

**FOLLOWING THE MONEY 101:
A PRIMER ON MONEY-TRAIL INVESTIGATIONS**

FEBRUARY 2004

The Coalition for International Justice wishes to thank the United States Institute of Peace for its generous support of this guide. The opinions, findings, conclusions and recommendations expressed herein are those of CIJ and do not necessarily reflect the views of the United States Institute of Peace.

Coalition for International Justice
2001 S Street, NW, Suite 740
Washington, D.C., 20009
www.cij.org

Table of Contents

I. Introduction.....	3
II. Money Trail Research: A Primer.....	4
<u>Basic Concepts</u>	4
<u>Unofficial Resources</u>	7
<i>Media and news databases</i>	7
<i>International Organizations</i>	9
<i>Non-Governmental Organizations</i>	10
<u>Official Resources</u>	11
<i>Corporate Registries</i>	12
<i>Bank Accounts</i>	13
<i>Court Cases</i>	14
<i>Reports and Summaries</i>	14
III. Organizing the data.....	14
<u>Excel Tables</u>	15
<u>Record-Keeping</u>	16
IV. Distributing the Data.....	17
<u>Media Contacts</u>	17
<u>External Contacts</u>	18
<u>Libel Concerns</u>	19
V. Bibliography.....	21

Appendix: Corporate Registry Guide

I. Introduction

All criminal activity, from petty racketeering and tax evasion to international terrorism and organized crime, requires money. As Secretary of State Colin Powell explained, “Money is the oxygen of terrorism.” The same is true of all major crimes. Sometimes this money is self-generated, the fruits of smuggling, extortion, bribe-taking, human trafficking, fraud and other illicit schemes. On other occasions, criminal activity is funded remotely, often by individuals engaged in legitimate commerce, through one or more intermediary entities such as corporations, trusts and charities.

While the intersection of terrorism and financial crimes has occupied center-stage in recent discussions of financial crimes, the extent to which perpetrators of mass atrocities and other gross human rights violations are motivated by financial gain is not well understood. As recent events in Sierra Leone and the Congo demonstrate, wars of extraordinary gruesomeness and devastation have been fought over wealth and natural resources. In the case of the Yugoslav wars of the 1990s, furthermore, ethnic and religious hatreds were often stoked by political and business figures seeking to benefit from sustained conflict. Despite the frequency with which individuals profit from human rights abuses, however, manipulation of both legitimate and illegitimate financial structures often goes unreported and unchallenged.

Black markets, trade in contraband, tax evasion and all other forms of lucrative criminal activity are closely linked with political corruption. In the absence of the rule of law, legitimate business and international investment dry up, public officials become more vulnerable to graft, mafia and other criminal organizations acquire influence in political circles, and government interests begin to reflect less the needs of the citizenry and more the ambitions of gangsters, human traffickers, narcotics traders, military thugs and *génocidaires*.

The financial networks supporting corruption and crime function because they are hidden from public view. An investigation that succeeds in shining the light of day on these complex webs can have a powerful impact on public opinion and greatly accelerate the pace of reform and prosecution.

Following “the money trail” is inevitably a complex task, but it is by no means unattainable. Indeed, in CIJ’s experience, non-governmental researchers can synthesize and centralize information in a way that government agencies and law enforcement cannot. Statutory responsibilities, limited resources and restricted missions often prevent governments and international bodies from considering the full spectrum of available evidence. Poor interdepartmental and intergovernmental communication only compounds this problem. Consequently, NGOs and other organizations can, with persistence, provide powerful evidence of illegal transactions and cast light on the underground economies that facilitate political corruption and human rights abuse.

II. Money Trail Research: A Primer

All individuals and organizations involved in the transfer of funds deriving from or intended for criminal activity have a vested interest in concealing these cash flows. This obfuscation falls into roughly two categories. When illegally obtained funds are reintroduced into the public sector through a series of transactions intended to conceal their origin, it is called money laundering. When proceeds of any nature are funneled through legal and illegal channels to organizations engaged in unlawful operations, it is called criminal financing (or in certain circumstances, terrorist financing). In the case of money laundering, the money in question ultimately returns to the original owner. In the case of criminal financing, money travels in one direction, from financier to financee, in a manner designed to distance the recipients from their ultimate benefactor.

Money laundering and criminal financing employ similar financial mechanisms to circumvent detection: shell companies, offshore bank accounts and trusts, bearer shares, unregulated philanthropic organizations, small retail outlets with high cash turnover, and costly investment and construction projects. In order to peel away these layers and expose the principal actors behind complex arrangements, researchers must draw on all available evidence—media databases, corporate registries, institutional contacts, court documents, police records, bank statements, and privatization tenders—to guide their investigation and ensure the credibility of their findings.

The quantity and range of this information can be intimidating. To make the research process more manageable, CIJ has assembled a reference guide to potential money-trail resources. We have put special emphasis on four questions: 1) what kinds of data are available to unofficial investigators; 2) what is the best and least expensive means of accessing this information; 3) what resources should be given special emphasis at the beginning of an investigation; and 4) what information counts as definitive proof of financial misconduct?

Generally speaking, it is advisable to begin as broadly as possible and then focus on particular sectors, firms and individuals as the investigation progresses. This approach reduces the likelihood of overlooking one type of financial crime in the pursuit of another, and also provides useful background when dealing with lists of names and organizations. In our experience, there is also considerable advantage in beginning with informational resources like reports from media sources and NGOs, and subsequently proceeding to specific financial records.

Basic Concepts

It is important to have a basic understanding of the financial arrangements that facilitate money laundering and criminal financing. These schemes allow money to move from the hands of one person or commercial entity into the hands of another with minimal incriminating evidence. These techniques can be divided into two categories: those that obscure the chain of ownership and make it impossible to

determine who controls the corporations and bank accounts through which cash passes; and those which try to make the movement of cash through financial structures invisible. The first category deals principally with the question of beneficial ownership. The second encompasses the traditional mechanisms for money laundering.

The concept of beneficial owners comes into play when an organization, normally a corporation registered in an offshore jurisdiction, is controlled by an outside individual who enjoys the benefits of ownership even though the company is not in his or her name. This arrangement can be accomplished in a number of ways, including:

- *Trusts.* Trusts are private arrangements in which a property holder relinquishes ownership of his assets to a trustee. This trustee manages the entrusted assets on the (now former) owner's behalf. This configuration can serve many purposes, one of which includes concealing the identity of the individual who benefits from control over the company shares, bank assets and other interests s/he has signed over to a trustee. Ordinarily a trust is established through a document known as a "trust deed." Trust deeds are not normally made available to the public, and in many instances are withheld from government agencies.
- *Nominee Shareholders.* Similar to a trust arrangement. Nominee shareholders are companies or individuals that hold shares and other securities on behalf of investors. Like trusts, nominee arrangements normally are not made public and rarely filed with a central registry.
- *Bearer Shares.* Bearer shares are share certificates that do not indicate the name of the owner. The certificates are endorsed with blanks where an owner's identity would usually be found; consequently, the person in physical possession of the shares is the owner. This makes transfer of ownership simple and almost impossible to regulate: it amounts to nothing more than the exchange of the certificate itself. Normally the "real" or "beneficial" owner of bearer shares hires an outside party to hold the shares on his behalf. This way, the beneficial owner can transfer the shares back into his possession when he needs to execute certain transactions. If the beneficial owner and bearer are on good terms, they can operate informally along the same lines as a trust arrangement. Many countries, among them Gibraltar and the Isle of Man, ban the use of bearer shares. Others permit them, but only when a central registry is provided with the identity of the beneficial owner of the shares. Some countries, such as the Cayman Islands, require that bearer shares be held by certain "licensed" entities—usually trust companies or financial managers—but require no further disclosure.
- *Shell or Holding Companies.* "Shell" (also known as "holding") companies are companies that exist only to hold shares or assets and perform no functions (profit-making or otherwise) beyond these duties. Shell companies

do not conceal ownership as much as distance assets by one or more degrees from the controlling parties. Investigators must work backwards to determine the beneficial owner of a corporation controlled by a shell company. Shell companies are often controlled in turn by trusts or nominee companies. They are particularly common in countries that do not require corporations to disclose information on shareholders or share distribution.

Beneficial ownership is only one method of concealing financial ties. Often, individuals seeking to profit from illegal activity must move large sums of cash from one point to another without drawing attention to these transactions. To achieve this objective, savvy criminals often turn to the “classic” schemes associated with money laundering, such as:

- *Front Companies.* Front companies are commercial entities that serve a conduit for dirty money by disguising cash transfers as independently generated revenues. The classic example of a front company is a small business, such as a jewelry store, which regularly engages in small cash transactions and whose stated profits can easily be inflated to conceal the placement of ill-gotten funds. This scenario is especially popular because general retail stores like restaurants and grocers are exempt from reporting large cash deposits. Some front companies, especially those in tax havens with little fiscal infrastructure, exist only on paper and create no legitimate profits whatsoever. Front companies are often owned by an associate of the individual seeking to launder funds, rather than the launderer himself.
- *Layering:* Layering is a process in which recently reintroduced dirty money is quickly moved through successive bank accounts through a series of rapid-fire wire transfers and convoluted commercial transactions. Offshore shell and holding companies are frequently used in layering. Layering is intended to distance cash from its origins. In the most sophisticated instances, it can make the money-trail extremely difficult to trace.
- *Over-invoicing:* A popular technique among drug cartels, over-invoicing is a simple but effective means of concealing the illegal movement of funds. An exporter who needs to account for a surplus of cash arranges a phony transaction with an importer, in which the importer buys items from the exporter at a lower price than that listed on the invoice. The fictitious “proceeds” from this transaction serve to explain the exporter’s cash surplus.
- *Smurfing:* Smurfing is a process of dividing a large cash deposit into a series of small deposits, frequently in the form of money orders. Typically, these mini-deposits are spread across multiple bank accounts.

These two categories are not mutually exclusive. Sophisticated criminals will draw on both beneficial ownership and laundering schemes to make money trail investigations as difficult as possible. Indeed, the only thing more complicated than tracing convoluted cash flows is tracing convoluted cash flows through anonymously

owned charities, trusts and companies. Corporate registries, which are discussed in the following section, are the first and most useful resource in unraveling opaque transactions: they can reveal the ownership structures that facilitate all of the schemes cited above.

A final note: the techniques discussed in this report are by no means all-inclusive. Launderers and criminal financiers are always reinventing their art. The growth of cyberspace, electronic financial transactions, online banking, smartcards and other technologies only make the money trail more elusive. Despite this innovation, however, investigators retain one advantage: the perpetrators of financial crimes are human, and therefore prone to mistakes and overconfidence. Simple errors like using one's real name or failing to disguise a suspicious transaction can lead to the smoking gun evidence every investigation hopes to uncover.

Unofficial Resources

Media and news databases

It is difficult to overstate the importance of media sources to non-governmental researchers. While law enforcement agencies have the power to subpoena or otherwise pry loose information, those without such resources can find substantial leads and information in newspapers, radio broadcasts and television programs to hone their research. While allegations and information must be reviewed critically, particularly when media outlets are affiliated with a political party or a strong point of view, they are an invaluable resource. Although sifting through news reports can be tedious, it is nonetheless essential; in CIJ's experience, media reports can provide leads and intimations of wrongdoing that signal a company or industry as potentially complicit in criminal activity.

For example, a newspaper based out of country X might report: "Deputy Y of the National Assembly accused President Z of defrauding investors by installing supporters in the hydroelectric industry." To try to confirm that allegation, you might first determine the major hydroelectric utilities in country X and obtain a roster of their directors and shareholders. At this point, it would be advisable to run each of the names on the roster through a news search engine to ascertain any political and/or criminal affiliations. You might also try to verify what other companies these individuals manage or hold shares in; this is especially easy if country X has a searchable company registry. Finally, do not forget to see if any of the names you are investigating have been included on a national or international blacklist, such as the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) or the European Union's visa ban list. If one utility or individual seems particularly suspicious, you could pursue that line of inquiry in a more comprehensive manner. If at any point you discover links back to a trust or a company registered in an offshore haven, try to determine as much as possible about the reasons for such an arrangement, as it is often an indication that someone is trying to hide something. It

does not necessarily suggest illegal activity, but it is often an indication that additional scrutiny is warranted.

Media reports are not useful only for the information they contain: they also provide useful contacts for follow-up inquiries. Many reporters (but certainly not all) are willing to discuss in greater detail their research, and often are willing to provide (or exchange) information that they could not include in an article, either because it was too controversial, difficult to verify or their editors were simply not interested.

For every successful lead extracted from a news source, there are dozens of dead-ends. This means that the more efficiently you conduct your searches, the less time you will waste on fruitless research. Fortunately, there are many excellent search engines available online, including:

- *Factiva*. Factiva, a Dow Jones and Reuters joint venture, is a media search engine, principally intended for financial research, that offers perhaps the most comprehensive periodical archive on the web. Factiva's database includes numerous foreign newspapers, many available in English translation, as well as articles in over twenty languages ranging from Spanish to Bulgarian to Chinese. Its free-text search feature is flexible and user-friendly and can be restricted to articles published in specific publications. Its chronological range is impressive. Subscription to Factiva is expensive. Visit www.factiva.com for more information.
- *World News Connection / FBIS*. The Foreign Broadcasting Information Service provides up-to-date English translations of print, radio and televised news from a broad range of countries. FBIS's scope is comprehensive: subscribers can access news from the Balkans, the Arab world, the Far East and Latin America, among other regions, often within 24 hours of its initial publication. The on-line archive goes back to 1996. More extensive FBIS archives are available in major libraries. One of the most convenient portals to FBIS's database is through World News Connection (WNC), which offers a subscription service. Visit wnc.dialog.com for more information.
- *Lexis/Nexis and Westlaw*. Of the major news and legal databases, Lexis/Nexis (www.lexis.com) is the best known. Lexis/Nexis offers a useful database of domestic media sources and government records, but its resources for foreign media is more limited and its search engines less user-friendly than those of Factiva and WNC.

Lexis/Nexis and Westlaw (www.westlaw.com) offer one search category that no other general-purpose media database supplies: an exhaustive fulltext archive of decisions and proceedings from United States courts. They also provide decisions from other countries though more limited in scope. The court records available through Lexis/Nexis and Westlaw can prove valuable to money-trail researchers. See the section on "Court Cases" in the Guide to Sources.

- *Google/Unclesam.* Google provides a search of government pages that do not fall within its normal search parameters. Visit www.google.com/unclesam.

International Organizations

Global economic and political organizations, usually established by international treaties or diplomatic agreements, offer numerous resources for investigators, including detailed macroeconomic data on individual regions and countries and information on money-laundering policies and financial crimes issues in troubled areas.

- *Egmont Group:* The Egmont Group is a consortium of anti-laundering governmental agencies, or “Financial Intelligence Units” (FIUs), representing 84 countries worldwide. The organization was created in 1995 to increase communication and cooperation between FIUs and provide a forum for the exchange of data on financial crimes and skills and technology useful in money-trail research. The Egmont Group’s investigative scope includes terrorist financing and the trafficking of narcotics and weapons. The group’s website (www.egmontgroup.org) provides contact information for all of its member organizations and resources for investigators.
- *Financial Action Task Force.* FATF is an inter-governmental body operating under OECD whose purpose is to discourage and eliminate money-laundering and other financial misconduct. FATF is a “policy-making body” that tries to “generate the political will” to put in place regulatory frameworks that prevent nations from potential complicity in money-laundering schemes. It does so by proposing policies and legislation, and by periodically publishing a black-list of non-compliant countries that do not meet international anti-laundering standards. In addition to this information, the website offers outstanding background literature on financial crime: how it works; under what conditions it flourishes; how it can be identified; and what measures can be taken to prevent it. Visit www.oecd.org/fatf.
- *International Monetary Fund.* The IMF is the private sector branch of the World Bank. Its website (www.imf.org) provides similar information to that of the Bank: country data; loan actions; outstanding credit, etc. It also offers an extensive glossary of financial terms that may prove useful to researchers lacking strong economics backgrounds.
- *Office of Foreign Assets Control.* OFAC is the branch of the U.S. Treasury Department responsible for the administration and enforcement of financial sanctions against individuals and countries engaged in illegal financial activity. These sanctions are based both on domestic initiatives and international mandates, including those of the United Nations. OFAC posts a list on its website (<http://www.ustreas.gov/offices/eotffc/ofac/>) of individuals

and organizations with whom US citizens and companies are prohibited from doing business.

- *Organization for Economic Cooperation and Development.* OECD is a large international organization comprising thirty member-countries, over seventy affiliated-countries, and numerous NGOs. OECD's mission is to support and promote transparent market economies and democratic political systems. Its website (www.oecd.org) offers a vast range of information on myriad topics and offers excellent background on the state of economic development and the rule of law for many transitional and developing nations. This information can help researchers lock in on key industries and institutions that may merit closer scrutiny. OECD's website also has a special section for NGOs with contact information on organizations operating in given regions.
- *World Bank.* The World Bank is a large international financial institution that lends to underdeveloped and developing countries and spearheads policies and initiatives to reduce poverty and encourage economic growth. Its website (www.worldbank.org) offers economic data on virtually every country in the world, as well as reports on recent financial developments in various regions. The most useful data supplied by the World Bank are details on the organizations' recent loans. Misappropriation of international aid often involves money laundering and sometimes criminal financing.

Non-Governmental Organizations

There exist numerous NGOs monitoring corruption, cronyism, embezzlement and human rights abuses. Such organizations are often willing to share information with the general public. Reports sponsored and published by NGOs are often of great value: they are frequently successful at synthesizing a wide range of information and formulating a broad view of the origins and mechanics of financial misconduct. CIJ has highlighted three organizations it has found particularly useful for money-trail research.

- *Transparency International.* Transparency International (TI), an international NGO with offices in over ninety countries, has as its mission the elimination of corruption and the construction of civil societies and economies. TI publishes reports on corruption issues in each of the countries in which it operates (available on its website at www.transparency.org), and offers general information on identification and prevention of financial crime. TI does not focus on specific incidents of illegal activity, but rather advocates reform measures on a macro level.
- *Global Witness.* Global Witness (GW), like Transparency International, is an international NGO with numerous offices worldwide. GW focuses specifically on the exploitation of natural resources like timber, diamonds and oil to incite, fund and sustain violent conflict and massive human rights violations. Its website (www.globalwitness.org) offers relevant news items

and PDF versions of its publications. GW has been heavily involved in Cambodia, Cameroon and Zimbabwe, but has conducted research on many other states and territories and has authored corruption studies.

- *Investigative reporters and Editors*. Investigative Reporters and Editors (IRE) is an NGO that provides educational services to journalists and other individuals and organizations with an interest in investigative reporting. IRE is a good resource for those hoping to connect with journalists working in a particular region or on a particular topic. Its website (www.ire.org) offers extensive updates on the latest investigative work being conducted by American reporters and editors. Its “news resources” feature provides “data, tipsheets, past stories and more to help cover the latest news” and its “net tour” option links to a useful guide for conducting investigative research on the web.

Official Resources

The backbone of any effective money-trail investigation is financial documentation. Media claims, political accusations, intelligence reports and even police confessions are all useful and indeed indispensable sources, but they lack the incontrovertible authority and persuasiveness that records of corporate holdings, bank transfers and trustee agreements possess. Circumstantial evidence can be a powerful tool in advocacy work and is often helpful to government investigators, but if the ultimate objective of money-trail research is criminal prosecution and the freezing of assets, official documentation or other authentication is required.

Many people believe that such documentation is available only to those researchers working under the auspices of a government or international law enforcement organization. In fact, most countries make publicly available financial documentation filed with government authorities, and all but the most underdeveloped or isolationist nations provide minimum basic information on companies registered within their borders. These services are rarely advertised and often involve negotiation with slow and unreliable bureaucratic structures, many of which operate only in the language of their country of residence. They occasionally involve fees. Nonetheless, these government resources offer an efficient and cost-effective source of information compared to expensive, private research services.

In many cases, the official documentation available to the public does not represent the full scope of available information. Governments can issue subpoenas and letters rogatory and can in many cases see records filed with foreign governments that indicate beneficial ownership and confidential shareholder information, as well as demand disclosure on trust arrangements from private firms. These official channels are often slow and bureaucratic, however, and information gleaned from publicly available resources can greatly assist the work of law enforcement and other investigators.

Corporate Registries

All countries with basic economic infrastructure have some variant of a corporate registry. The exact name of these institutions varies from country to country, but it usually includes some combination of the words “Corporate,” “Company,” “Commercial” and “Small and Medium Enterprise” with “Registry,” “Register,” “Directory” and “House.” Another common name in the former British Isles is “Financial Services Commission.”

Corporate registries are custodians of the documents a company is required to file during and after its application for registered status within a particular jurisdiction. This documentation normally includes one or more of the following items:

- Address of the registered office of the company
- Date of incorporation of the company
- Type of company (public, private, limited liability, tax-exempt, etc.)
- Status of the company (in liquidation, winding up, striking off)
- Names and addresses of directors
- Total value of share capital
- Distribution of share capital
- Names and addresses of shareholders
- Total assets or net worth
- Number of employees
- Annual returns (includes expenses, gross and net profits, investments)
- Identity of beneficial owners and holders or bearer shares. (See explanation below).

Highly developed countries with transparent financial infrastructures are likely to make available most of this data, although they may require a formal written request and/or a fee. Offshore tax-havens such as Guernsey, Bermuda and the Cayman Islands provide less information, but almost always make available the address, date of incorporation and the status of the company. Some of these jurisdictions, such as the Isle of Man and Jersey, also provide shareholder and director details. Developing countries are less predictable in their offerings: some, such as Burma, have no registries to speak of, while others, such as Cambodia and Curacao, practice sophisticated record-keeping. Many, such as Indonesia and Brunei, have online company directories that provide the addresses, industry sectors and contact information for all registered corporations, but do not provide names of officers or major shareholders.

CIJ has compiled a list of useful or hard-to-find information on corporate registries worldwide. See Appendix 1.

Bank Accounts

Bank confidentiality regulations vary from state to state within the U.S. and from country to country worldwide, and each bank has its own policies on disclosure. Generally speaking, if you have knowledge of the routing code, Bank Identifier Code (BIC) or International Bank Account Number (IBAN) associated with a certain account, you can deduce from that information the branch where that account is registered.

Every checking account opened with a bank operating in the United States has a 9-digit American Bankers Association (ABA) routing number. To determine the institution corresponding to the routing number of a particular account, you can visit the following (unofficial) website: www.fedwiredirectory.frb.org/search.cfm. Alternatively, you can call the ABA directly at 1-800-BANKERS.

Foreign and international financial institutions, especially those based out of Europe, often use Bank Identifier Codes and International Bank Account Numbers. BICs are codes of 8 alphanumeric characters that refer to a specific financial institution. Each code includes:

- 1) A bank code
- 2) A country code
- 3) A location code
- 4) A branch code

The easiest way to search for BICs is to use the following electronic database: <http://www.swift.com/biconline/index.cfm>.

IBANs are a new initiative by the European Committee for Banking Standards to facilitate cross-border bank transactions. Each IBAN identifies the bank account of a client of a financial institution, regardless of its country of registration. An IBAN typically contains a two-character ISO country code, two check digits for validation purposes, and a domestic bank code and account number. For example:

GB	12	CBPK	0892 XXXX XXXX XXXX
<i>Country</i>	<i>Check #</i>	<i>Bank</i>	<i>Account Number</i>

IBAN usage is not mandatory but has become increasingly common. CIJ is not aware of an online database of IBAN numbers.

Once you have determined the location of the account, you can call the branch in question and ask if they are willing to disclose the owner of the account. Some banks will reveal this information, if pressed, but in most instances only law enforcement is able to obtain ownership information from a bank account number.

Court Cases

Lawsuits relating to international fraud, money laundering and criminal financing are often filed in United States courts. Unless a judge seals a case, most of the documents related to its proceedings are available to the public, although physical presence at the courthouse is usually required. This information can be very powerful, because it has often been obtained by law enforcement or teams of international investigators and contains data ordinarily unavailable to non-official researchers.

Federal courts are generally more willing to provide access to archives than are state courts. The US Court for the Southern District of New York, for example, is generally amenable to archive searches. Inquiries should be directed to the clerk of the court in question.

Very little of court-related information is available online. The website www.findlaw.com does offer limited resources—especially on terror related lawsuits—and is worth checking before visiting a courthouse. The website www.pacer.com offers a directory of judges and justices in federal and state courts as well as docket proceedings for many cases after the payment of a nominal fee. The website www.google.com/unclesam may also provide useful information (see description in media databases section). Finally, Lexis/Nexis provides fulltext searches of decisions and other miscellaneous filings from federal courts and some state courts.

Reports and Summaries

International and governmental organizations like the United Nations sometimes publish the results of investigations that they have sponsored. These reports are normally of very-high quality and typically offer a trove of information on illicit financial activity. Beyond providing compelling illustrations of how financial crime works, such documents also include the names and locations of companies involved in or connected to criminal transactions and actions, and cite bank account numbers and list the beneficial owners of companies registered in offshore havens.

These reports are excellent starting-points for money-trail investigations. CIJ, for example, learned of a Liechtenstein-based company involved in weapons trafficking through a UN report, and, after considerable further research, succeeded in tying that organization to war criminals residing in Southeastern Europe.

III. Organizing the data

The quantity of data involved in financial research is often vast and can accumulate very quickly. As the lists of names, numbers, shares and countries grow increasingly long, and the money-trail itself becomes more convoluted, it can be difficult to identify patterns and minimize dead-end inquiries. As a general rule, the more efficient the search and the more organized the data, the better the results. To this

end, CIJ has provided some organizational techniques that have served us well in the past.

Excel Tables

One effective method for keeping track of your data is to create a spreadsheet using Microsoft Excel. CIJ has found the following format useful:

Individual	Individual's Background			DOB	POB	Deceased?	Relationship to Company	Relationship Begin	Relationship End	Company

Company address	zip	City	Country	Accounting/ auditing firm	Date Opened	Date Dissolved	Sources on Company	Sources on Individual	Other

This format includes information on an individual and on the company with which he or she is affiliated, all contained within a single row. The benefit of this approach is that rows can be sorted according to individual, company affiliation or country, making connections easier to establish and visualize. One downside to this format is that company information must be re-entered for every individual added to the database, although this amounts to little more than repetitive cutting and pasting.

Alternatively, two spreadsheets can be created: one that includes information on individuals, including their respective company affiliations, and another dedicated to more detailed information on the corporations themselves.

Regardless of the way you organize your spreadsheet, it is advantageous to include some or all of the following data:

- Name of individual
- Individual’s background
- Individual’s date of birth
- Individual’s place of birth
- Date of death (if applicable)
- Affiliated company
- Relationship to company
- Beginning and end dates of relationship to company
- Company address
- Company accounting firm
- Dates of establishment and dissolution (if applicable) of company

- Sources on individual
- Sources on company

Record-Keeping

Although it may be tempting to discard some or all of paperwork and electronic documentation you acquire over the course of your investigation, CIJ has concluded that it is best to retain even potentially useful materials until the final stages of your project. Information that may seem irrelevant in the early stages of an investigation may take on new significance as evidence accumulates and patterns are identified. Excess paperwork is a small price to pay for a big break late in the game.

Beyond the general purpose of documentation and research, there are several specific reasons to maintain extensive records:

- *Libel Concerns.* Should your organization be threatened with a libel suit, it can be extremely useful to have quick access to published material to identify the source of the allegedly false or reckless statement in your report. Keeping records on hand can resolve libel issues before they proceed beyond the point being resolved without litigation. For more information on libel issues, see section IV.
- *Electronic searching.* Files stored in electronic formats such as .html, .txt., or .doc can be quickly searched using the search option in Microsoft Word or the “Finder” feature in Apple OS. Beyond saving time, electronic searches greatly facilitate cross-referencing and decrease the likelihood of potential links and overlaps being missed. It is also essential to be able to search by key word or phrase on your own hard drive. Useful software for this task is XY-Find and Scopeware Vision.
- *Resources for further investigation.* Even though you may have accomplished all that was possible with a particular set of resources in light of money and time constraints, the documentation you have accumulated may still be of considerable use to other organizations and individuals, be they NGOs or law enforcement agencies. The better organized your data, moreover, the more helpful it will be to a third party.

Whenever possible, CIJ suggests storing your documentation electronically. This is particularly easy when using online databases, whose web displays can be saved in an electronic format. To save a webpage, drag your cursor to the “File” menu in Explorer or Netscape, and select “Save” from among the choices on the dropdown list. In CIJ’s experience, the best format for webpage saves is the “Web archive, single file (*.mht)” option. This ensures that your entire page will be stored in one electronic file, even when the page in question is composed of multiple frames.

If you own a copy of Acrobat Distiller or are using Apple OSX operating system software, you can save a webpage in .pdf format. This format is particularly useful,

because it is low-memory and high-resolution. It does not preserve hyperlinks or scrolling text, however. To save to a document as a .pdf file in OSX, click on the “Print” option under the “File” menu in the application you are using, then click on “Save as PDF.” If you wish to use Adobe Acrobat Distiller, click on the “Acrobat Distiller” icon from the Print menu and click “Print.”

For documents that are only available in hardcopy, such as photocopies of corporate records and deeds, it is a good idea to keep several backup hard-copies as well as a scanned image of the item. Be sure to include the scanned files in your electronic archive.

The electronic approach is an excellent space-saver. Furthermore, if you create a user-friendly system of folders and subfolders, you can often find a particular file or report much faster than you would with the hard-copy approach. You will also be able to transmit your archives to other persons or organizations in the form of a CD-ROM. It is also a good idea to burn a backup CD-ROM periodically for your own safe-keeping. This safeguard can avoid any setbacks or losses in the event of an electrical surge, computer virus or theft.

IV. Distributing the Data

Media Contacts

Information-sharing with journalists can yield excellent leads, but it’s worth being cautious since virtually all journalists are more preoccupied with their own stories than with your research. As a general rule, reporters will share information in exchange for something equally valuable. Once a channel of communication has been opened, journalists are likely to press you for as much information as they can possibly obtain, so be prepared for aggressive questioning.

That being said, people in the media are generally accessible and usually respond promptly to e-mails and other inquiries. They are often willing to share information that their editors excluded from published articles because of sensitivity or verification issues. It is uncommon for a reporter to be in exactly the same line of investigation as a money-trail researcher, but this only increases the opportunities to exchange findings.

If you know of a reporter who has written stories in the geographic region or on the topic in which you are interested, try to obtain his or her contact information. A good place to start is the website of the publication or news-program where his or her pieces are most commonly featured. If that turns up a dead end, try contacting his or her employer directly.

Once you have arranged a meeting or conversation with a journalist, think carefully about what information you want from him or her, what you are willing to divulge, and what leads you might hint at but not fully disclose. Realize that any information you communicate may end up in print, which may alert others to your research before

you have time to secure sensitive data, and may also raise libel issues. (See the section on libel for more information on this topic.)

Once you have finalized your report, you may wish to resume contact with a journalist you trust and have worked with in the past. Many reporters are eager to have the first crack at reporting on an influential piece of research. In CIJ's experience, this can be a worthwhile means of publicizing your report in the early stages of its distribution.

A final note: if you are concerned about transmitting sensitive information over the internet, it may be in your interest to obtain PGP encryption software that operates in conjunction with your e-mail application. Alternatively, you and your contact can both open accounts at Hushmail (www.hushmail.com), a free e-mail service as long as you use it every two weeks, that allows members to send encrypted messages to one another. Hushmail also offers a modest paid subscription providing unfettered access.

External Contacts

Once you have developed an operable theory of how or why financial crime has occurred, you should consider sharing your information with relevant experts inside or outside of government. Although you may be concerned about sharing information, in CIJ's experience a trusted, knowledgeable contact can provide useful feedback during the research process.

The best way to approach such an official is by expressing an interest in sharing information. Government representatives will likely be less receptive if they think they have little to gain. Bring a draft of your report, but also be prepared to communicate your findings verbally.

Do not expect explicit confirmation of your leads. In CIJ's experience, verification often comes in the form of oblique comments. One common formulation seems to be: "you're on the right track, you might also want to consider X or Y." The likelihood of your being informed of any missteps or errors in your research is greater than that of receiving approval or encouragement in some form.

It may be to your benefit to ask for information on supplementary sources. Do not expect your contact to share classified information, and do not ask for any sort of restricted intelligence. You may be directed to public source information that you have overlooked or of which you were not aware. In CIJ's experience, this information has included unsealed documents in obscure court cases and economic transactions that did not receive close media scrutiny.

It is always a good idea to review your research for libel issues before showing it to anyone. Publicizing your information to any third party raises the possibility of a defamation suit. See the following section for more information.

Libel Concerns

Money trail research encompasses a wide range of actors, from politicians to businessmen to traffickers in contraband. It may purposefully or inadvertently implicate individuals and organizations as participants in questionable and potentially illegal activity. While publicizing evidence of financial misconduct and criminal networks can have powerful, positive consequences, it also exposes you and your organization to the risk of being sued on charges of libel (written) or slander (verbal).

The term “libel,” in the context of U.S. law, entails a false statement of fact about a person that harms the reputation of that person. The statement has to be circulated to one or more third parties beyond the author and the alleged victim. In other words, if a potentially libelous statement from your report reaches the eyes or ears of someone other than the subject of the statement, you are at risk.

It is important to note that a report containing a false statement need not be disseminated publicly to qualify as libelous. Sharing your findings with a government official or an employee of a sister NGO is equal grounds for a lawsuit for libel or slander, if harm can be established.

In the United States, standards for libel differ depending on whether the plaintiff is a public figure or an ordinary citizen. Public figures, whose names are commonly in the news, must prove the existence of “malice” on the part of the alleged defamer. In a legal context, malice does not mean ill intent, but rather that the publisher of the statement did so with full knowledge of its falsity and the likely consequences of its dissemination. To prevail in a libel suit, ordinary citizens, on the other hand, need only demonstrate the author of the statement was negligent, i.e., that s/he failed to “act with due care.” In most jurisdictions, the burden of proof is on the plaintiff to prove that these requirements are met.

Libel only exists where the statement in question is indisputably false. Hyperbole, name-calling and exaggerated rhetoric cannot easily be disproved, and are under most circumstances not considered libelous. Any step you take to easily dismiss accusations of deception or misrepresentation will prove beneficial in the event of a libel suit. It is essential, therefore, that you make every effort to document all claims expressed in your money-trail report. (See Section III for more information on organizing and documenting your data.)

Pointing to a single corroborating source is not a compelling defense against charges of libel, especially when contradictory evidence exists. Always cross-reference your sources and check to see if new or conflicting data has emerged since the date of publication. When in doubt, do not hesitate to distance yourself from the accusations voiced in media reports. Instead of asserting a contentious statement as fact, say “source X claimed Y about Z.” Note though that this formulation is not a foolproof shield from defamation suits. You must conduct your own research as to the validity of any claim. It is best to be cautious even when citing the opinions of others.

Additionally, it is often in your best interest to show excerpts of your final report to the individuals or organizations discussed within its pages. This both allows you to prepare in advance for a libel suit, if such a threat is articulated, and in many cases can mitigate claims of malice or lack of care.

You might also consider altering the format of the report itself to account for libel concerns. For example, you can choose to prepare a confidential report and make it available only to law enforcement officials in the hope that they will continue the investigation using subpoenas and other tools available only to governments. Obviously, public reports serve the broader purposes of advocacy and awareness both for journalists and ordinary citizens and are to be preferred.

Finally, be sure to take and preserve notes from any phone conversations you have over the course of your research, no matter how insignificant it appears at the time. This information can provide testimony in the event of a suit and alert you to potentially litigious individuals. Take the same precautions a journalist or professional investigator would take.

This discussion of libel is by no means exhaustive, and should not be interpreted as authoritative or comprehensive. Many of the standards described above apply only in U.S. jurisdiction; definitions of libel vary widely from country to country. Consulting an experienced libel lawyer is always prudent.

V. Bibliography

General Guides:

Critical Reflections on Transnational Organized Crime, Money Laundering and Corruption, ed. Margaret E. Beare. Toronto: University of Toronto Press, 2003.

Money Laundering : A New International Law Enforcement Model, Guy Stessens. Cambridge: Cambridge University Press, 2000.

Transnational Criminal Organizations, Cybercrime, and Money Laundering: A Handbook for Law Enforcement Officers, Auditors, and Financial Investigators, James R. Richards. Boca Raton: CRC press, 1999.

Organized Crime, 7th ed., Howard Abadinsky. Belmont : Wadsworth/Thomson Learning, 2003.

Money Laundering, Asset Forfeiture and International Financial Crimes, F.N. Baldwin and R.J Munro. New York: Oceana Publications, 1992.

“Money Laundering,” Christopher Boran. *American Criminal Law Review*, v. 40, 2003.

Cyberpayments and Money Laundering: Problems and Promise, Rand Corporation. (<http://www.rand.org/publications/MR/MR965/MR965.pdf>). See especially Chapter 2.

War on Terror:

Dirty dealing: the untold truth about global money laundering, international crime and terrorism, 2nd ed., Peter Lilley. Sterling: Kogan Page, 2003.

Terrorism and Terrorists, Donna Artz, (www.jurist.law.pitt.edu/terrorism/terrorism1.htm).

"Money Laundering Law and Terrorist Financing: Post-September 11 Responses--Let Us Step Back and Take a Deep Breath," Joseph J. Norton & Heba Shams. *International Lawyer*, v. 36, pp. 103-24, 2002.

"The Financial Action Task Force: The War on Terrorism Will Not Be Fought on the Battlefield," Andrews Ayers. *New York Law School Journal of Human Rights*, v. 18, pp. 449-59, 2002.

“Patriotic Acts: Financial Institutions, Money Laundering and the War Against Terrorism,” Paul Schott Stevens and Thomas C. Bogle. *Annual Review of Banking Law*, COALITION FOR INTERNATIONAL JUSTICE, FEBRUARY 2004

v. 21, pp. 261-90, 2002.

“The War on Terrorism and the End of Banking Neutrality,” Mark Kantor. *Banking Law Journal*, v. 118, 2001.

“The IMF and the Fight Against Money Laundering and the Financing of Terrorism”, (<http://www.imf.org/external/np/exr/facts/aml.htm>).

FATF Special Recommendations on Terrorist Financing, (http://www1.oecd.org/fatf/SRecsTF_en.htm).

"Can We Buy Peace on Earth?: The Price of Freezing Terrorist Assets in a Post-September 11 World," Angela D. Hardister. *North Carolina Journal of International Law and Commercial Regulation*, v. 28, pp. 605-61, 2003.

“The Impact of September 11th on Anti-Money Laundering Efforts, and the European Union and Commonwealth Gatekeeper Initiatives,” Nicole M. Healy. *International Lawyer*, v. 36, pp. 733-49, 2002.

Case Studies:

FIU's in Action, A compilation of 100 sanitised cases on successes and learning moments in the fight against money laundering (<http://www.fincen.gov/fiuintaction.pdf>).

False Profits: The Inside Story of BCCI, the World's Most Corrupt Financial Empire, Peter Truell and Larry Gurwin. New York: Houghton Mifflin, 1992.

“Organized Crime, Terrorism, and Money Laundering in the Americas,” Fletcher N. Baldwin, Jr. *Florida Journal of International Law*, v. 15, pp. 3-37, 2002.

“Breaking the billion dollar barrier - learning the lessons of BNL, Daiwa and BCCI," T. C. Baxter. *Journal of Money Laundering Control*, v. 1, June 1997.

Washed in gold: the story behind the biggest money laundering investigation in U.S. history, A. Woolner. New York: American Lawyer Books, Simon & Schuster, 1994.

Information on US Law:

“Forfeiting ‘Enduring Freedom’ for ‘Homeland Security’: A Constitutional Analysis of the USA Patriot Act and the Justice Department's Anti-Terrorism Initiatives,” John W.

Whitehead and Steven H. Aden. *American University Law Review*, v. 51, pp. 1081-1133, 2002.

“Frankencrime: America’s Harsh Money Laundering Penalties,” Plato Cacheris and Eric Steven O’Malley. *Journal of Money Laundering Control*, v. 5, pp. 115-121, 2001.

US Department of The Treasury Office of Foreign Assets Control (OFAC): What you need to know about US Sanctions,
(www.ustreas.gov/offices/encorcement/ofac/sanctions/terrorism/html).

NGOs:

Financial Action Task Force: *Combating the Abuse of Non-profit Organizations: International Best Practices* (11 October 2002) (http://www1.oecd.org/fatf/pdf/SR8-NPO_en.pdf)

“Charities and Compliance with Anti-Terrorism Legislation: The Shadow Of The Law,” Terrance S. Carter. (www.carters.ca/pub/seminar/charity/2003/TSC0827.pdf)

Other Resources:

American University Transnational Crime and Corruption Center,
<http://www.american.edu/traccc/links.htm>.

Anti-Corruption Ring Online (AnCorR),
<http://www1.oecd.org/daf/nocorruptionweb/Law/treaties.htm>.

Financial Action Task Force Documents,
http://www.fatf-gafi.org/FATDocs_en.htm.

World Bank reference bibliography on governance and corruption,
<http://www.worldbank.org/wbi/governance/bib.html>.