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Encontros com o *Estadão*

„FRAUD IS WARFARE OF THE MIND“

Alexander Stein, an American psychoanalyst, explains how the mind of a fraudster operates

DEBORA BERGAMASCO



All people have the capacity to commit fraud. Deceit, trickery, and abuse of trust are a fraudster's basic tools and also characteristics inherent to all human beings. This is an insight offered by **Alexander Stein**, an American business psychoanalyst, and a specialist advisor in the psychology of fraud. Dr. Stein visited São Paulo last month with a group of fraud litigators to speak at the Inaugural Congress on International Fraud and Asset Recovery and Trans-Border Insolvency Cooperation at the Ministério Público de São Paulo. How does the mind of a fraudster operate? What leads a senior executive to commit financial fraud? How do sophisticated psychological expertise and strategies enhance conventional asset recovery operations?

• How does fraud psychology work?

Fraud is theft carried out through deceit, sharp dealing, and breaches of confidence. The psychological DNA of fraudsters is incredibly complex. One of the main points to be considered is that betrayal and deception are the fraudster's tools. He could not employ them so masterfully without knowing them intimately. The fraudster is governed by the main belief that everything presented, conceived or promised towards achieving his personal desires – such as certainty and security – was always based on a lie. The fraudster is psychologically driven by unpredictability, contingency and falsehood. He lives in a state of chronic disappointment, resentment, helplessness and humiliation. One developmental consequence of this is an exceptional and refined radar focused on us. As he grew up, making an effort to understand what

was happening in his surroundings in order to survive, he developed certain skills that are now useful in his criminal career. In particular, the fraudster is an astonishing virtuoso in being able to perceive what people seem to need and want. Now, he is a creative, brilliant but unscrupulous CEO.

• Are people born with a tendency to commit fraud?

Yes. Everyone is sort of a fraudster. But, of course, not everyone becomes an evil criminal. What I mean is that the characteristics of fraud – falsehood, dishonesty, concealment – are all characteristic inherent to human beings. These are important elements for survival, defence mechanisms to escape or defeat adversity. They are adaptive devices. From the mundane, such as replying to the common social greeting "how are you?" and replying "very good" even when you are not. Or hiding key aspects about your-self – thoughts, feelings, wants and wishes. This is all with the purpose of avoiding scrutiny, judgment or humiliation. The essential point is to understand how our natural defence mechanisms turn into predatory weapons serving criminal action.

• What leads a successful person, such as a bank director, to become a fraudster?

Psychologically speaking, the line dividing legitimate entrepreneurship from criminal behaviour is subtle. A creative businessman and a fraudster can overlap in many aspects. Success and personal accomplishment are not antidotes to criminal behaviour, chiefly because financial gain is rarely the main (or even the only) driver for committing substantial fraud. Opportunity and greed may play a role, but overall, high level professionals who take advantage of confidential information and power were already fraudsters before they came to their roles. They didn't become fraudsters because of their jobs.

• How do we identify a fraudster or a potential fraudster?

This is a challenging question. The best fraudsters are highly skilled in their ability to deceive and to avoid detection. But we should remember that in order for a fraudster to exercise his autonomy and anarchical power, he ultimately depends on his victims. What makes a person become a victim? Some people are more prone than others to become victims and fraudsters are highly skilled in identifying them. Thus, the fraudster entices or pressures them until they give up to the fraudster's will. There is no recipe to completely avoid fraud (especially because a lot of them are committed in stages and involve many puppets). However, the best advice is simple: ask lots and lots of questions. Information and persistent enquiries are the enemies of deception.

• What sort of traces are usually left behind?

There is psychological evidence. Victims are marked by the fraudster's psychological fingerprints. We can develop a solid profile of the criminal by studying how he unleashes his weapons. The fraudster's work can be understood as exposing his psychology. The fraud in transaction, in this view, mirrors the fraudster's mental architecture. In summary, we can see how he, without being aware, leaves a clear picture of his inner world. This is the bitter irony: through his crime, he reveals more and more details about his personality – which throughout his life, he worked hard to keep hidden. Here we are talking about his core characteristics -- he is weak, dependent, inadequate, woeful. And he is unable to achieve anything except by deception.

• Is the mind of a high profile fraudster different from that of a "petty" criminal?

All criminal acts are intrinsically psychological events. Criminality is a behavioural expression of the actor's internal emotional world which is inflicted onto others. In fraud, the scale and the scope of an operation are determined by many factors, including the creativity, talents and aspirations of its author. For some, sending emails pretending to be a deposed prince from Nigeria, for example, is sufficient. Others are not happy with anything less than causing massive institutional damage or embezzling millions of dollars.

• Are companies prepared to detect fraud?

Frequently, companies use specialists to try to identify a potential fraudster during the hiring process. I am extremely sceptical in this regard. My experience has taught me that most sorts of analysis of personality, character or standardised test will be inconclusive if not useless. This is because fraudsters' behaviour is different from other malicious professionals. For instance fraudsters are uniquely skilled at disguise and deception. The most important thing is to know that organisational fraud can only be perpetrated in collusion – with or without the agreement of others. The fraudster takes advantage of pre-existing flaws or he creates them. He identifies and exploits negligent oversight, and lax compliance procedures.

• Are laws in the USA and Europe satisfactory to aid in the reduction of fraud?

The propensity to engage in serious fraud is a chronic and permanent human trait. It is unlikely that it will be completely eliminated. In this regard, programmes and procedures to pre-empt fraud represent an unrealistic, infeasible goal. Programmes to combat it are more realistic. Education and training need to be undertaken by legislatures, judges, law schools, law firms, businesses and corporations, journalists and even ordinary citizens so every part of society is better prepared to minimize the potential for frauds being successfully committed, to design and implement more effective and sophisticated firewalls and safe-guards, as well as to prosecute criminals more effectively, and to recover the value wrongfully extracted from victims.

• What is your opinion about major films featuring large frauds?

This is a dramatic topic. I am surprised there are not more films portraying fraud. Although there are some very interesting ones such as *Catch Me If You Can*, *The Talented Mr. Ripley*, and *Boiler Room*. But if you remove that a film has to be explicitly about fraud, we can find other ones that depict characteristic elements of fraudulence, such as the complexity and pathos of a hidden life, such as, for example, *The Remains of the Day*.

• Is Brazil prepared to prevent fraud?

From a psychological perspective, fraud knows no jurisdictional boundaries; it is omnipresent. The most savvy fraudsters are successful not only through the performance of their plans, but by selecting the best locales and conditions for their operations. The Brazilian economy, its tax legislation and its socio-political environment are a special sauce that unfortunately makes the country attractive for the perpetration of serious fraud. /DÉBORA BERGAMASCO

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EDSON PEREIRA CASSIANO DE SOUZA



Amanda Pinho at Punta.



PAULO FREITAS



CASSIANO DE SOUZA EDSON PEREIRA
Ruly Vieira, Carolina Venturelli and Lucas di Grassi at Bahia



Guilherme Bory (above) visited Florida.



Tatiane De Conto and Victoria De Carli already visited Uruguayan beaches.



Andressa Renon enjoying a afternoon at the beach



Roger Texteira also visited Punta Este



Bruno Charlote giving the most passionate kiss to his girlfriend Charlote in Angra dos Reis.