

M'sia linked to 'world's largest' money-laundering scam

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Unlicensed remitting services in Malaysia are alleged to have been a part of a US\$6 billion (RM18.3 billion) online money laundering operation, according to US federal prosecutors in New York.

The newspaper New York Times quoted their charges yesterday, saying that the operation had millions of customers worldwide conducting 55 million transactions over the past seven years.

NONEKnown as the Liberty Reserve, prosecutors reportedly said that this is believed to be the largest online money-laundering case in history.

Describing its clientele as "overwhelming criminal in nature", prosecutors say in their charge sheet that it included "traffickers of stolen credit card data and personal identity information, peddlers of various types of online Ponzi and get-rich-quick schemes, computer hackers for hire, unregulated gambling enterprises, and underground drug-dealing websites".

They claim that Liberty Reserve relied solely on "third-party exchangers" to accept or make payments for them, which are usually "unlicensed money-transmitting businesses without significant government oversight or regulation, concentrated in Malaysia, Russia, Nigeria and Vietnam".

The arrangement means that Liberty Reserve itself does not collect its clients' banking information, and thus avoid having a centralised financial paper trail, according to prosecutors.

All that is needed to open an account is an email address. Other personal information is also collected, but it is not validated and could easily be faked.

In other words, the operation allegedly allows its customers to transfer money around the world almost anonymously.

"As alleged, the only liberty that Liberty Reserve gave many of its users was the freedom to commit crimes - the coin of its realm was anonymity, and it became a popular hub for fraudsters, hackers and traffickers," the US attorney in Manhattan Preet Bharara reportedly said in a press conference yesterday.

Seven people have reportedly been indicted in the charges, of which five are under arrest and two are still at large.

'What happens in cyberspace...'

Among those in custody is Arthur Budovsky, a former US national who founded Liberty Reserve in Costa Rica in 2006.

Prosecutors claim that the case is significant because it tackles the financial infrastructure of many cybercriminals in a similar manner that drug money-laundering prosecutions unravel the financial underpinnings of the narcotic trade.

"If (mafia boss) Al Capone were alive today, this is how he would be hiding his money.

"Our efforts today shatter the belief among high-tech money launderers that what happens in cyberspace, stays in cyberspace," the US Internal Revenue Service criminal investigation division in Washington reportedly said.

Despite the charges, New York Times also quoted security experts as saying that there are other online services that allow its users to transfer funds anonymously.

"Organised crime and terrorist groups are now financing their operations through these anonymous payment systems.

"The financial sector no longer has a monopoly on moving capital around the world," security firm Trend Micro vice-president Tom Kellermann was quoted as saying.

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