

NEWS

Grand Jury Indicts Puerto Rican Governor on Wire Fraud, Laundering

August 20, 2008

By Matt Squire



A U.S. federal grand jury indicted Puerto Rico's governor and two of his political aids on honest services wire fraud and conspiracy to commit money laundering Tuesday.

The indictment, filed in the U.S. District Court for the District of Puerto Rico, alleges that Governor Anibal Acevedo Vila, legal advisor Luisa Inclan Bird and the finance director of Acevedo's political campaign committee, Miguel Nazario Franco, took \$250,000 in bribes from a local businessman to further business deals.

Acevedo's campaign issued fraudulent invoices for services to the businessman through a separate media company in order to disguise the \$250,000 payment, prosecutors said. The defendants used the funds to pay campaign debts, according to the indictment.

Prosecutors also said that, between January 2003 and October 2006, the defendants conspired to conduct financial transactions to hide proceeds of the wire fraud using corporate checks issued by the businessman to the media company, according to the indictment.

The businessman, whose name was withheld in the indictment, is a director of an umbrella group of companies in Puerto Rico involved in the tourism, aviation and food services industries, according to the indictment.

On March 27, Acevedo and 12 associates were indicted on a total of 27 counts, including making false statements, wire fraud and tax crimes related to a similar alleged scheme to pay off campaign debts with illegal contributions from businessmen. Acevedo has pleaded not guilty to the charges in the March indictment.

U.S. authorities investigated two Philadelphia residents in 2006, one a Democratic fund-raiser, believed to have illegally made tens of thousands of dollars of campaign contributions to Acevedo's campaign in the name of other individuals who were unaware of the scheme, according to a June 22, 2006 article in the *Philadelphia Inquirer*.

For banks, the indictment points to the regulatory risks U.S. financial institutions face when banking a so-called politically exposed person in a U.S. territory, according to Ken Bryant the managing director of Bryant & Associates, a Hayesville, North Carolina-based AML consultancy.

Under U.S. regulations, banks must more closely scrutinize the financial transactions of senior foreign political figures and their associates. And in Puerto Rico and other Caribbean jurisdictions, financial institutions should be mindful of the region's less legalistic governments, "which tend to create an environment for a higher risk of official corruption," said Bryant.

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Acevedo and the defendants face a maximum of 20 years in prison and a \$250,000 fine for the four counts of wire fraud. For conspiracy to commit money laundering, they face a maximum of 20 years in prison and a fine of the greater of twice the value of the property involved or \$500,000.

Acevedo was elected as Governor of Puerto Rico in November 2004.

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