

Jack Blum: I started paying attention to advertising and promotion of offshore tax evasion by different people, and I was struck by the number of ads that were out there in publications that were pretty mainstream, urging people to contact so and so or go to such and such bank because they would offer the opportunity to minimize taxes. One man in particular was very vigorous in promoting. His name was Jerome Schneider. He did say the worst day of my life was the day I met Jack Blum.

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

Jack Blum: I received, through a client, a brochure advertising a seminar in the Bahamas, later on a second seminar somewhere in Mexico. And I kept looking at it and thinking to myself, if the guy's doing this kind of public advertising, why doesn't IRS shut him down? Actually there are laws that prohibit promotion of schemes to evade taxes, and they're felonies. And I kept asking IRS people, particularly in training sessions why they hadn't focused on Jerome Schneider.

Well there came a time when there was a particular training session, I think it was in Mexico, where he actually got the chair of a house committee to be a speaker at the event. And I thought, this is over the top. It's time somebody really got the goods on him and, and brained him in.

I contacted Brian Ross, who was then working for ABC News, who had a couple of producers who were working with him, go to this conference as undercover. And they recorded not only some of the events where speakers were extolling the virtues of minimizing, or not paying U.S. taxes, but also meeting privately with select individuals where he would go beyond what was said in the public sessions and offer to sell them an offshore bank. And the offer was to sell an offshore bank for \$60,000. And Schneider, as promoter, would promise them that if they used the bank for the transactions, it would all look perfectly legitimate. It would look like it was coming from outside the U.S. and whatever they did would wind up not being taxed and nobody would know about it.

Schneider, it turned out, had been promoting offshore banks for more than 20 years. He had started out on the British dependent territory of Montserrat in the Caribbean. He incorporated something called Bank of America Perrin Monserrat Perrin Limited because he discovered that under Monserrat laws, you could put the word 'bank' in the name of a corporation without having a banking license.

The authorities in the UK and in Monserrat shut him down and threw him out but he bounced through about four or five other jurisdictions that were willing to give him bank licences and he was selling them along the way to different people and using the various events he was promoting to find customers who would buy his so-called banks.

Well, ABC put together the interview and the tapes they had of the promoter's meeting, and included in it was something which was really ironic and very funny, which was a lawyer that he worked with, who he brought to the conference and promoted as a good lawyer to contact

about all this stuff, would go up to the producers after they had talked to him, and he would say, hey, I know he tried to sell you a bank, and that he wanted \$60,000 for the bank, and I can get you the same banking license for \$20,000.

Well, they got that on tape too, and there came a moment when Ross confronted him in his office in Vancouver, British Columbia. And he was so upset that he threw up in a garbage can and threw him out of the office. But all of this ran on television. And after it happened, IRS really had the fire under it, because they realized that now this was out there and they couldn't just let this guy roam around with his offers and promotion. So they began an undercover sting on him, and they arrested him, and they ultimately got to the lawyer working with him. But he was the principal guy, and he went off to jail for his trouble as a promoter of tax evasion.

To the great amusement of many of the people who follow this, there was a panel put together at the Offshore Alert Conference in Miami. And there were three of us on the panel. I was on the panel, Jerome Schneider was on the panel. And the federal prosecutor who helped try the case, was also on the panel, and the three of us could talk about what Schneider had done. And it was a riveting panel discussion. But Schneider had spent his entire life promoting offshore evasion, and he had actually been the one who travelled around to various American states, getting them to pass bank secrecy laws and trust laws that promoted and protected secrecy. But eventually, it came to Schneider giving everything up, his assets going to IRS, he went to jail, and then he died of cancer.

One of the more surprising things about the Schneider story is first, that he got away with it for so long with no one touching him, so, each time he had another seminar or sold another bank, I guess his assumption was that nobody was ever going to touch him and nothing would ever happen, and that he would go around openly lobbying for lax banking laws, but secrecy and promoting the idea of shell companies for American states made him think that he was a public figure and he was accepted and what he was doing was acceptable. Which is kind of remarkable, but as I reflect on it, he also said that the day he met me was the worst day of his life, and that he had no idea and didn't understand why I did what I did in terms of zeroing in on tax cheating. He couldn't understand anybody who really didn't want people to cheat on tax. Finally, something came into his head that made him think, yeah, maybe I did something wrong here and there was a reason people went after me.

One of the central themes of my life and experience and career that I keep coming back to is the notion of personal responsibility. So much of what has gone on in the financial world and in the corporate world with laws and regulations has allowed people to deal with each other, not only anonymously, but severing themselves from responsibility for their actions. There are some examples of how corporate structures have permitted removal of responsibility for the corporation for acts that they've done. For example, there was the huge chemical explosion in India, at Bhopal, India, done by Union Carbide. And today, more than 40 years after the event, people are still trying to figure out how to recover damages for that explosion.

I had a friend who won a judgement in a California court for some \$20 million and he then tried to collect on the judgement. And what he discovered was the company the judgement was against had hired asset protection attorneys, and the asset protection attorneys had

gone through a whole business of creating layers of subsidiaries, but on top of that, mortgaging property in ways that made his seizing it as part of going after collection, not valuable at all and in the end, out of the twenty some odd million he was owed, he was only able to settle for about three.

The American Bar Association actually has a section on asset protection. I believe that the asset protection industry is unethical. And the reason is that lawyers are officers of the court and are supposed to be supporting and helping with the enforcement of law, the orders of the court helping the judicial system function. And it seems to me that it's antithetical to the job of a lawyer to stand in the way of there being an opportunity to collect on a court order that's been through the appellate process and that's legitimate and correct.

The American Bar Association has also been at the center of opposition to laws regarding corporate transparency, and for that matter control and regulation of enablers. And here it's simply to protect the line of business that they're engaged in but it seems again to be an unethical proposition. And it seems wrong for a bar association that's supposed to be built on a respect for law and a respect for the judicial system to be lobbying against laws which would push lawyers to get compliance with the law, as opposed to evasion of the law. And it seems that the association is much more interested in protecting the business opportunities. And that was reflected when Global Witness hired a couple of people to go incognito to law offices in New York. They visited about a dozen law firms. And the guy they sent to these law firms presented himself as representing an African government person who had come into a substantial amount of money, all but saying it was money that had been stolen, and would they help him set up various entities so he could invest the money in the United States? And out of a dozen law firms that were interviewed, only one lawyer showed this guy the door and said, get outta here, I don't do that kind of work, and I wouldn't. Please leave. Everybody else said, well, we can do something about that, we can see what we can do.

At one point in my career I was asked to assist a lawyer who had a client who was a woman whose husband had attacked her violently. She had two children. She got a court order, got him thrown out of their house, and got a protective order so he wasn't allowed back. And there was a safe in the couple's bedroom, and she had the safe drilled. And out of the safe came a file and my role in this was to look at the file and help the lawyer involved understand what was going on. What I found was both surprising and disheartening. First it showed that her husband had been contemplating a divorce and he went to a law firm, a well known large law firm, and said what do I do to shelter my money and hide it from my wife when I get the divorce? And the law firm said, well, we can't help you here in our U.S. office, but we do have an office in London and there's somebody in London who we think might be very helpful. So he goes to the London partner of this U.S. law firm and in turn, that guy sets him up with a foreign trust with shell corporations, I think in Singapore and elsewhere, and gets him all set to tell the court whenever they're getting ready to divide up assets that he's broke, he doesn't have anything. Never mind that the assets that they were putting in this trust corporate arrangement out of, as I said, I think Singapore, if memory serves me, never mind that they were in the nine figures.

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.

