

Corporate Corruption Federal Securities Fraud

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The views and opinions of the speakers
may not necessarily be those of the
U.S. Department of Justice



Goals Today

- Commentary From the Field
 - Background to understand trends
- Trends in Financial Crime and Securities Fraud
- Parting Thoughts

Why is There White Collar Crime?

“ Are you kidding!?

I couldn't make this much money selling crack in Detroit....

Besides, this way *no one shoots me* and I *get to wear a suit.*”

---*Fraudster, Proffer Session*

What Attracts Corruption and Fraud?

Large Government Contracts and Grants

Public Program Funding

Lax Law Enforcement Oversight

Lax Regulations or Consequences

No Ethics Rules or Reporting

Foreign Business

Types of Investigations

- **Reactive**
= The crime is ongoing
- **Historical**
= The crime has been committed

The Long and Winding Road



View From 1000 Feet

No formula for a corporate corruption or fraud case

Assumptions

Trial Likely = Under Microscope

Defendants are respected/established

No jury sympathy for rich victims/large transactions

Corrupt conversations need to be *recorded*

Factors

Complex = designed that way!

Highly visible

No “Real” victim just bad business

Motives of prosecution challenged

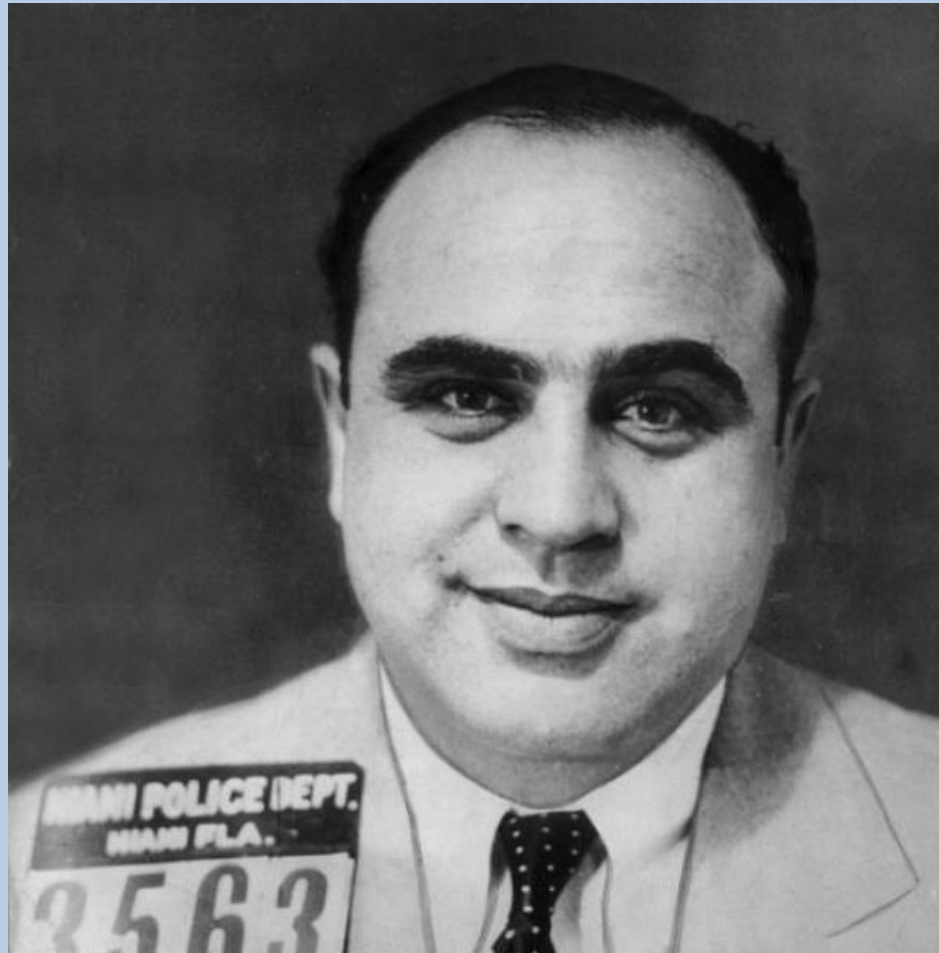
Source Development

- Regulators and Administrative Bodies
- Business Community
- Advocacy Groups and Watchdogs
- Victims
- Criminals
 - Those caught doing crime
 - Those who do NOT want to be caught

The Face of Historical U.S. Crime



Al Capone



Lying Cheating and Stealing

“Like music, lying requires exquisite timing,
a consistent beat,
and a melodic quality
designed to sooth the most cynical beast.”

-----*Robert F. Miller, real estate con-artist*

Statement to the United States District Court

District of Columbia 1:05-cr-00143

Financial and Securities Fraud

- In the late 1980s and early 1990s, more than **half of bank fraud losses could be attributed to insiders**
- Insider bank frauds are still causing significant losses, but **external fraud schemes have taken the lead.**

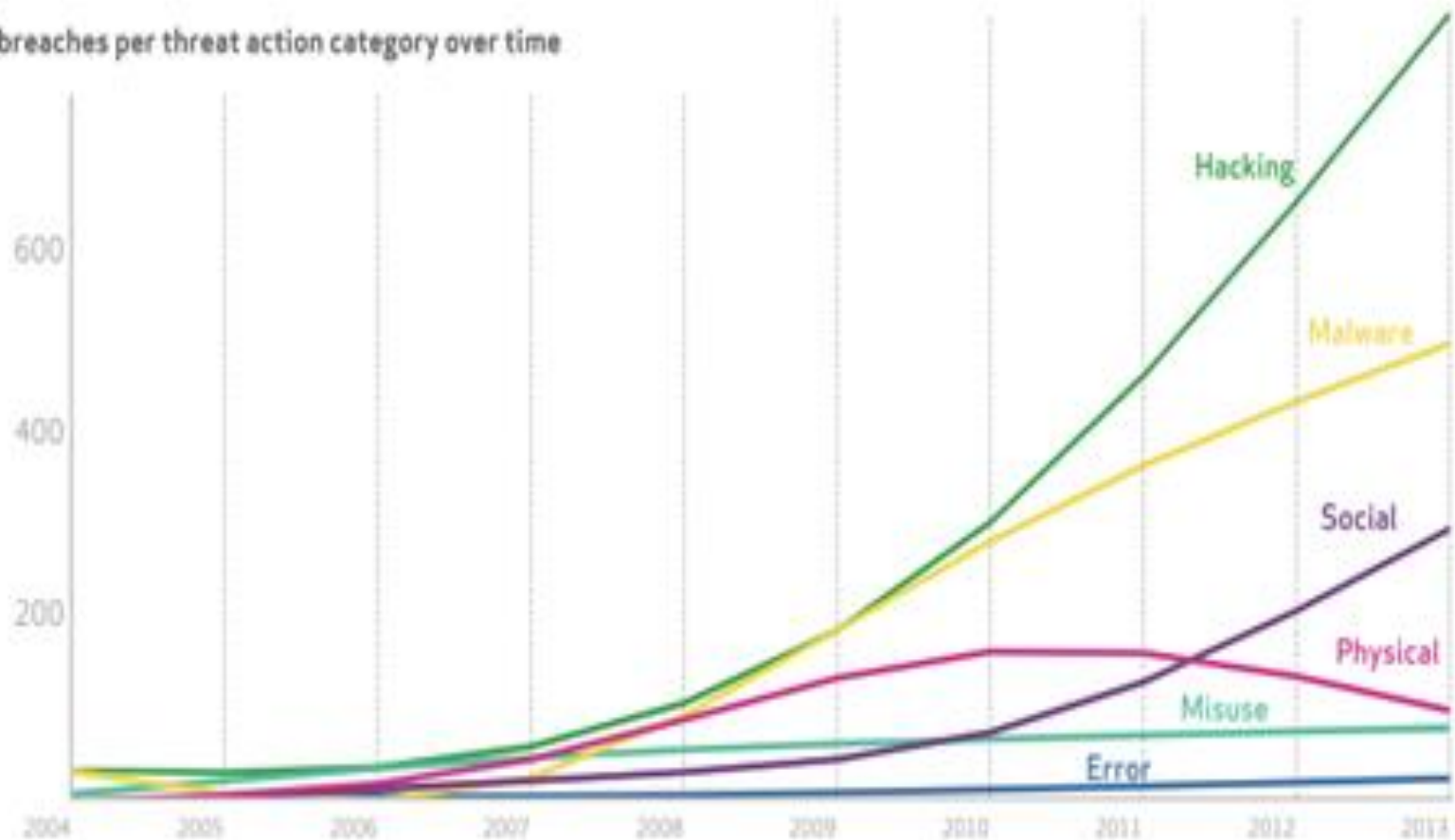
P.S. External frauds are often enabled by an insider

The Rising Threat Cyber Vulnerability

- **Consumer banking**
 - Online
 - Mobile
- **Infrastructure**
 - Hackers
 - Credential Harvesters
- **Identity Theft**
 - Use of PII gathered through data breaches

Hacking on the Rise

Figure 8.
Number of breaches per threat action category over time



Business E-Mail Compromise

The **BEC** is a sophisticated scam targeting businesses working with foreign suppliers or businesses that regularly perform wire transfer payments.



E-mail Account Compromise (EAC) is used to describe schemes targeting personal e-mail accounts.

Methodology of the BEC

The scam is carried out by compromising legitimate business e-mail accounts through social engineering or computer intrusion techniques to conduct unauthorized transfers of funds.

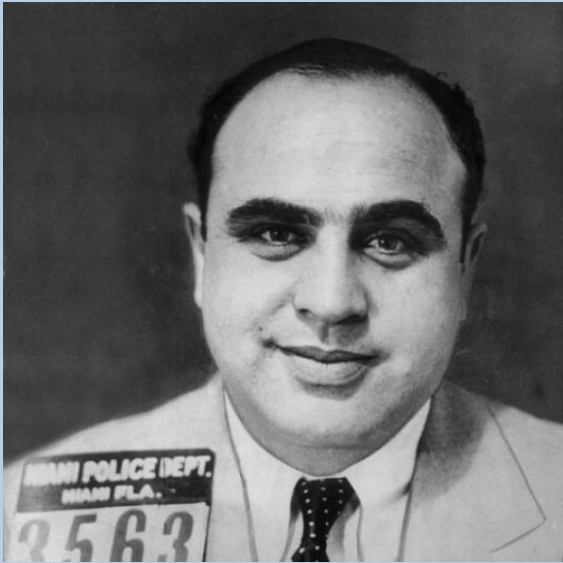
May involve access via:

Hacked accounts

Spoofed accounts



Yesterday vs Tomorrow



THANK YOU!

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