

Naomi Fowler: This is the Corruption Diaries from the Tax Justice Network. I'm Naomi Fowler.

Jack Blum: There were major turning points that came about because of 9/11. A number of us for the years leading up to 9/11, the 1990s, were hammering away on the problem of offshore in meetings and conferences and the like. I had testified, I think, three or four times before the House Banking Committee on proposed legislation to control offshore and prevent tax evasion. The legislation didn't go anywhere, even though the chairman of the committee and a lot of the staff people were very much in favor of it. Likewise in the Senate, the same thing was going on, this time in hearings by the Senate Banking Committee. And then we had 9/11. And in the space of two weeks, an entire package of legislation dealing with money laundering was added to the Patriot Act.

Naomi Fowler: The Patriot Act was signed into law by George W Bush in 2001. It was wide ranging and controversial legislation.

Jack Blum: I'm not arguing that the Patriot Act was the best legislation that could possibly have been written. It was something that came in a two week period, under the gun. It was like a window had opened, and those of us who'd been working on this problem for a long time suddenly had the opportunity to jump through the window, and boy, did we jump.

But that legislation was actually groundbreaking. It was a tremendous shock to the world of banking because for 200 years banks had gotten away with the idea that they were public utilities and that if people came in and used them, it was none of the bankers business as to what they were doing, who they were, who their customers were, and all of a sudden this legislation made the bankers responsible for their customers, made the bankers responsible for knowing and understanding the transactions flowing through their bank. And now they, they were required to report to the government when anything turned up that looked fishy or out of line.

There was personal liability too. And the way people who were designated as the anti-money laundering officer referred to the job was, they had the 'go to jail card.' But you know, the question was how do you enforce it? And, and this gets to the larger problem of how does a society deal with criminality by large, complex organizations? And if there isn't some way of holding somebody personally responsible, you begin to get to a situation where all you have to do to beat the law is have a large enough and complex enough business organization.

As a consequence of the passage of the Patriot Act, every major financial system was given a deadline of setting up a screening method so it, it could review the transactions that it was dealing with and it could get Know Your Customer information, and they had until the beginning of 2003 to put in place a workable system.

I was then in private practice and I was called by people at Fidelity Investments in Boston and asked if I was interested in being a participant in setting up the program for Fidelity. And this was a very important experience for me personally for a variety of reasons. First it was, I'm now on the other side of things I wanted done, and I could see the practical problems that implementing a law would present. But it also was an opportunity to see how things worked in a large organization. I had done work with large corporations before, but never in

a situation that was as deeply involved in all of the organization's work. And then it, it also was a company that was, in essence a family business. So, the principal concern of the top management of this organization, the family that owned it, was we don't want reputational risk. We don't want to be in the position of being the banker who it turned out was the organization that handled the money that blew up whatever building or committed whatever crime. We want to make sure that we're not in that situation, and we're not particularly concerned if it means we have to ditch customers or say no to business, which for me was really quite remarkable because the pressures on people to get business and keep the business and keep the profits flowing are not inconsiderable.

I began to work with a group of computer experts and executives who knew the mechanics and the wiring of a large broker dealer complex organization. At the time I think they had on the order of 20 million transactions a day and hundreds of thousands of clients and it, it was a big, complicated operation. And they now had to set up money laundering, anti-money laundering controls for both the brokerage operation, the insurance company, and the mutual fund business and had to do that on multi-levels and the reason it was multi-level is this - Fidelity was and is a clearing broker, which is to say that they clear for independent financial advisors and they clear transactions for other broker dealers who run their transactions through Fidelity. And that means that they have a responsibility for the business of the other guys who are in the same business, which is an added layer of responsibility. So, learning about how this system worked, and who did what to whom, and where we could spot things in in the process, was really an enormous education for me. Some of what I found out was you know, kind of shocking, but a national problem.

I think subsequently, in the years past, because now we're, we're, we're 20 years past all that, other systems have come along and both the internal systems of these large brokerage houses and banks have changed, as indeed have the anti-money laundering systems.

That particular period was pivotal and we did discover a lot of things and find people who had violated the law and we were reporting them to the government. Now, the problem on the other hand was the government was absolutely unprepared for the deluge of information. And that leads to some other stories about how, how things worked. And this is fundamental to anybody who wants to think about how do we solve some of the problems globally.

Naomi Fowler: The Corruption Diaries is a production of The Tax Justice Network, made by Naomi Fowler and Jo Barratt. Interviews with Jack Blum were recorded over several days at Jack's home in Maryland by Zoe Sullivan.