

Spring 2014

The FraudNet Report

*From the World's Leading Asset Recovery Legal Network
Ranked by Chambers Global*

ICC FraudNet
COMMERCIAL CRIME SERVICES

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Save the Date:

*FraudNet's 10th Anniversary
Spring Meeting April 23-25, 2014,
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in the British Virgin Islands.*

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A message from
Matthew R. Lindsay,
executive director of
ICC FraudNet, about

The FraudNet Report

offices in 70 countries, founded the FraudNet network under the auspices of its London-based Commercial Crimes Services unit.

FraudNet is a 24/7 international rapid deployment force that pries open the vault of bank secrecy and helps victims chase down and recover their stolen assets with the same cyber-powered speed, stealth, reach and proficiency as the most sophisticated global fraud network.

Using sophisticated technical investigations and forensics, as well as cutting-edge civil procedure, members of ICC FraudNet have recovered billions of dollars for victims of some of the world's largest and most sophisticated global frauds involving insurance, commodities, banking, grand corruption and bankruptcy/insolvency. We have expert, on-the-ground representation in all of the world's top financial centers and offshore bank secrecy havens and work closely with law enforcement when MLAT requests and criminal asset forfeiture are required.

This newsletter will provide members of FraudNet, organizations representing



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institutional and individual victims of fraud, and other interested parties with regular updates on the progress of key asset recovery cases and new developments in procedural tradecraft. Our *Report* will also present interviews with FraudNet lawyers and news from FraudNet conferences.

This newsletter about fraud & global asset recovery is published by ICC FraudNet, a highly select network of independent, world-class asset recovery attorneys in 54 countries around the world.

In recognition of fraud's increasing sophistication, speed and global dimensions, in 2004 the International Chamber of Commerce (ICC), the world business organization headquartered in Paris with

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Asset Recovery Teams Wage ‘Warfare of the Mind’

It seems obvious that multi-disciplinary fraud recovery teams require forensic accountants to uncover the facts of the fraud, along with specialized attorneys to develop and implement an appropriate legal response. However, in recent years FraudNet has expanded its world-class asset recovery team concept to include a new discipline: psychological warfare. The goal is to open a new front against complex financial frauds and to recover more stolen assets, more quickly.

How is victim recovery enhanced by specialists who conduct so-called warfare of the mind, mapping out the “psychodynamics” of fraudsters, their accomplices, associates, family members--even victims?

To answer this question, individual representatives of the accounting, legal and psychology disciplines with a strong track record of working together on FraudNet

teams presented an interactive (but fictive) investigative scenario at the Third Annual Sao Paulo Conference on Fraud, Asset Recovery & Cross-Border Insolvency Cooperation.

“It was a clear demonstration of how psychodynamic techniques help fill in missing pieces of fraud’s complex puzzle, decoding and forecasting perpetrators’ operations and revealing ‘pressure points’ and fractures that can be exploited in depositions, interviews and litigation,” said FraudNet member and presenter, Bernd H. Klose, founding shareholder of [kkforensic](#) of Friedrichsdorf and Hamburg, Germany.

Klose added: “Such comprehensive mapping of relationships and motive, over and above the ‘hard’ transactional facts of forensic accounting or business activities of record, often can yield disgruntled employees, contractors or family members who provide



Bernd H. Klose

A single overlooked fact or actor can create key leverage against the entire criminal enterprise.

ammunition against primary targets or even open up entirely new avenues for recovery.”

According to presenter **D.C. Page**, senior vice president of the Consulting and Investigations Division at Andrews International, Miami, “What became very clear during our presentation was that the work results of each profession are highly influenced by and build upon each other.” He added, “However surprising this may sound, we saw demonstrated in our interactive scenario how analysis of one apparently tangential fact--that our subject was a cross-dresser--directed our investigation at several specifics that led straight to the core of the fraud.”

Klose added, “We also demonstrated that deep-impact psychological knowledge is likely to answer questions important to the legal strategy for recovery. For example, we saw that insight into a perpetrator’s psychology can forecast whether he will be likelier to surrender or fight back once secrecy is dropped and he finds himself under legal attack. We also saw how such insights throw direct light on the problem of asset-hiding.”

According to the third presenter, psychoanalyst **Alexander Stein, Ph.D.**, founder and

managing principal of Dolus Counter-Fraud Advisors LLC, New York, “At its core, fraud is warfare of the mind. The whole undertaking manifests and serves psychological forces within the fraudster that stand independent of any pure pursuit of financial gain.” He added: “Fraudsters are not only internally driven by these forces, but they also externally deploy a whole arsenal of psycho-social devices that are more refined and sophisticated than in other crimes. At best, these are only partially addressed by standard asset recovery instruments and techniques.”

For that reason, Stein said, victim recovery can directly profit from psychologically sophisticated insight into fraud and astute analysis of all intelligence gathered by the multi-disciplinary team--even what otherwise might be discarded as “garbage.” In fact, he pointed out, “One of my favorite moments on any multi-disciplinary FraudNet team comes when I can take an undervalued piece of soft intelligence about a subject’s character or personal life and use it to shift the forensic or legal paradigm. A single overlooked fact or actor can create key leverage against the entire criminal enterprise.”

Such “garbage” sometimes turns up when Stein



Alexander Stein

Psychological Warfare in Asset Recovery

Psychodynamic Intelligence Analysis (PIA) can be deployed during the entire lifecycle of a fraud case: from investigation and asset-tracing to recovery through legal strategizing and prosecution. Beyond their contribution to the team’s forensic investigation, these techniques can be used to circumnavigate or neutralize judicial prejudice and legislative obstruction. They can also enhance general case management, even refining and improving collaboration on the asset recovery team, itself.

conducts secondary sweeps of the results of the investigative team's hard-data "expedition" into accounting and business facts of record: the so-called trail of deeds and funds.

Stein's proprietary methodology, called Psychodynamic Intelligence Analysis (PIA), is a set of techniques for identifying, understanding, and utilizing so-called *soft* or human data. PIA can assist forensic accountants and litigators in advancing case conceptualization, management, and prosecution every step of the way by opening a third dimension on formerly two-dimensional intelligence gathering and data analysis.

"These techniques can reveal what may not be readily discernible in discovery, or through other hard-data intelligence gathering, but which is of critical utility to anti-fraud recovery teams: the psychodynamic turmoil that besets the fraudulent enterprise, just like every organization, and the unique pressures and challenges of being its leader," Stein pointed out.

"In many key respects," he added, "the fraudster is a masterful corporate strategist and leader. He is the CEO of a complex, organized business entity which is, in most instances,

staffed with a senior management team of superior quality and capability." Nevertheless, Stein pointed out, "stress points," flaws, and fractures exist in the fraudster's complex organization. Once identified, "these can be pressed to breaking or pried further apart."

Not surprisingly, his methodology is not applied only to perpetrators, but also to victims, who are the fraud equivalent of a crime scene. "Psychological 'fingerprints' gathered from victims can provide valuable clues both to the fraud's methodology and why it succeeded," Stein explained.

Beyond the benefits of these psychodynamics to any specific asset recovery effort, Stein believes lessons from his proprietary system can enhance counter-fraud regulatory, compliance, and watchdog oversight with sophisticated preemptive profiling and forecasting systems and improved protocols.



D.C. Page

Waging 'Warfare of the Mind'

- *Map out 3-D analysis of the fraud's organizational leadership and senior management dynamics/operations.*
- *Illuminate the interface between sham and legitimate corporate entities: Who knows what?*
- *Analyze "shadow data" and psychological indicators for personal conflicts, pressure-points, vulnerabilities.*
- *Correlate investigative hypotheses about the fraudster's motive with psychological drivers related to family dynamics, secrets, rivalries.*
- *Elaborate the architecture of business relationships: probe links between people, not just trails of deeds and funds.*
- *Apply psychodynamic insights/analysis to interviews, depositions, legal strategy.*