

NEWS

Antigua's Ties to Accused \$8 Billion Fraudster a 'Bloody Nose' for Island: Consultants

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By Matt Squire



Antigua's efforts to end its reputation as a crime haven have suffered following the disclosure that the alleged head of an \$8 billion fraud helped craft the country's anti-money laundering regime.

Robert Allen Stanford, a Houston-based businessman, was appointed by the Antiguan government in the late 1990s to chair a committee of consultants charged with improving the anti-money laundering (AML) laws of the Caribbean island nation, according to former government officials and compliance consultants.

The U.S. Securities and Exchange Commission has accused Stanford and three of his financial services firms, including Antigua-based Stanford International Bank, with operating a fraudulent investment operation believed to have bilked investors out of \$8 billion. The FBI is investigating Stanford for ties to a Mexican drug cartel money laundering scheme, according to a February 18 report by ABC News.

Antigua's involvement with Stanford, who was served with a formal complaint in Virginia Thursday, will be viewed as a black mark for the country, which has long been subject to criticism by AML watchdogs, according to Chris Mathers, a Toronto-based AML consultant and a former agent with the U.S. Drug Enforcement Administration.

"Antigua has some big challenges ahead," said Mathers. "This is a bloody nose for them."

Stanford's appointment by then Antiguan Prime Minister Lester Bird preceded a January 1999 briefing to U.S. officials by the Antiguan government on changes made in 1998 to the country's AML laws. The Treasury Department issued a warning in April 1999 that the changes had "significantly weakened" Antigua's AML laws.

The commission led by Stanford was intended to clean-up Antiguan banks and keep the Treasury Department from issuing the anticipated advisory.

The decision to use Stanford, who owned an offshore bank regulated by the Antiguan government and partially financed the work of the consultants, drew criticism in 1999 from those who said he had a conflict of interest.

"The issue was not the quality of work being done by the people being retained by Stanford," according to Jonathan Winer, a former U.S. deputy assistant secretary of state for international law enforcement. "It was the relationship between Stanford and the government in connection with the regulation."

That Stanford had access to regulatory documents and data as part of the job was "completely

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inappropriate," said Winer, who was part of a State Department team monitoring Antigua's efforts.

Stanford's group of consultants included Miami-based former DEA agent Thomas Cash, former Treasury Department special agent Patrick O'Brien and former federal prosecutor Mark Schnapp. The consultants focused on "cleansing" Russian and Ukrainian shell banks that had been established on the island, said Winer.

Calls to O'Brien and Schnapp, who currently serve as lawyers with law firm Greenberg Traurig, LLP in Miami, and to Cash, who consults with New York-based Kroll, Inc., were not returned by press time. Calls to Antigua's financial intelligence unit, the Office of National Drug Control and Money Laundering Policy, were also not returned.

The arrangement put Stanford in a position to potentially steer regulations for the benefit of his institutions, said Mathers, adding that Antigua is "no stranger to allegation of malfeasance, money laundering or drug trafficking."

"In the least case, Stanford could have been able to find out what the manpower and resources of the regulator were, where the weakness and loopholes were, and he may have been able to ingratiate himself to make him look like some kind of AML guardian," said Kenneth Bryant, managing director of Bryant & Associates, a Hayesville, North Carolina-based AML consultancy.

In a separate investigation, Mexican authorities found checks suspected of being connected to the Mexico-based Gulf Cartel inside a private plane owned by Stanford, according to the ABC News report. The investigation could lead to criminal charges of money laundering and bribery, the news organization said.

Although the Treasury Department lifted its advisory against Antigua in 2001, the country has since been subject to criticism for not addressing vulnerabilities to financial crime.

In a June 2008 evaluation, the Caribbean Financial Action Task Force cited the jurisdiction for 19 instances of non-compliance with the Financial Action Task Force's 40+9 recommendations for anti-money laundering and anti-terrorist financing controls, including poor controls on shell banks.

In 2000, U.S. prosecutors charged former Ukrainian Prime Minister Pavel Lazarenko with 31 criminal violations, including seven counts of laundering \$70 million through a shell bank in Antigua capitol St. John's.

The task force also dinged Antigua for failing to adequately check for money laundering associated with politically-tied figures, and to implement controls on correspondent banking, foreign branches, beneficial ownership, and the reporting for suspected terrorist financing transactions.

"In the year 2008, to say that you are missing 19 of FATF's 40+9 recommendations [means] you are totally behind the eight ball and way late in the game," said Bryant. "For example, most every Caribbean jurisdiction has, for years, eliminated their problem with shell banks".

The U.S. State Department's 2008 International Narcotics Control Strategy Report said that while the country has comprehensive AML laws on the books, it "remains susceptible to money laundering because of its offshore financial sectors and Internet gaming industry."

The future of Antigua's online gambling industry was given a boost in 2004 by a World Trade Organization ruling that the United States' criminalization of online gaming violated global trade

laws.

"Antigua has made it pretty clear that they will continue to do that which has put them at odds with the U.S. government," said Mathers. "The Antiguan government has made it clear that they take their sovereignty very seriously."

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