



Proximal Consulting Archived White Papers



The Proximal Consulting white paper series began when Proximal Consulting launched in 1999. The white papers provided precise and detailed information on cutting edge business crime topics during a period when the Internet as a source of business information was in its infancy. We are now making these white papers available again.

Whilst the specific cases and examples used in the white papers are historical, the fundamental issues and potential red flags have remained the same.

Please note that the white papers are provided as an un-edited archive: any content, laws, regulations or similar were correct at the time of publishing, but may now be out of date.

PROXIMAL CONSULTING WHITE PAPER 12 THE ABACHA CASE AND ITS REPERCUSSIONS

The facts of the matter are simple, the ongoing repercussions are far reaching. The late Sani Abacha, one biography of whom reads (in total) "A brutal Nigerian dictator accused of numerous human rights violations" is alleged by the Nigerian government to have looted £3 billion from the country. This massive amount was the product of corrupt payments – or transfers directly from the Nigerian Central Bank -during his reign between 1993 and his death in June 1998. Whilst he was alive, his opponents and critics were either executed or imprisoned.

The money he and his accomplices looted from the already fragile Nigerian economy found its way to Switzerland, France, Luxembourg, Liechtenstein and London. Bearing in mind Abacha's military training in England it is hardly a great surprise that London was a favoured destination. Late last month the Financial Services Authority announced that they were investigating the role played by London banks in the alleged laundering of funds by Abacha. The FSA commented that "We are taking these matters extremely seriously. Working with the criminal authorities, we are conducting a comprehensive investigation to identify any banks with possible links to these funds". This comment sounds eminently reasonable until one realizes that a request for assistance in this matter was received from the Nigerian government four months earlier, and on 13 October 1999 – over a year previously- Swiss authorities had frozen an initial set of five bank accounts in the country. In fact by the time the FSA announced it was investigating, the Swiss authorities had frozen accounts, carried out an investigation and published a full report into the accepting and handling of funds by 19 Swiss banks. By comparison as far as we are aware, the FSA will not be making their findings available in such a public report. The Swiss report admonished three major banking groups in the country, but somewhat tellingly concluded that "It was not just Swiss banks that accepted funds from the Abacha entourage...(but) Switzerland is so far the only country which has tried to deal with this issue".


It is suspected that at least \$950 m passed through 15 banks in the UK. Amongst those already named are Citigroup, Merrill Lynch, Barclays, HSBC, Standard Chartered and Australia & New Zealand Banking Group. However these may just be the tip of the iceberg – as there are almost certainly many more banks where funds were deposited in cash and no paper trail exists to prove this.

Various reports have referred to the washing of funds in the UK as a "sophisticated scheme": however it is emerging that many aspects of the laundering process used were primitive and ought to have been immediately recognized by the banks involved as "suspicious transactions". It has been reported that at least \$50 million was transported into the country in suitcases stuffed with cash – this was known as far back as March 1998 when an associate of Abacha was arrested at Heathrow with one suitcase containing £3 million. Accounts were opened in the name of offshore companies that could be easily linked back to Abacha and his entourage. Substantial volumes of funds were transferred directly to accounts in London from the Nigerian Central Bank; Citibank in London apparently operated accounts for Abacha's two sons, Mohammed and Ibrahim, from 1988 but only realized in 1996 who the father of these two individuals was – even though due diligence had been carried out on them when the accounts were opened.

The snails pace at which UK authorities have reacted to this problem combined with details that are emerging concerning how the funds arrived in London cast a considerable shadow on the effectiveness of the UK's anti money laundering program. More crucially these events reinforce the view that London is one of the major money laundering centres of the world. Already it is conservatively estimated that £100 billion of criminal money is washed through London each year – of this frightening amount confiscation orders rarely total more than £30 million per year and actual recoveries hover around £10 million. In the area of money laundering, prosecutions the UK lags behind even Italy. But the situation is actually far worse than that, as a government report published in June this year confirmed. For example the disclosure level of suspicious transactions – where money laundering is suspected by financial institutions – is described as "modest" with suspicious reports in Australia being four and a half times greater than here. More crucially NCIS (the National Criminal Intelligence Service) takes up to eight weeks to process these reports.

In the Abacha case it has been known for at least a year that those involved included not only Abacha, his sons but also Alhaji Ismaila Gwarzo (Abacha's former Security Adviser), Abubakar Attiku Bagudu (a former minister), four Nigerian businessmen and a series of companies. Information from Switzerland shows that over \$300 million flowed through London and then in and out of Switzerland. The UK authorities are now, finally, investigating. However based on what has been done so far it is difficult not to sympathise with the comments of Olusegun Obasanjo, Nigeria's civilian president, when he observes of Abacha that "Bankers, go -betweens and wheeler dealers gave their support to this criminal organization: No country should allow despots to use the western system to hide stolen money."

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