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A Day in the Life of an Unwilling “Federal Agent”

by Gary D. Barnett

Today I received my fourth-quarter 2007 Anti-Money Laundering Training Program notice. After my “mandatory” compliance, I *must* agree with everything stated in the “training” through the Compliance Attestation System. Although the manner and frequency of this forced training has changed somewhat, it is still required or else, this since the passage of the USA PATRIOT Act. Every quarter, “new and improved” subject matter is presented, and many times “case studies” are a major part of the indoctrination. This quarter was no different.

This particular quarter, the topics of concern were: “How Broker/Dealer products can be used in Money Laundering; Terrorist Financing; and A few case studies.” In this essay I want to concentrate mainly on the “Terrorist Financing” aspect, and why it is so important for those in this country who invest to understand just what is required of their financial professionals, and how mandatory surveillance by them affects the average investor. In a previous article concerning this subject, [“The USA Patriot Act and Finance: The Hidden Threat,”](#) I discussed many aspects of this new watchdog mentality required of financial institutions. Their requirements are numerous and varied, including reporting any “suspicious” behavior by clients to an Anti-Money Laundering (AML) officer, who is considered the AML czar. Any information gathered would then be made available to government authorities. I also explained that every new investment account opened had to go through a background check, whether any “suspicious” behavior was evident or not. If any of the client information collected by the financial institution did not exactly match, then additional information and additional background checks were required. Keep in mind that this is standard operating procedure for every single account opened. Moreover, every note taken and every item of personal information is entered into a database and made readily available to the Department of the Treasury. As if this weren’t bad enough, things are now getting even worse.

The most recent mandatory training concerning “Terrorist Financing” began with this statement: “The United States passed the USA PATRIOT Act to ensure that combating the financing of terrorism and anti-money laundering were both given sufficient focus by financial institutions.” I don’t mean to quibble, but that statement is a bit misleading. Focus is one thing,

but in this case, any individual not complying with the government mandates is threatened with fines, suspension, prison, or all of them. In other words, do as you are told and spy as you are told or else! To illustrate this point, allow me to list some of the things financial advisors must now know about their clients: Who they are; what they do; where they get their money; where they are sending their money; what their plans for the account, investment objectives, and funds transfer needs are.

As an advisor, I certainly would want to know my clients' objectives and who they are, but how they earned their money and where they got it is none of my business. I am told to monitor all client transactions and report any and everything that "doesn't add up or make sense immediately" to the AML officer. In many cases, I am also told to be suspicious of clients who have done nothing at all suspicious in the first place. Included here could be a 30-year-old depositing \$100,000 into his account (I wonder how much money Bill Gates had at 30) or a grandmother who didn't invest right away after opening an account. This entire government regulatory fiasco is bordering on the ridiculous, and it seems to be getting worse as time passes.

"Red flags or potential warning signs to look out for" now include:

- * Simple transactions performed with other countries where there *might* (emphasis added) be a terrorist link or terrorism problem.

- * Transactions involving a Politically Exposed Person (PEP). This concept is often left open to interpretation; in any case it is unclear.

- * Accounts that receive only periodic deposits withdrawn by means of the ATM over the course of several months but are dormant the rest of the time.

- * Nonprofit or charitable organizations whose financial transactions appear to have no logical economic purpose or whose stated activity appears to have no logical economic link to the other parties in the transaction.

- * Multiple accounts that collect funds that are then transferred to a smaller number of foreign beneficiaries.

- * Fund transfers ordered in small amounts in an apparent effort to avoid triggering ID or reporting requirements.

- * Funds sent or received by means of international transfers from or to high-risk locations.

Although most in our industry now advertise check writing, I am to ask clients why they want a brokerage account for check-writing purposes only. If a client brings in a cashier's check, I am to ask him the source of the funds used to purchase it. I am told to be cautious of any prospective client who walks into our office without having been referred by a known or reputable source. I should ask what the source of future deposits is. I am told to be wary of any client bringing in physical certificates of penny stocks, cash, cashier's checks, money orders, or any other asset not already monitored.

In essence, I am to be not only suspicious but wary of virtually everyone with whom I do business. Obviously, the government's position is this: Everyone is a terrorist or terrorist supporter until proven innocent, and I am the government's conscripted agent. And if I don't accept this as fact, I am liable. Yes, this is as ludicrous as it sounds, but it is reality. This behavior is Orwellian and then some.

The paranoid drive within federal officials grew exponentially immediately following September 11, 2001, and now is in full gear and advancing. At this time nothing is sacred, nothing is private. Natural rights are all but gone. The answer to all this lies in the hearts and souls of individuals. Instead of allowing our lives and property to be continuously monitored and restricted by government, we should instead reverse the trend and restore our rights and freedoms by restricting the powers of government. Since "eternal vigilance is the price of liberty," the government and its agents should be on our watch lists, not the other way around.

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