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Casual Thoughts on Eliot Spitzer

Last July, Governor Spitzer made three wire transfers into North Fork Bank totaling about \$10,000. North Fork's automated AML program detected what appeared to be structuring. That is, a few small remittances to avoid the \$10,000 threshold for reporting cash transactions. The \$10,000 threshold does not apply to wire transfers, but the bank's system picked up the transactions nonetheless and the bank filed a Suspicious Activity Report. FinCEN did not react to the SAR immediately. Why? Perhaps because the amount involved was small.

Then, in September, HSBC filed a report on wires from Spitzer to QAT International and QAT Consulting Group. The bank discovered its files on the QAT companies were empty. Subsequent due diligence showed they were conduits for dozens of transactions for hundreds of thousands of dollars to an escort service, Emperor's Club International.

What raised the red flag the second time? Possibly, HSBC's procedures singled the Governor out for special attention. Financial institutions are supposed to scrutinize foreign political figures—Politically Exposed Persons—because PEPs present a higher level of money-laundering risk. The United States is one of the only countries to distinguish between foreign and domestic PEPs, but some U.S. banks reckon all high-ranking politicians present heightened levels of risk and raise the level of their due diligence. Which seems to make pragmatic good sense.

The tip-off was probably Spitzer's own doing. He called HSBC to ask that his name be removed as the remitter. According to the "travel rule," banks must relay information about the remitter to the receiving bank. Anyway, the transfer had been made well before Spitzer's call. But the request was suspicious because it asked HSBC to violate AML wire-transfer protocols. It was probably Spitzer's own call that triggered the disclosure, the investigation and his resignation.

One AML question remains: SARs are supposed to be totally confidential, no matter how high the potential for prurient interest. How did it get out? IRS, the investigating agency, says SARs are confidential but a subsequent investigation need not be. Disquieting.

Questions? Do you need to know more about how to set up or improve your anti-money laundering program? Training courses? AML audits? We can help. And our precious metals and jewelry industry professionals are also accredited by the Association of Certified Anti-Money Laundering Specialists (ACAMS). Call me, Mike Riess, at: (203)661-6715 or reach me by e-mail at: MRIESS@MAT-MGT.COM

To find out more about the Patriot Group of Materials Management Co. and about our AML programs and services, visit our website at: WWW.MATERIALSMANAGEMENT.NET. There you'll also find the final regulations and a wealth of background information.

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