connected by an internal doorway. We worked with that door open. Walking towards my office, I could hear Jon Glass cackling. As I entered, I turned towards the doorway connecting my office to B.J.'s. I glanced to my left and saw B.J. in his chair, pushed back a few feet from his desk. He was staring right at me. I shifted my gaze and saw Jon sitting in one of two chairs before B.J.'s desk. Jon looked right at me, laughing louder. I knew I was about to hear something interesting.

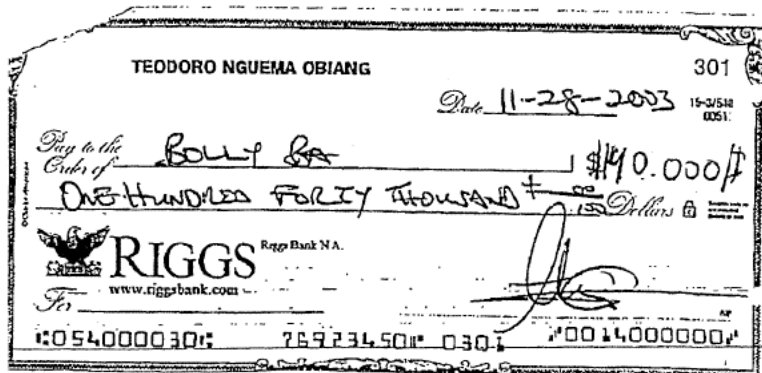
"I told you! I told you!" B.J. bellowed. "I knew it! I just got that motherf****r!"

A bit afraid (a highly animated B.J. is a scary B.J.), I sat in the empty chair before B.J.'s desk on Jon's left, and he told me what he had just learned. "Holy shit," I said. Jon laughed even louder.

"But why would Teodorin write a check to Bolly Ba, and why is Simon's wife (we presumed) involved," I muttered.

"What and who is corrupt here? Is it Kareri or Teodorin, or both? Why is Simon's wife involved? Who really is Bolly Ba? Is this money laundering, fraud, or both? Who do I tell now? What will the OCC think? Is B.J. going to kill Simon? Is Jon ever going to stop laughing?" There were many questions.

The investigation was on.



The Bolly Ba Check

THE INVESTIGATORS

Investigating Kareri

B.J. dispatched our Physical Security Group head, Jack Rohmer, to search Kareri's Embassy Banking office. Simon was not in the bank that day. While there, Jack recovered a document on the fax machine from Exclusive Travel Associates, a Washington, D.C. travel agency. The facsimile was addressed to Kareri and outlined two upcoming travel itineraries for Bolly Ba from Washington, DC, to Dakar, Senegal. The invoice showed an American Express credit card with the last four digits of 1007 was charged for the tickets. B.J. quickly learned from American Express this was Simon's card. There was an obvious connection between Kareri and Ba.

The weekend passed with me, B.J., and Jon planning a strategy to speak with Simon. We decided B.J. should not attend the interview because it would make Simon too nervous. On Monday, January 12, 2004, I drove to the Embassy Banking offices at Dupont Circle, sat in the cavernous conference room, and interviewed Kareri. Joining me was William Craig, head of Human Resources, Ray Lund, head of Embassy Banking, and Tim Coughlin, President of Riggs National Corporation. I asked a few questions to see how deep a hole Kareri would dig for himself.

Kareri reiterated the claim he sent to B.J. in the earlier email that Bolly Ba was a real estate agent and the transaction between Ba and Teodorin was for purchasing Section 8 "dilapidated" housing.

Okay, he was sticking to the "helping poor people get better homes" story.

I asked him to explain how Bolly Ba knew his wife. Simon said Ba and his wife were both from Senegal, and before Simon met and married Nene, she and Ba were friends. Kareri said his wife often provided funds to Ba, and this financial support relationship was between Ba and Nene, and Simon knew little of it. Considering Simon was a world-class control freak, this sounded like total BS.

According to Simon, Ba was careless with money, and Nene helped Ba manage his finances. Kareri speculated that, in this case, his wife was acting as a custodian of the funds.

I then asked why he thought his wife converted the money into a Certificate of Deposit in her name. After pondering that for a moment, with a deep, contemplative look on his round face, Kareri replied this supported his supposition that his wife was acting as a custodian for Ba's funds. "You see," Simon told me, "In African culture, it is customary for spouses to keep their finances separate." As someone who loves history and different cultures, this was a fun fact for me to learn.

Kareri asked the group if he should resign. We explained we wanted to continue investigating for now and that he was placed on paid leave. He was to leave the offices and return only if I permitted him. As the interview ended, Simon requested we keep this matter private and not inform the OCC. I just stared blankly at him.

Back at the Compliance & Security offices, B.J. had the intensity turned up to 11. A review of Kareri's personal Riggs accounts showed the movement of funds with accounts at SunTrust (now Truist). Jon Glass had 314(b) requests to Chevy Chase for all Nene and Simon's accounts, Bank of America for Ba, and SunTrust for Simon. Each bank sent piles of account statements and transaction records.

On Tuesday, January 13th, Kareri called me in my office. He was desperate. He was trying to do everything he could to explain away the Bolly Ba check. We still did not know at this point the story as to why Teodorin would give Ba money, but we felt confident it wasn't to invest in housing.

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But Simon was not going to give up. To bolster the housing investment story, Simon offered to send me a letter supposedly written by Nene to explain the circumstances of the \$140,000 check. I asked him to fax it to me. He agreed. What a dope. (See, Title 18 USC, 1343, Fraud by Wire).

The letter from Nene Kareri said she had known Bolly Ba since the early 1990s. Furthermore, she stated she had routinely lent Ba money and was holding these funds for Ba until this month when she would return them to him. She said her husband, Simon, did not know about this transaction. (Amazing, despite Simon telling me during our interview he knew nothing about any of this, his supposition to me a few days prior about his wife's custodial role was precisely what his wife said it was!)

In the letter, Nene wrote that she had returned the \$139,000 today (January 13th). A copy of a Chevy Chase Bank cashier's check payable to Bolly Ba for \$139,000.00 was included. Copies of numerous checks from Nene Kareri to Bolly Ba were included as evidence of prior financial support.

Simon also faxed a letter from Bolly Ba in which Ba stated he had recently received a loan of \$140,000 from Mr. Nguema (Teodorin – the son) to establish a real estate business – Interstate Properties Management – that specializes in investing in Section 8 housing. Ba stated he gave Nene Kareri the funds to hold “for a month or two” because he had insufficient documentation to open a corporate account. Ba stated he had known Nene Kareri for years, and she assisted him financially throughout their relationship.

At this point, we were still unclear whether we had a scheme involving Teodorin, embezzlement by Simon, or something else. We had not told the OCC anything yet. Before sharing anything with the examiners, I wanted more information about precisely what the hell was happening. I needed B.J. and the investigations team to keep working and find something that provided the clarity necessary for a useful conversation with the OCC.

In the meantime, I was keeping a small group of executives aware – the three colleagues who attended the January 12th interview of Simon, plus Larry Hebert, the CEO, my boss Bob Roane, and Joe Cahill, the General Counsel.

On January 9th, after learning the true nature of the Nene Fall check deposited at Chevy Chase Bank, B.J. had Kareri's Dupont Circle Embassy Banking Office sealed so neither Simon nor anyone other than the Investigations team could enter. Over the next week, several investigators sifted through piles of papers. B.J. also got access to Kareri's email records and voicemail recordings.

On January 16, 2004, while reviewing documents from Kareri's office, investigator Phil Hannum and B.J. found in an envelope on a credenza the original canceled check made payable to Bolly Ba from Teodorin Nguema Obiang for \$140,000.

They also found blank checks, statements, and canceled checks from Teodorin Obiang's (the son) Riggs Bank account.

It appeared Kareri was paying bills on behalf of Teodorin, including cell phones, credit cards, auto insurance, chartered aircraft, security guards, utilities, and subcontractors working on Teodorin's residence in Los Angeles's Bel Air neighborhood.

A week later, after finding and analyzing handwriting samples of Kareri, Bolly Ba, Teodorin Nguema Obiang, and Nene Fall Kareri, Phil realized Simon must have completed the date, the payee's name and written amount portions of the \$140,000 check payable to Ba. The signature on the check did, however, appear to be Teodorin's. Was this a forgery?

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Two days after this handwriting assessment, on January 22, 2004, the Bank got an interesting call from Equatorial Guinea's ambassador to the U.S.

Ambassador Teodoro Biyogo Nsue telephoned and asked to meet with Riggs Corporation President Tim Coughlin. During this meeting, the ambassador stated that the President of E.G.'s son recently received a letter from Simon Kareri. In the letter, Teodorin was asked to write that he "loaned Bolly Ba \$140,000 for an investment in his real estate business to be paid back with 3% interest. The letter asked Teodorin to say, "This transaction has nothing to do with Mr. or Mrs. Kareri." Knowing no such agreement existed between Teodorin and Ba, the ambassador asked to meet with Riggs Bank. During the meeting, the ambassador provided a facsimile copy of the letter recently sent to Teodoro from Kareri.

Now we knew – it was an embezzlement, not a conspiracy involving Teodorin. Kareri was desperate to get Teodorin to back up the BS story that the \$140,000 was for real estate investments.

When Tim Coughlin brought us this information, B.J. called Teodorin in Los Angeles at The Beverly Hills Hotel, where he lived while his Bel Air home underwent renovation. Teodorin held the Minister of State for Forestry, Fishing, and the Environment position with the E.G. government. During the interview, Teodorin told B.J. the following:

He stated that on January 16, 2004, he received a telephone call and a subsequent facsimile from Kareri. During the telephone conversation (which Teodorin said he recorded for whatever reason) and in a subsequent facsimile, Kareri asked Teodorin to sign a letter stating he loaned Bolly Ba \$140,000 for investment in a real estate business, and neither he (Simon Kareri) nor his wife had anything to do with the transaction.



Teodorin Obiang

Concerned with the nature of the telephone call and the subsequent facsimile, Teodorin contacted the E.G. ambassador to the United States. Teodorin asked the ambassador to meet with Riggs Bank officials in Washington, DC.

Teodorin told B.J. that in the summer of 2003, he met with Simon Kareri in Washington, DC, to discuss his Riggs Bank account. During the meeting, Kareri asked Teodorin for a \$40,000 loan to purchase a minivan.

Teodorin agreed to give Kareri a Riggs Bank check drawn on his account. Teodorin said he removed a check, signed it, and wrote \$40,000 in the check's amount section. He did not complete the payee line, the written sum line, or the date line. Teodorin stated he does not know Bolly Ba or is in the Section 8 housing business.

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Boom! Now we have Simon altering a check and stealing \$100,000 from the son of a notorious dictator. We also have Simon bringing his wife and friend (Ba) into his panicked attempt at covering up the theft.

So, Simon is the corrupt one, and the Equatorial Guineans are victims. Case closed.

Not really – B.J. is just getting started. Remember the question posed earlier: Do great investigators get the good cases, or do great investigators make the cases great? It's about to get much more interesting.



Riggs Dupont Circle Embassy Banking offices

OCC Gets the News and The Shivers

At that moment, our heads were spinning. We could not believe what we had. I could not believe, once again, B.J. was at the center of what I knew would be a momentous investigation. This was exhilarating for any investigator (which, at my core, I was and remain). But I sensed others, like the Board of Directors and the OCC, would not feel as jacked as we did. And what about the Senate Permanent Subcommittee on Investigations – what would happen there?

I cannot recall whom we told first – the OCC or the Board of Directors but the reaction and response by both was shock and fear.

There was no way around it – while my team and I were proud of what we'd uncovered, it was terrible news for the OCC and the Board. Despite this apparent reality, I attempted one of history's lamest attempts at spin.

A day or two after B.J. affirmed Teodorin did not write or know about the \$140,000 Bolly Ba check, I sat with David Hunter, the OCC's lead BSA/AML examiner who'd been at Riggs since early 2003 when the Saudi account review began.

Sitting in my office, I started with, "Sooo, Daaaavid, it looks like our new systems and controls worked as intended. We, too, agree the E.G. relationship and Simon need more oversight. Since we've implemented this new oversight, we discovered something..."

As I explained the details of the prior six weeks; how we found the questionable transaction, the 314(b) work with B of A and Chevy Chase, the Kareri interview, and B.J.'s conversation with Teodorin, I wish words could capture the look on Hunter's face. At first, you could see the cognitive dissonance – he assumed by my setup I would be giving him good news. And because I was delivering the story with a big smile and intermittent laughter, his brain was having difficulty processing the disconnect between the nature of my delivery and what I was actually saying.

As I finished, he asked a few questions. He was in shock. He returned to the OCC offices on the second floor of our building. I can't imagine what he told his colleagues, but we suspected that within a few minutes, OCC headquarters, several miles away on E Street, SW, would get the news.

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A PSI Hearing?

When the Permanent Subcommittee on Investigations subpoenaed the E.G. accounts in March 2003, Riggs retained Matt Herrington of Williams & Connolly, as outside counsel. From 1996 to 1998, Matt was a PSI Investigative Counsel. He knew how the Subcommittee operated and knew many of the staff, including Elise Bean and Bob Roach, the two chief investigators for Senator Carl Levin.

From when Riggs first received the PSI subpoena in March 2003 until now in January 2004, Matt worked with Riggs's General Counsel to ensure the bank provided E.G.-related documents required by the subpoena and, more importantly, speak with PSI senior investigative staff, specifically Elise and Bob.²

Matt kept the PSI staff's temperature to measure their interest in the E.G. relationship. Was it something they saw as having legislative oversight or media appeal? Keep in mind, Congressional committees have investigative power, but that power is limited (or at least is supposed to be) to their role as legislators (Are there new laws needed to address contemporary public policy issues?) or their role as overseers of the Executive branch (Are Executive agencies failing to do their jobs?). Now, not to impugn the U.S. Congress, but there is an "X" factor in what issues get attention. Sure, many issues Congress focuses on involve the tedious work of massive bureaucracies and draw little attention. But then other issues are both important to a particular lawmaker's interests and newsworthy. For lawmakers looking to drive attention to their work, this is what they want. Banks failing to comply with laws, regulators failing to do their jobs, money laundering, and international corruption – these get attention.

These issues were important to Senator Carl Levin, a Democrat from Michigan, who was the Ranking Member (Democrat) on the PSI. Levin had a two-decade-long interest in exposing U.S.-based banks that facilitate corruption and money laundering and how regulators fail to detect and punish financial institutions for doing so. In the 1990s, Levin and his staff investigated and held hearings on how Citibank coddled Raul Salinas, the corrupt brother of Mexico's then president, as he laundered funds with the bank's assistance. Levin was the Senate's first and most vocal supporter on Know Your Customer issues, more robust Beneficial Ownership disclosure, and investigating professional service providers' role in facilitating money laundering.

The PSI showed few signs of interest in the E.G.-Riggs matter for nearly a year since the initial subpoena issued in March 2003. There was no "hook" for the sub-committee, no facts showing direct bank or regulatory oversight failure. Elise Bean, then the PSI's Minority Chief Counsel, said on a 2018 webinar that at the time in 2004, the Subcommittee was "looking for a test case" as to whether the USA PATRIOT Act implementation was effective and clamping down on misuse of the financial system. It seemed the E.G. - Riggs relationship had no appeal to Senator Levin or his staff at the time.

That changed when Matt Herrington met with Elise and Bob to share with them what we found involving Kareri and his fraud. The mix of a Top Ten Most Corrupt Dictator, a corrupt account

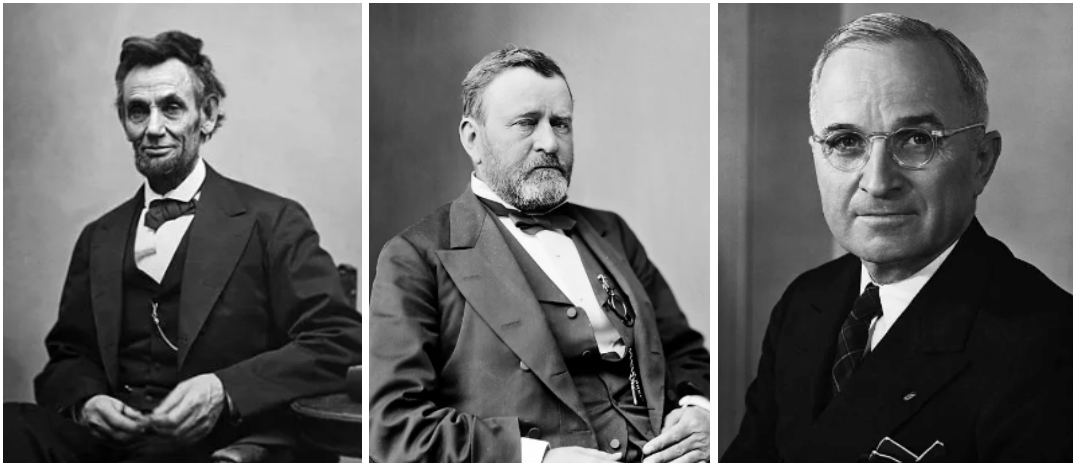
² The PSI is a unique sub-committee in the Senate because it is not a place of extreme partisanship. So, despite the PSI being under GOP leadership in 2003 and 2004, the E.G. investigation was seen as non-partisan. Even though it was run and managed by Elise and Bob, who worked for the Democrat side, the Majority GOP counsel and investigators participated.

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manager stealing from the corrupt son of the corrupt dictator, and failed OCC oversight were the ingredients needed for a good old-fashioned PSI public flogging. We heard a hearing was now likely.

The OCC didn't take the news of Kareri's theft well. A few weeks prior, at the December 17, 2003, board of directors meeting, the OCC delivered a positive message on the bank's progress. That feeling was gone. Hearing their fears about Kareri realized, the agency's mood changed immediately. Within a week, the Examiner In Charge told Riggs's executive management the OCC was considering Civil Money Penalties against the bank and even against management and the Board of Directors.

Unknown to us at the time but later revealed in the PSI report, upon receiving the news of Kareri and the \$140,000 check, investigators from the Senate Subcommittee subpoenaed the OCC for records about the agency's oversight of Riggs Bank. It was getting real.



Riggs Bank Low-Risk PEPs (Although it was before Customer Risk Rating, so who knows?)

More Investigation and More Crime

There are more attorneys in Washington, DC, per capita than any city in America, and probably the world. Within a few weeks of finding the Kareri crime, it felt like most of them were at Riggs Bank board meetings. The firms retained included Sullivan & Cromwell, Paul Weiss, Covington & Burling, Goodwin Proctor, Wilmer Hale, Clearly Gottlieb, Skadden Arps, Steptoe & Johnson, and others I cannot recall 20 years later. The attorneys represented Riggs Bank, the Riggs Bank Board of Directors, and the Riggs National Corporation Board of Directors. Williams & Connolly and Steptoe represented the bank before the PSI and the Department of Justice. It was a lawyer fest. Representatives of each firm attended every BSA Compliance Committee, Audit Committee, and full board meeting.

The politics and positioning common in Washington, DC, were now gearing up. The PSI, the OCC, Riggs board members, law firms, consultants, public relations firms – everyone needed to show action.

What many had not yet processed, however, was that our small team continued to investigate Kareri and the E.G. accounts. Much, much more would be discovered over the next five weeks.

On January 27, 2004, Kareri's SunTrust account records arrived. Two accounts, a checking account, and a money market account, were in the name of Simon Kareri. Scouring these accounts and investigating anything that looked out of the ordinary, B.J. found a deposited \$4,398 check payable to Simon Kareri from Rockville (MD) Interior & Fabrics. Speaking with a manager there, B.J. learned the payment to Kareri was his fee for brokering a deal between the E.G. government and Rockville Interior & Fabrics for the recent \$480,000 E.G. Embassy renovation. According to Jasmine, the manager, Kareri, was quite involved in selecting fabrics and the entire design process.

On January 28, 2004, Simon Kareri was fired from Riggs Bank.

Even though attention remained focused on Kareri, remember, the E.G. accounts were a significant concern to us, the OCC, and the PSI. Everyone was asking whether the E.G. government knew if Kareri was stealing money. Were they victims, or were they paying Simon for other reasons? Even if they were victims and not involved with Simon's schemes, the whole situation presented too much risk and drew too much attention. The Secret Service and FBI were now involved in the Kareri investigation, receiving briefings from B.J. and copies of his investigative reports.

Each day, the investigation uncovered more jaw-dropping transactions and raised the risk level, making management, the board, the lawyers, and the OCC very anxious.

Kareri's Shell Company?

On January 27, 2004, while reviewing the SunTrust account files, Phil Hannum and B.J. saw Kareri was the signatory and sole owner of an account in the name of "Jadini Holdings." There was a \$91,000 account balance. That last transaction had occurred a year earlier – a \$7,260 wire transfer from Dresdner Bank Latin America. In the transfer record was a reference to "Project El Salvador." What was this?

While reviewing Kareri's SunTrust accounts, B.J. and Pete Balint combed through what was known as the E.G. "Oil Account." This was the account where ExxonMobil, Marathon Oil, and other multinational energy companies paid money to the E.G. government.

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On January 29, 2004, two days after receiving the SunTrust records, B.J. and Pete found three transfers from the Oil Account (Riggs) to Jadini Holdings (SunTrust) totaling \$1,096,677. Why were funds from the E.G. oil account going to a probable shell company account controlled by Kareri?

Jon Glass sent another 314(b) request to SunTrust for all Jadini Holdings, Ltd. records.

Back on January 9th, when B.J. had Simon's office sealed, Jack Rohmer took Simon's laptop and gave it to B.J. After finding the Jadini Holdings transactions, B.J. searched Kareri's computer and found numerous files where "Jadini" appeared, including four invoices issued by "Jadini Holdings, LTD."

Three of the four Jadini invoices were sent to a Texas-based liquid sealant company and one to a Florida-based modular home construction firm. After speaking with the owners, B.J. verified that one had sold top sealant for a road construction project and the other modular homes to the E.G. government. Both owners said they worked with a "Simon Kareri," whom they believed was an "E.G. government project manager."

The top seal company said they were fully paid \$92,156 for their services. The payment received came from a company named Jadini Holdings. The Florida modular housing company was paid \$166,752. This payment was sent from a "BIC International" account from Riggs Bank. Pete Balint had earlier found an account for "Business Investment Consolidation (BIC) International," opened by Simon in 2001.

Examining the BIC account records, B.J. and Pete saw funds arriving from the SunTrust Jadini Holdings account.

At this point, in addition to the \$140,000 Bolly Ba check scheme, we have:

1. Kareri coordinates road and home construction projects in E.G. with U.S.-based contractors.
2. \$1,096,677 was transferred from the E.G. Oil Account to Jadini Holdings, an account controlled by Kareri.
3. The total funds paid for the top sealant and modular homes was \$307,708, leaving \$788,969 in Jadini Holdings' account.
4. We do not know if the E.G. government authorized Simon to transfer money from the Oil Account to Jadini Holdings, and if they did, how much did they authorize?

B.J. found that Jadini Holdings was a British Virgin Islands International Business Company set up by Trident Trust Company. Trident's Corporate Formation and Administration Services established Jadini in May 2001. The director and owner of Jadini was listed as Ndeye M. Fall (and we know who that is).

By the first week in February 2004, B.J. began briefing the US Attorney's Office in Washington, DC, on the facts of the Kareri case.

I was briefing the executive management, the Board of Directors, all the attorneys, and the OCC. Matt Herrington was informing the PSI investigative staff on Capitol Hill. It was tense. With every new finding, you could see the faces of the board, attorneys, and OCC drooping further toward their laps.

Corrupt Dictators Will Do What Corrupt Dictators Do

Along with discovering the payments from the E.G. Oil Account to Jadini Holdings, Pete Balint flagged payments to two entities, Apexside Trading, Ltd., and Kalunga Company, SA. Both names sounded strange. Public record research turned up nothing on either. Between June 2000 and April 2003, the Kalunga account received \$26.5 million from the Oil Account. Apexside, during this same time frame, received \$10 million from the Oil Account.

Was this it? Was this the siphoning of funds you'd expect from a dictator sitting atop millions of barrels of oil?

From the beginning of our work, we wondered where the corruption was. Teodorin lived a lavish lifestyle openly in Los Angeles. The president had homes in Spain and France. How did they get the money? Everyone knew the president and his family controlled construction, forestry, security, and telecommunications companies and took money from these operations. But was that it? Was their corruption "only" through the businesses they controlled? This was reasonable to assume. Why do anything more when you own a monopoly of all the businesses providing services to the world's largest oil and gas companies? Just charge what you want and take all the profits.

But now we had Jadini and these two things – Kalunga and Apexside - that raised many questions. Was the president or others in E.G. involved in Jadini? What were Apexside and Kalunga? Did the president control them?

On February 10, 2004, Jon Glass sent 314(b) letters to Banco Santander in San Juan, Puerto Rico, for Kalunga Company account information, and to HSBC in Buffalo, New York, requesting Apexside Trading records. Neither bank was willing to help. This exposed what the PSI considered a weakness in the PATRIOT Act. The Subcommittee highlighted in their report on Riggs:

“Both banks declined to provide the requested information because the accounts had been opened in their foreign affiliates in Luxembourg or Spain. Both banks took the position that bank secrecy laws in those jurisdictions barred disclosure of client information by their affiliates, not only to third parties but also to personnel within the same bank if located outside the host country. This bar for disclosure means, in essence, that banks operating in the United States seeing large wire transfers directed to accounts at foreign affiliates of their own bank cannot obtain key information about the beneficial owners of those accounts, even from their own affiliates.”

Without help from HSBC or Santander, we needed another way to understand Kalunga and Apexside. We would have our answer soon. Equatorial Guinea president Obiang was scheduled to arrive in Washington, DC, on February 22nd. We would meet face-to-face and ask him.

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Tea with the Dictator

Remember the mention of the annual Parade Magazine's World's Worst Dictators? That was published on February 22, 2004, the Sunday Obiang arrived in Washington, the day before we met him at the Four Seasons Hotel in Georgetown. The timing could not have been more awkward.

B.J., a Secret Service Agent for 20 years, and me for five, had been around hundreds of presidents, prime ministers, kings, and queens—many of questionable character. So, being with a foreign dictator like Obiang in a place like the Four Seasons Hotel in Georgetown wasn't unusual for us. Asking direct questions to a murderous despot about his corruption was. But on occasion, duty calls for an AML officer and his chief investigator. So off we went.

On February 23, 2004, B.J. and I and three senior Riggs bankers found ourselves in a Four Seasons hotel suite sitting on a couch facing Teodoro Obiang, the E.G. president. Sitting beside him were E.G.'s State Secretary of Mines and Energy, the State Secretary of Treasury, and E.G.'s U.S. ambassador. The president allegedly speaks little English. Spanish is E.G.'s native language. Having lived in El Paso, B.J. understood Spanish, and two Riggs bankers were fluent speakers.

B.J. sat directly across from Obiang. Knowing, as Parade Magazine wrote, Obiang "can decide to kill without anyone calling him to account," I scooted down a few cushions, creating a bit of distance from B.J.

The conversation started with one of the senior bankers thanking Obiang for meeting with us and his long-time faith in Riggs Bank. B.J. had a "you've got to be f'ing kidding me" look on his face. This wasn't a sales meeting. B.J. took over the discussion and started with questions about Simon Kareri. The president affirmed the story his son told B.J. earlier that month – Kareri was not authorized to take \$140,000 from the son's accounts.

Next, our questions turned to Jadini Holdings. Let me quote from B.J.'s investigation report:

None of the parties could provide any information relative to Jadini Holdings, LTD. The group was most surprised upon learning that the company was affiliated with Ndeye Nene Fall – Simon Kareri's wife. They were also surprised to learn that \$1,096,677 had been transferred to Jadini's SunTrust account. The group, however, stated they authorized the transfer of \$396,677 (\$329,926 and \$66,751) in funds directed to Simon Kareri to pay contractors for a small road construction and housing project in E.G. Kareri was never authorized to act as a project manager for the government of E.G. Kareri was authorized to reimburse contractors for the costs associated with these two projects.

The group emphatically denied providing Kareri with authorization to transfer an additional \$700,000 to his or Jadini's account. The group stated Kareri was not authorized to overbill the government of E.G. for any construction projects nor make any profit on the projects. Furthermore, the group denied providing Kareri with any authorization to transfer funds to any intermediary, such as Jadini, to facilitate payment to contractors.

Okay, we have Kareri embezzling over \$700,000 from the E.G. government. We were not surprised.

Now, B.J. asked the president about Kalunga and Apexside. It was getting fun. The Riggs bankers started to squirm as B.J. sat forward on the couch directly across from Obiang, locked eyes, and asked the president to explain the transfers from the Oil Account to Kalunga and Apexside.

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Delayed seconds of silence.

The E.G. aides looked down and were clearly uncomfortable and nervous.

The president said nothing.

B.J. said nothing. He just kept staring, eye-to-eye, with Obiang.

B.J. has a habit. In poker, it is called a “tell,” a sign or movement that reveals a player’s belief in their hand. B.J.’s tell is when his intensity level rises, and he is staking his position as Alpha; he clicks his pen incessantly. In the dead air, all you could hear was “click, click, click, click, click...”. Still staring at each other, the silence between B.J. and Obiang was broken when the president directed one of his aides to answer.

“These companies provide special services to the government. As bankers, this is all you need to know. The transfers are authorized.”

That was that. Interview over. We got the answers we needed and expected – which was that the president would not provide explanations about the \$34 million in transactions to Apexside and Kalunga.

Later that day, after briefing executive management, we notified the E.G. State Secretary of the Treasury that by March 3, 2004, all E.G. government and personal accounts of everyone associated with the E.G. government or ruling family would be closed. (A few weeks later, B.J. met the E.G. ambassador at Embassy Banking and handed him a \$700 million cashier's check).

On February 25, 2004, the Riggs Corp. and Riggs Bank Joint Audit Committee met. I told the Committee about the meeting with the E.G. president, our conclusion about Kareri’s embezzlement, and the decision to exit all E.G. relationships.

We had briefed the OCC on these facts the day before.

At the Audit Committee meeting, the OCC Examiner in Charge, Les Miller, told the board members the OCC was now considering Civil Money Penalties against Riggs Bank and board members. Miller said because of the E.G. situation, the bank was not compliant with two sections of the Consent Order: Internal Controls and Internal Audit.

Miller mentioned twice the OCC’s concern about “the Senate investigation” and the impact it could have on Riggs. Fair enough – but everyone in the room and anyone the least bit familiar with how Washington, DC, works knew the OCC wasn’t just concerned about the PSI’s impact on Riggs; the OCC was worried about the PSI’s impact on them. This would soon prove to be a justifiable concern.

Because Riggs, like many financial institutions in the U.S., has both a Bank Holding Company (Riggs National Corporation) and a bank (Riggs Bank N.A), it had two regulators, the OCC for the bank and The Federal Reserve Bank (of Richmond) for the Corporation. When one regulator finds a problem at the holding company or bank, the other regulator must act as well – that is basic cover-you’re-ass government bureaucracy behavior. At Riggs, the Fed regulated the Corporation and our Miami branch, known as “Riggs International Banking Corporation, Miami, Florida.”

On April 2, 2004, we were told by the Richmond Fed exam team they were issuing Riggs National Corp. a formal enforcement action citing BSA/AML weaknesses in monitoring, customer due diligence, internal audit, training, and internal controls. This was not surprising. Based on what they said, the Fed felt they were covering their risk. Oops, that turned out to be wrong. Remember Augusto Pinochet and his Embassy Banking accounts – that is a Fed problem.

The Riggs News Hits the Mainstream

Between June 2003 and March 2004, events moved fast. They were about to go hypersonic. Another OCC Consent Order, a new Fed Consent Order, Civil Money Penalties on the bank, and possibly individual board members were a lot. The revelation of Kareri's crimes increased tension among management, the board, and the regulators. Not to mention the outside lawyer army.

With the notification of potential CMPs for board members, the board acted. First, board meeting schedules changed. The BSA Committee now met every two weeks, and the Audit Committee met monthly. The Bank and Corporation board's outside counsel attended every meeting. Sitting next to the board members, the attorneys would slip them notes, prompting them to ask me and other management questions. The board needed the meeting minutes, copies of which went to the OCC, Fed, and PSI, to show members actively exercising their oversight responsibility.

I understood the board's position and their shock when hearing they faced possible fines. Whenever they agreed to sit on a board of directors at a historic bank in the nation's capital, none imagined they would face fines and professional and personal reputation damage.

Although the attention of lawyers, regulators, and consultants did not bother me, I knew the stakes were high. As much fun as the investigator in me was having uncovering the Kareri, E.G., and soon-to-be Pinochet crimes, I knew this was now an intense Washington, DC game of "Who Is To Blame?" (A popular show appearing every few years in the nation's capital, and seemingly, always starring bank regulators).

The Newsweek Saudi Embassy story kicked off events that a year later had me sitting in a bi-weekly bank and holding company board meetings with a dozen outside attorneys, consultants, four OCC examiners, and a few more from the Fed. The board members, the OCC, and the Fed were each in a bad spot. The board for failing to oversee the BSA/AML program, and the regulators for failing to supervise Riggs.

FinCEN got involved, as did the Department of Justice. The PSI was all-in on going after Riggs and the OCC in a public hearing. And all of it was about to spill into the national news media.

On April 15, 2004, The New York Times published "Board Oversight At Riggs Bank Under Scrutiny." Timothy O'Brien wrote:

Since Joe L. Allbritton took control of the Riggs National Corporation in 1981, the bank's board has been a cozy blend of family, friends, and business associates. Mr. Allbritton's wife, Barbara, who has no banking experience, served on the board for several years in the 1990s. His son, Robert, joined the board in 1994 at 25 and today is both a director and the chief executive of Riggs.

Now, though, the board's vigilance is coming under greater scrutiny. Riggs is mired in several federal money laundering investigations involving its accounts, and analysts say that banking regulators will hold directors accountable for how effectively they monitored Riggs's anti-money-laundering practices.

Riggs provides banking services to most of Washington's foreign embassies and to American consulates worldwide. Federal law enforcement officials, Congressional investigators and

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banking regulators are scouring its accounts in a wide-ranging examination revolving around possible terrorist financing, money laundering or graft. Saudi Arabian and Equatorial Guinean accounts are at the center of the investigation.

On April 18, 2004, Washington Post reporters Kathleen Day and Terrence O'Hara published "US Ready to Fine Riggs Bank." Day and O'Hara wrote:

Federal bank regulators are preparing to impose fines on Riggs Bank as soon as this week for not reporting millions of dollars in suspicious transactions at its embassy banking division, and have notified bank officers and directors that they may be sanctioned individually, according to people familiar with the investigation.

The penalties would come as the FBI, bank regulators and three congressional committees continue to delve into Riggs's international banking relationships, particularly its two-decade role as chief banker for the Embassy of Saudi Arabia in Washington.

Investigators are looking at the Saudi accounts for evidence of money laundering, which is the use of complex transactions to hide the origin or destination of funds related to illegal activities such as drug smuggling or terrorist acts. The investigators have reached no conclusions about the reasons for the transactions in the embassy accounts, including the personal accounts of the Saudi ambassador, Prince Bandar bin Sultan.

Day and O'Hara then write about Riggs SARs the Post obtained.

Copies of more than a dozen SARs were obtained by The Washington Post. The reports detail various transactions by Riggs's embassy customers, but mainly about those involving Saudi officials. Riggs filed about 30 SARs in 2003 for transactions totaling \$25 million to \$30 million after an internal audit of recent years of activity in Saudi accounts, the sources said.

After detailing numerous suspicious transactions involving the Saudi Embassy and several high-ranking diplomats, the authors drop this:

Riggs also faces a probe into its business with another embassy. A federal grand jury is investigating possible money laundering in accounts held by officials of Equatorial Guinea, and an official at Riggs who managed the West African nation's accounts has been fired and is under investigation for possible embezzlement. The grand jury also is looking into whether bribes were paid by U.S. oil companies through Riggs accounts to the dictator of Equatorial Guinea, according to people who have been briefed on the matter.

While New York Times and Washington Post articles about BSA/AML failures are standard now, in 2004, this was way out of the ordinary. The ingredients of international corruption involving a small, historic family-controlled bank in Washington, DC, regulatory agency failures, and the PSI investigation made the story too interesting to ignore.

The publicity increased the pressure on everyone involved.

Throughout March and April 2004, B.J. continued investigating Kareri and E.G. He provided his findings to the Secret Service and FBI and briefed senior staff from the Permanent Subcommittee on Investigations at their Capitol Hill offices.

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You might imagine this made the OCC, Board of Directors, and attorneys anxious. Each knew transparency with the PSI and the DOJ was the only path to take. But each day B.J. spent investigating and meeting with the PSI and DOJ, the stakes rose, and so did everyone's legal, reputation, and personal financial risk.

I'm sure there were board members, outside counsel, OCC and Fed management, and bank management that wished me, B.J., and the Investigations team would have just stopped. Wasn't there enough to prove the bank's BSA/AML compliance failures, the OCC's supervision failure, and the board's oversight failure? However, at no point did my fellow executives, board members, or outside counsel suggest we stop. It was an enviable position – follow the facts.

In future editions of this chronicle, I will tell the story of B.J.'s investigation of Augusto Pinochet and the Saudi Embassy accounts. Like the E.G. investigation, we were never told to pull back, even as our work jeopardized Riggs's ongoing operation or even when law enforcement authorities in the U.S., U.K., Spain, and Chile were moving against Riggs in the courts. This was remarkable for anyone who has ever worked in a situation involving a high likelihood of regulatory and legal jeopardy. In particular, outside counsel, in this case, the most senior and accomplished banking, regulatory, and corporate investigation attorneys in the country, stood back and gave us the leeway we needed. I took it as a vote of confidence in our capability, mixed with the attorneys' rational fear of getting in B.J.'s way.

On May 13, 2004, FinCEN and the OCC issued a joint Assessment of Civil Money Penalty. In the Summary of Findings, the CMP, signed by then FinCEN Director Bill Fox, cited, in part, the SARs filed on Kareeri's embezzlements as its basis. The Findings eviscerated every other AML program pillar going back to 2000. Fair enough.

The OCC also issued a second Consent Order on Riggs for our BSA/AML Program. The next day, the Board of Governors of the Federal Reserve System issued their Consent Order. Thank you, Sir. May I have another?!

May and June 2004 were spent investigating and unwinding the Embassy Banking business. In March 2004, after the E.G. show and all the pressure surrounding Embassy Banking, the board agreed to exit the Embassy and diplomatic banking business. A portion of the business was sold to HSBC, a decision they would later regret. Other accounts, like E.G. and the Saudis, were closed. Soon, the U.S. Department of State would need to intervene to help a few of the highest-risk countries secure bank accounts in America, an early sign that aggressive de-risking has second-order impacts.

Throughout May and June, B.J. continued to meet with the PSI staff to prepare for the July 2004 hearing. Oh yeah, and Riggs was put up for sale.

How Not to Announce a Bank Sale

The Allbritton family controlled Riggs through their majority shares in Riggs Corporation stock. Joe, the father, was once actively involved in the business. His wife, Barbara, sat on the bank board, and his son, then 35-year-old Robert, was the Chairman of both Riggs Bank and Riggs Corporation. In both, Robert held “non-executive” status, meaning he did not work in the bank. I only saw him at board meetings, which he chaired.

Robert later ran the family’s television business, Allbritton Communications, which he sold in 2014 for \$985 million. Robert also founded Politico, a web and daily newspaper covering national and international politics. He sold Politico in 2021 to a German publisher for \$1 billion. While accomplished a decade after the Riggs scandal, Robert was not well suited for Chairman in 2004. Having never worked in any management position at the Bank and sharing some of his parent’s negative views on regulators, Robert at the helm was risky.

After watching Robert’s performance in one board meeting, one of the formidable outside attorneys said, “Robert’s problem is that growing up as he has, no one’s ever told him he’s a f***ing idiot” (at least in banking).

On May 27, 2004, Riggs National Corporation held its annual shareholder meeting. Robert was the main speaker. In the lobby of the Riggs Pennsylvania Avenue branch across from the Treasury Department and White House on a brilliantly sunny and warm day, several hundred shareholders filed into their seats to hear an update on Riggs. Everyone was nervous, particularly the attorneys, who were concerned about questions shareholders may ask about the BSA/AML issues and Riggs’s future.

Securities and Exchange Commission regulations mandate how publicly traded corporation executives provide information to shareholders. Shareholders are owners of a company. In Riggs’s case, the controlling shareholders were the Allbrittons, but there were thousands of other shareholders as well. These shareholders have rights under the law, and executives must act in the best interest of all owners, no matter how small their stake.

With all the recent troubles at Riggs, shareholders would likely ask whether Riggs would remain independent or be acquired by another institution. Experienced Chairmen know how to address these questions to avoid exposing the bank and its management to shareholder lawsuits and SEC scrutiny. In other words, if a CEO or Chairman is unclear or makes statements that raise doubt about the viability of a company’s future, shareholders (owners) react. Sometimes, with lawsuits. The SEC reacts if company management violates disclosure rules.

Guess what? During the shareholder's questions, Robert was asked about the viability of Riggs remaining independent. He fumbled. Instead of answering as advised by counsel – keep it short, don’t raise any doubt, and move on to the next question – his answer was muddled, leaving shareholders uncertain whether Riggs was seeking a buyer.

I was clueless about the specifics, but I felt the energy in the room change. Sitting beside a few of the bank’s outside counsel, I saw their heads droop. Riggs now risked a shareholder revolt and a SEC investigation, further damaging its brand and business. We had no choice. The bank was put up for sale within days of the May 27th annual shareholder meeting. This now added more stress for everyone. Management was angry, and the OCC, Fed, and now the FDIC were worried – what would this mean to Riggs’s ongoing operations? Would it jeopardize capital and liquidity? It was a mess.

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The PSI Hearing

On Thursday, July 15, 2004, in room SD-342, Dirksen Senate Office Building, Senator Norm Coleman (R-MN) called open the Permanent Subcommittee on Investigations “Money Laundering and Foreign Corruption: Enforcement and Effectiveness of the PATRIOT Act” hearing. Joining Coleman were Senators Carl Levin, Peter Fitzgerald (R-IL), and Frank Lautenberg (D-NJ).

From Riggs, the CEO Larry Hebert, former head of Embassy Banking Ray Lund, and current Chief Risk Officer and former OCC Examiner in Charge Ashley Lee would testify. Simon Kareri also appeared, but when asked the first question, he invoked his 5th Amendment rights against self-incrimination. He was then allowed to leave.

Deputy Comptroller Jennifer Kelly, Former Assistant Deputy Comptroller John Noonan, Riggs Bank Examiner in Charge Les Miller, and Deputy Chief Counsel Dan Stipano testified for the OCC.

Coleman’s opening statement sets up the hearing to cover the Riggs BSA/AML compliance failures related to Equatorial Guinea, Augusto Pinochet, the Kareri matter, and then this:

Equally important, I am concerned whether the OCC is effectively providing the proper oversight of U.S. financial institutions to ensure that bank managers understand their obligations to comply with anti-money laundering statutes. Clearly, the OCC raised numerous issues with respect to anti-money laundering compliance. Clearly, the bank failed to correct these issues promptly. Although the OCC identified the problems, the problem is that the issues persisted. If the OCC fails to make banks get it, we all bear the consequence.

Coleman noted that on money laundering compliance and foreign corruption issues, both the GOP and Democrats agreed more was needed to ensure banks comply and regulators do their jobs.

Next, Senator Levin delivered his opening statement. Without mincing words, Levin said, “Riggs operated its bank with blatant disregard for its anti-money laundering obligations.” He then went on to provide some troubling details about the Pinochet relationship.

Levin then turned to the E.G. accounts. Using the facts B.J. uncovered and shared with the PSI staff, the Senator’s words capture it well:

Riggs offered the E.G. officials the same sorts of services that it offered General Pinochet. For example, Riggs helped the E.G. President set up an offshore shell corporation in the Bahamas, called Otong. Riggs then opened three accounts in the name of that offshore shell corporation. Over the next three years, from 2000 to 2002, Riggs allowed the E.G. President to make repeated cash deposits— and I emphasize cash deposits—into the Otong account of \$1 million, \$2 million, and even \$3 million at a time. At least one of these deposits was personally brought into the Riggs Bank by the Riggs account manager who handled the E.G. accounts. He carried the funds in a suitcase of plastic-wrapped dollar bills weighing 60 pounds or more. If that kind of cash deposit does not make a bank sit up and ask questions, I am not sure anything will.

And there is more. Additional hundreds of thousands of dollars in cash were repeatedly deposited into accounts opened for the E.G. President’s wife and for her brother, the E.G.

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Ambassador to the United States. There were also substantial withdrawals for expensive homes, cars, and credit card bills.

International wire transfers moved millions of dollars in and out of E.G. accounts and across international lines. They included wires that, over two years, took \$35 million out of an account holding oil revenues for the people of Equatorial Guinea and sent the funds to two unknown offshore companies called Kalunga and Apexside. Riggs states in its prepared testimony today that these overseas companies “appear to be controlled by members of the government of Equatorial Guinea.”

Riggs learned about the suspicious nature of those companies when, in August 2003, it started analyzing the wire transfer activity in the E.G. oil account and asking questions. That was six months after Riggs received a subpoena from this Subcommittee requesting information about the E.G. accounts at the bank. If Riggs had started asking the same questions three years earlier, when the wire transfers first started, Riggs would not have ended up facilitating \$35 million in suspicious wire transfers.

There were other suspicious transactions as well. Nearly \$500,000 in wire transfers went from the, E.G. Government’s oil account to the personal account of an E.G. official. Another \$1 million was wired out of the oil account bound for another bank in an account belonging to the Jadini Holdings, Ltd., an offshore corporation under the control of the wife of the Riggs’ employee who manages the E.G. accounts.

Echoing Senator Coleman’s concerns about the OCC, Levin added (emphasis added),

At the same time all this activity was going on, Federal bank regulators were repeatedly expressing concerns about deficiencies in Riggs’ anti-money laundering controls, but doing very little to compel the bank’s compliance with the law.

The OCC has to do its duty under the law to stop money laundering. **Folks at the top of OCC must stop tolerating weak anti-money laundering programs and start using the enforcement tools that they have, including cease and desist orders and civil fines.**

No company and its management want to be subjected to an adversarial Congressional hearing. It’s not good for a brand or fun for the executives testifying. But, as uncomfortable as it is to sit at the witness table, a Congressional hearing has a limited direct impact on a company.

Congress’s real power comes from its oversight of Executive Branch agencies. You see that in Senator Coleman’s and Levin’s criticism of the OCC.

The people who run Federal agencies, particularly the career civil servants, have a sweet life. As they rise through their bureaucracy, they accumulate status and power. In government, this is the reward. Sure, the pay is decent, but the status and power, oh, those are enticing. When this status and power are questioned or, worse, threatened, the bureaucracy must act. When government agencies are forced to act to protect themselves and the people who run them, this is bad news for the private sector.

There is no better way for a regulatory agency to prove its value to Congress than giving the people what they want – a few (or many) industry beatdowns. A few members worry about the

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“chilling effect over-regulation has on the free market” or some other platitude. Still, these concerns never prevail over the fear of “not doing enough.” See the responses to the Great Financial Crisis, the rise of crypto, and the Silicon Valley Bank, Signature Bank, and Silvergate failures. “Regulators are failing! They must do more!” By the way, all this may be true. That is not the point. The point is that when risk in the financial system arises, including BSA/AML compliance risks, the OCC, the Fed, and the FDIC must act to show they are doing something.

At least for now, the U.S. remains the center of global banking and finance. This means U.S. regulatory action pushes European regulators to act. Regulators, regardless of their location, must keep pace or face criticism and threats to their status and power. To quote Elise Bean of the PSI, Riggs set off a “wave of AML enforcement action that splash(ed) hard on Europe.” When U.S. regulators punished U.S.-based branches and offices of large foreign financial institutions like HSBC, Standard Chartered, Deutsche Bank, and BNP Paribas, it is evident this punishment motivated European regulators to act.

Delivering the required and perfunctory OCC mea culpa was Dan Stipano, then the Deputy Chief Counsel of that agency. In this testimony, Stipano acknowledged the OCC’s failures regarding its oversight of Riggs when he said,

[It] is clear that we should have been more aggressive in our oversight of Riggs’ BSA and anti-money laundering compliance program. This is not a situation where deficiencies in the bank’s systems and controls were undetected. But we should have insisted on remedial steps much earlier and much more forcefully than we did, and we should have taken formal enforcement actions at a much earlier stage in the process. We also should have done more extensive probing and transaction testing of those accounts—as our own BSA examination procedures require. Finally, we did not fully appreciate the risks involved in the bank’s embassy banking business and in certain other accounts handled by the bank, as well as the significance of the deficiencies in the bank’s systems and controls.

But there was one thing Stipano said that made B.J. and me smirk in the Senate hearing room. As part of the E.G., Saudi, and hundreds of other investigations our team worked on, we saw money flowing in and out to dozens of U.S. and international banks. Through our work with these banks, we knew few had detected and reported the activity. Despite this, in Stipano’s testimony, he said (my emphasis added):

Overall, the OCC’s BSA compliance supervision has been effective and we have had a number of important successes in this area. **Perhaps most importantly, most national banks have strong anti-money laundering programs in place, and some of our largest national banks have programs that are considered among the best in the world.**

From 2005 through 2015, the OCC, Fed, and FDIC issued over 200 BSA/AML enforcement actions, including against “our largest national banks,” and levied nearly \$4 billion in fines and penalties. At least 20 banks pled guilty to DOJ prosecutions. (Of course, no one went to jail). These programs were not “among the best in the world.”

The PSI Hearing's Aftermath

You might think the day after your bank's relationships with two notorious dictators are the subject of a PSI hearing and stories in every major U.S. and European news outlet, it might be time to relax. B.J. doesn't operate that way.

The day after the PSI hearing, B.J. was back at his desk, where he again picked up Kareri's SunTrust Bank records. He noticed a \$3,000 check payable to an Embassy Bank staff member who worked for Simon. Let's call him "Jeffrey Berlin" (a pseudonym). The check was from four years prior, in September 2000. Why was Simon writing a personal check to a subordinate employee? Two check deposits appeared in Kareri's account a week earlier, one for \$49,000 and another for \$10,000. Something was up, B.J. thought. He sent another 314(b) request to SunTrust for more Kareri account records.

A few days later, on July 19, 2004, B.J. interviewed Jeffery Berlin, who was still working in Embassy Banking.

Berlin told B.J. he had received a \$3,000 check from Kareri in September 2000 as a loan to help Berlin pay for a home kitchen renovation project. Berlin said he deposited the check into his wife's SunTrust Bank account, which appeared to B.J. like Berlin was attempting to hide the payment.

B.J. asked Berlin if he had paid back the loan. Berlin said he had not, even though four years had passed. When the check was deposited, and in the years subsequent, Berlin's Riggs Bank account balance was consistently about \$10,000. Moreover, Berlin had an open \$30,000 Riggs Bank home equity line of credit, with \$23,584 available in September of 2000. Berlin used the line both before and after 2000. So why did he need a \$3,000 loan from Kareri?

Back to Berlin in a moment.

After B.J. took Kareri's Riggs laptop, he spent a few minutes a day reviewing files. Time and again, B.J. came across invoices Kareri created. Some were invoices to contractors Simon secured to work in E.G. Others remained a mystery. In some cases, B.J. determined the invoices were never sent, and no work related to the invoice was ever done. In other instances, B.J. could not determine if the invoices were "legitimate" and sent or just files created by Simon that never left his computer. One example was invoicing on Kareri's laptop from someone or something called "Harold Schafer & Associates" (a pseudonym to mask this person's identity).

In May 2004, two months before the PSI hearing, B.J. asked Berlin, who at the time was the senior most remaining member of Kareri's Embassy Banking team, for some assistance. B.J. saw that the Harold Schafer & Associates invoices were for work provided to the Benin Embassy. Benin is an African country with its U.S. Embassy accounts at Riggs. In the whirl of preparing for the PSI hearing and chasing down numerous other E.G. investigation leads, B.J. did not speak with Berlin about the Benin invoices again until the July 19th interview, where the \$3,000 "loan" was discussed.

Little could surprise you at this point in the E.G./Kareri investigation. But what B.J. now uncovered did.

Berlin revealed Harold Schafer was his brother-in-law. He told B.J. he felt under no obligation to disclose this fact back in May when B.J. first asked Berlin for assistance figuring out the details about Harold Schafer & Associates invoices to the Benin Embassy. When Berlin realized B.J. was pouring over his SunTrust records, he figured he should look out for himself and his wife. Now, two

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months after being asked, Berlin told B.J. that Schafer is a construction contractor he introduced to Kareri in 1999.

The next day, July 20, 2004, B.J. interviewed Harold Schafer in Virginia, where Schafer told B.J. he first met Simon Kareri in 1999 following an introduction by his brother-in-law Jeffrey Berlin. Schafer said that Kareri acted as an intermediary between him and officials with Benin and Equatorial Guinea on several construction projects. Specifically, Schafer completed renovations at Benin's Washington, DC, Embassy and two residences belonging to the President of E.G.

The renovation project for Benin was completed in 2000. The actual renovation cost was \$185,000. Schafer said Kareri asked him to prepare invoices to show a total price of \$410,000, not the \$185,000. Kareri, according to Schafer, provided the inflated invoices to Benin officials. Schafer received Riggs Bank cashier checks totaling \$410,000 from Kareri drawn on Benin's account a short time later.

Kareri instructed Schafer to deposit the checks into Schafer's business account at Crestar Bank (since acquired by SunTrust, now Truist). Then, between April 2000 and April 2001, at Kareri's direction, Schafer wrote five checks totaling \$225,000 from his Crestar account to Simon. Kareri deposited these checks into his SunTrust account, purchasing a Certificate of Deposit. First embezzlement and now an over-invoicing and kickback scheme.

In April 2004, when searching Montgomery County Maryland Department of Assessment and Taxation records, B.J. found that in July 2001, Kareri had purchased a three-acre lot in Potomac, Maryland, for \$575,000. B.J. tracked down the lot's owner, who had sold it to Kareri. A Mr. Smith (real name) told B.J. that Simon purchased the lot with a bank check. In essence, the property was purchased with cash. For those unfamiliar with Potomac, Maryland, it is one of the wealthiest enclaves in the U.S. For reference, this same lot was resold in 2008 for \$1,175,000. On it now sits an eight-bedroom, eight-bath home valued at \$4 million.

B.J.'s analysis of Kareri's SunTrust Bank showed the CD Simon purchased with the proceeds of his Benin kickback scheme helped fund the Potomac lot purchase. The rest came from the stolen E.G. funds sent to his Jadini Holdings shell company.

Kareri's & Riggs's Fate

Simon and Nene Kareri were arrested on May 26, 2005, two weeks after PNC acquired Riggs. The couple was charged with Conspiracy, Bank Fraud, Wire Fraud, and Money Laundering for the acts involving the \$140,000 check stolen from Teodorin, the \$1+ million embezzled from E.G. to Jadini Holdings, and the over-invoicing scheme involving the Benin Embassy construction project. Both husband and wife pled guilty.

Simon was sentenced to 27 months in federal prison. Nene was released from prison three months after her arrest. The government seized \$1.1 from the Kareri's, with the majority (\$1 million) coming from selling that Potomac, MD property he bought in 2001 with funds stolen from E.G. and Benin.

On July 16, 2004, PNC Bank announced it was acquiring Riggs Bank for \$779 million. It was anticipated the transaction would close before December 31, 2004. B.J. had other ideas.

Within a week of the PSI hearing, B.J. poured through Augusto Pinochet's records in the Riggs Bank International Miami office. What the PSI revealed during the hearing about the bank's relationship with Pinochet was just the first chapter of what became a story as interesting, and in some respects, more interesting, than the Riggs-Simon-E.G. story. I will write about this in the next edition of this chronicle. As a teaser, imagine being an AML investigator and finding account opening files with pictures of the account holder wearing fake glasses and a mustache to hide their true identity.

B.J.'s Pinochet investigation upended the PNC acquisition, embarrassed the Federal Reserve, drew the attention of U.K., Spanish, and Chilean authorities, and forced the U.S. Department of Justice to act.

On January 27, 2005, then Assistant Attorney General Christopher Wray, along with the heads of the Washington, DC, FBI, Secret Service, and IRS-Criminal Investigation Division offices, announced Riggs pled guilty to violating the Bank Secrecy Act and was charged criminally with failure to file Suspicious Activity Reports related to Equatorial Guinea and Augusto Pinochet. Riggs paid a \$16 million criminal penalty.

Riggs and the Allbritton family paid \$17 million to settle Spanish and Chilean court actions related to the bank's involvement with Augusto Pinochet.

Within days of Riggs pleading guilty, PNC announced it was looking to reprice its purchase. Riggs filed suit against PNC to enforce the deal. Both sides agreed to a new purchase price of \$664 million, knocking \$127 million off the original agreed amount.

On May 16, 2005, Riggs branches and offices opened that day as the new Washington, DC region of PNC Bank. Jon Glass, Pete Balint, nor I ever worked at PNC. B.J. stayed for a few weeks and then left. What he did next solidified his place as the most consequential person in AML compliance and investigation history.

Conclusion

What created modern AML compliance?

It wasn't expensive transaction monitoring software, Artificial Intelligence, or Machine Learning. Nor was it elaborate Know Your Customer procedures, risk assessments, or a keen internal audit. What created modern AML compliance was B.J. Moravek's well-founded suspicion of Simon Kareri, Jon Glass seeing a funny-sounding name, and me, who cleared the way to let the investigation proceed unimpeded. With the OCC and Fed caught flat-footed and Senator Levin and his staff's interest in revealing the role U.S. financial institutions play in facilitating international corruption, AML compliance was destined to become focused on regulatory agency self-preservation.

When embarrassed and feel their existence threatened, regulatory agencies act forcefully and publicly to prove they remain relevant. They show lawmakers they "are serious this time!"

That means the institutions they regulate get some serious regulating. In most (probably all) cases, the institutions deserve it. They don't have effective programs. They don't invest in the people and systems needed to comply. As a result, financial institutions react, hiring consultants and attorneys, adding large numbers of new workers, buying more software, and sending staff to more conferences, thus creating a massive industry - one many of you reading this (and I also) benefit from. It pays your salary, rent, or mortgage and feeds you and your family. It's your career. We work at all types of financial institutions, technology companies, consulting firms, law firms, government agencies, and many other businesses in what I - and I'm channeling Eisenhower here - call the "AML Industrial Complex." Most people in it strive to be useful, to play a small part in stemming the scourge of narcotics and human trafficking, fraud, and corruption. It is now a multi-hundred billion-dollar-a-year industry.

Some readers may scoff at my view that if it were not for Riggs Bank, this AML Industrial Complex and the "Enforcement First" regulatory approach would not exist as it does.

Let me answer those skeptics.

Would AML regulation exist today without Riggs? Of course. Would, over the past 20 years, there have been significant AML compliance failures found, investigated, and penalized? Sure. So what was different about Riggs?

Let's think through the scenario where Riggs did not happen as it did.

Start with the Newsweek article about the possible connection between the Saudi Riggs accounts and two 9/11 hijackers. In response, the OCC descends on Riggs. But, the discovery of Kareri's fraud never occurs, nor does the discovery of the dictator's corruption. There is no PSI hearing in the absence of one or both. Without the PSI hearing, there is no embarrassment to the OCC and Federal Reserve.

After the PSI hearing and its impact on the OCC and Fed, AML compliance became the top regulatory issue in the U.S. It's when financial institutions and consulting firms went on hiring sprees. It's when software companies got so busy selling their transaction monitoring systems that they could barely keep up with implementations. It's when training and professional certification companies saw their memberships and conference attendance double, triple, and quadruple.

Between 2005 and the 2008 Great Financial Crisis, the banks put under AML enforcement actions included Key Bank, Union Bank of California, American Express, City National, Washington Mutual, and Wachovia. And, in the case of Wachovia, we saw a new twist - the Department of Justice's

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active participation in investigating financial institutions for involvement in money laundering. And why is that? Let's catch up with what B.J. Moravek did after he left Riggs.

Many financial institutions sought out B.J.'s skills after PNC acquired Riggs. For a few years, B.J. advised banks nationwide on setting up investigation programs. Then, an intriguing opportunity arose. Would he be interested in working for HSBC in Washington, DC, specifically with Embassy Banking clients, many of whom left Riggs for the London-based global bank? He took the job, something HSBC would soon regret.

Just a few months after B.J. joined HSBC, management held a daylong meeting where senior U.S.-based executives shared updates on strategy and unveiled new products, including a global service account. With this product, customers could open an account in one country using local (and often weak) due diligence requirements and then access funds in any country worldwide. So, for example, you could open an account at the HSBC offices in Manila and deposit funds from your West Virginia business. There were more details than this, but you get the gist.

When listening to the executive describe this new product, B.J. looked around the room, waiting for someone to ask the obvious question – what risk assessment has been done on this product, and what are the procedures and controls to avoid banking money launderers?

When no one stood up to ask these questions, B.J. did. The executive did not appreciate the questions, nor did he answer them. Instead, he later pulled B.J. aside, admonishing him for asking such a question to such an important executive in such a setting. B.J. knew he had to leave HSBC.

The problem for HSBC, though, was twofold. First, remember when I wrote earlier about Simon Kareri insulting B.J. and that the one thing you never, ever, ever want to do with B.J. is to make it personal? The way HSBC treated B.J. made it personal. Second – and this is just so much fun to read – guess where B.J. went to work right after leaving HSBC? The Financial Crimes Enforcement Network, where he was going to bring new energy to the "enforcement" part.

FinCEN was in the enforcement business before B.J. joined the Office of Enforcement in 2007. However, what B.J. brought to FinCEN was something the agency never had – someone with 20 years of experience as a Special Agent in federal law enforcement and with experience leading AML monitoring and investigation teams at banks. He had two different and essential "insider" perspectives. A critical shift at FinCEN occurred as a result.

Before B.J.'s arrival, FinCEN relied on regulatory agency Reports of Examination findings as the basis for enforcement actions. The Reports of Examination would cite failures to file SARs. FinCEN would use these citations to issue their penalties. For example, FinCEN spanked us at Riggs, but we never saw or spoke with anyone from FinCEN. Bill Fox, then Director, and William Langford, then Deputy Director, were well informed through the OCC of what we were uncovering at Riggs. Still, FinCEN relied on the regulators for the facts that formed the basis of the FinCEN penalty.

When B.J. got to FinCEN in 2007, he thought that sounded boring. Knowing what he knows and in his role as a Special Agent in the Enforcement Division, why wouldn't he take a proactive approach and work directly with law enforcement agencies and prosecutors at U.S. Attorney's Offices? B.J. envisioned that FinCEN should work alongside IRS-CID, DEA, HSI (former Customs), and FBI Agents and prosecutors, helping build criminal cases against banks.

This critical shift in approach changed AML compliance and enforcement in 2007.

When B.J. joined FinCEN in 2007, the DEA and IRS-CID were investigating millions of dollars of Wachovia wire transfers between "Casas de cambios" (CDCs), or currency exchange houses

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in Mexico, and financial institutions worldwide. Wachovia was the correspondent bank to many of these casas de cambios. Between 2004 and 2007, Wachovia facilitated \$400 billion in wire transfers from the CDCs and \$4 billion in bulk cash deposits.

The DEA and IRS-CID followed the money, intending to identify narcotics traffickers and their money laundering operations. This is what the DEA, IRS-CID, and other law enforcement agencies did – they caught the "bad guys." At this point, in 2007, few, if any, DEA, IRS-CID, or HSI agents thought of banks as the "bad guys." At the time, Wachovia had several former DEA and other federal agents working in its AML investigation department, assisting law enforcement and the U.S. Attorney's Office. The bank should have figured out a big problem was afoot, but they didn't, and then it got much worse for Wachovia. The eventual Department of Justice Factual Statement to the Wachovia Prosecution Agreement said about this time in 2007 that "FinCEN subsequently joined the investigation." Guess who that was?

Soon after joining FinCEN's Division of Enforcement, B.J. began working with agents and prosecutors in Miami, explaining Wachovia was not just a source of information – through their negligence and failure to implement a proper AML program, they were part of the money laundering scheme.

Wachovia, according to a DOJ press release, pled guilty to "A criminal information charg[ing] Wachovia with willfully failing to maintain an anti-money laundering program from May 2003 through June 2008, in violation of the Bank Secrecy Act ("BSA')." The bank paid a \$160 million penalty.

B.J. did not stop with Wachovia. He went on to play a pivotal part in the investigation and prosecution of Ocean Bank in Miami, Florida, and most significantly, without B.J. Moravek, there would likely never have been a prosecution of HSBC.

Returning to the prior page, remember management at HSBC scolded B.J. for raising questions about the money laundering risk a new worldwide access checking account presented. That memory returned to B.J. soon after he spoke with IRS-CID agents working on a Medicare fraud investigation in West Virginia.

The case involved Barton Adams, a doctor of osteopathic medicine who operated a pain management clinic in Vienna, West Virginia. Adams defrauded Medicare and Medicaid of \$2,250,000. Funds from the fraud were laundered from a small Shepherdstown, West Virginia bank through HSBC locations in Hong Kong, Canada, and the U.S. via online transfers. The transfers were made in large, round dollar amounts – the types of transactions even rudimentary monitoring systems and novice AML investigators must identify.

Indeed, HSBC, as one of the world's largest and most profitable banks, the type of bank the OCC said in 2004 at the PSI hearing has "among the strongest programs in the country," would have filed numerous SARs on this activity.

Nope.

Upon realizing HSBC was not detecting and reporting this activity, B.J., using the new proactive investigative model he deployed in the Wachovia investigation, joined the Northern District of West Virginia U.S. Attorney's investigative team. Working with IRS-CID agents and prosecutors, the U.S. Attorney began investigating HSBC and its BSA program failures.

By now, everyone knows HSBC was prosecuted, pled guilty to criminally violating the BSA, and paid a nearly \$2 billion penalty (No one from the bank, of course, went to jail).

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When you read accounts of the HSBC investigation, including the U.S. Senate Permanent Subcommittee on Investigations report from July 2012, you see many egregious examples of the bank laundering proceeds for Mexican drug cartels. And once again, you will read about the OCC's failure to take the necessary enforcement action despite year after year of examiners documenting what is described as HSBC's total ineptitude and corruption.

The U.S. Attorney in the Eastern District of New York (Brooklyn) brought the drug money laundering charges, making it seem like the work by that district was the impetus for the eventual HSBC flogging.

The real story is different, and Reuters tells it in two articles, the first published on May 3, 2012, and the second on September 26, 2012.³ Netflix provides more detail in its "Dirty Money" series (Season 1, Episode 4, "Cartel Bank."). In the episode, Northern District of West Virginia, U.S. Attorney William Ihlenfeld tells how the Barton Adams investigation led to the focus on HSBC's failed BSA/AML compliance program.

The investigative team in West Virginia, of which B.J. was a part, actively pursued investigating HSBC for its willful involvement in money laundering. The El Dorado task force in New York was just beginning its narcotics investigation and, as narcotics investigations go, was focused on narcotics trafficking. Similar to the Wachovia matter, the prosecutors and agents in New York did not yet understand the implications for HSBC. The West Virginia investigators knew they had the bank and the OCC against a wall. They kept pushing, increasing pressure on HSBC and the DOJ.

In the Netflix "Cartel Bank" episode, Ihlenfeld talks about how he (the team on which B.J. worked) was ready to indict HSBC for money laundering along with senior HSBC executives. This would be it. A financial institution would finally be held accountable for enabling billions of dollars in money laundering.

Nope. Yet again, large banks and their executives would skirt justice.

Because the Department of Justice is like any other big government bureaucracy, and in many cases far worse, a battle ensued between West Virginia, the Eastern District of New York, and Main Justice in Washington for who would control the investigation and then what charges, if any, would be brought against HSBC.

Main Justice stepped in, and the Assistant Attorney General, Lanny Breuer, told the West Virginia team to stand down. DOJ decided to go easy on the bank and every executive whose failure to comply with AML procedures enabled billions of dollars of drug money and proceeds from numerous other crimes to go undetected and unreported. Why the Department of Justice took this approach is best told in Jesse Eisinger's book, "The Chickenshit Club," a great read that explains why no large bank is prosecuted for money laundering (or anything else).

Regardless, history turned out the way it did, and the catalyst here, once again, was B.J.'s understanding of the nexus between BSA compliance program failures and the U.S. criminal code.

³ <https://reut.rs/45SWAoE> - Special Report: Documents allege HSBC money-laundering lapses
<https://reut.rs/3PIyxmL> - Insight: U.S. probe of HSBC tangled up in bureaucracy, infighting

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But even more than that, and something often missing in U.S. law enforcement, was his *willingness* to pursue this approach.

Without B.J.'s persistence, how much of what we've all seen over the past 20 years in AML compliance would have happened?

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About the Author

2024 will be my 28th year in private-sector AML compliance. In addition to my five years as a U.S. Secret Service Agent, my time at JP Morgan (before it was acquired by Chase), KPMG consulting, and Riggs, I've worked at EY and a few other large consulting firms. In between, I co-founded, along with Jon Glass and Pete Balint, The Dominion Advisory Group, where I was CEO from 2005 until 2014. During that time, we rode the wave of AML enforcement actions, doing large investigation remediation projects and helping banks build monitoring, due diligence, investigations, and SAR reporting operations. I also helped numerous banks work with regulators and a few with the Department of Justice.

In 2015, I left Dominion, which is still today run by Jon and Pete, and joined Chris Focacci and helped grow TransparINT, an early AML Reg Tech that changed how investigators find and use Adverse Media. In 2018, we sold TransparINT to Steele Compliance.

Today, I am a Managing Partner at i3strategies, where we work with financial crime compliance software companies to build products and increase sales, advise investors seeking to fund or purchase AML technology or services firms, and help financial institutions seeking to improve and modernize their AML programs.

For anyone who wants to learn more about the Riggs story or talk about AML issues, I can be reached at david@i3strategies.us or on [LinkedIn](#).

