



## Fox Rothschild Podcast

### The Presumption of Innocence

#### Episode 50: Hidden in Plain Sight: How Kleptocrats Exploit U.S. Financial Systems

**Featuring Matt Adams of Fox Rothschild and Casey Michel of the Combating Kleptocracy Program**

**Adams:** Hi everyone and welcome back to "The Presumption of Innocence," a podcast brought to you by the White-Collar Criminal Defense and Regulatory Compliance Practice at Fox Rothschild.

It's the thing of despots and dictators in the developing world and in known authoritarian regimes in the developed world alike. Today, our guest is Casey Michel, author of *American Kleptocracy: How the U.S. Created the World's Greatest Money Laundering Scheme in History*. Casey's an author, a journalist and the Director of the Combating American Kleptocracy Program at the Human Rights Foundation.

He's author of *American Kleptocracy* and his other writings on offshoring, foreign lobbying, authoritarianism and illicit wealth have appeared in *The Wall Street Journal*, *Financial Times*, *The Atlantic*, *Foreign Affairs* and *The Washington Post*. He's appeared on CNN, the BBC, NPR. And he received his master's degree in Russian, Eurasian and East European studies from Columbia University's Harriman Institute. Casey, welcome to the program.

**Casey Michel:** Matthew, thanks so much for having me.

**Matt Adams:** I told you offline and I really meant that I could not put your book down. And in what can only be described as an eye-opening expose, in your book, *American Kleptocracy*, you really expose at its core, root level how these kleptocrats have actually made, as you say at one point in the book, the United States, their quote, unquote playground.

I want to back up for just a moment for our listeners. What drew you to the study of kleptocracy as one of the primary focuses of your life's work?

**Casey Michel:** Sure. It's a great question. It's something I've been asking myself for a while right now.

But, the easiest answer for me is that I was actually a Peace Corps volunteer, many, many years ago when I was a lot younger than I am now. And I lived and worked in the country of Kazakhstan, which is, you know, it's a wonderful country. Wonderful people. Had some very good friends over there. Had a very good time when I was there as an English teacher.

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But that was my first time living and working in a country that was, at the time and continues to this day, to be overseen by an authoritarian, even dictatorial, regime. And, doesn't provide any of the basic freedoms we all take for granted right here in the United States. No freedom of press, freedom of assembly, freedom of speech, freedom of religion, so on and so forth.

In that sense, you kind of fit the broader dictatorial typology, certainly in the 21st century. But there's another element that, as I grew to realize, also fit the model of 21st century dictatorships, wherein the gentleman who was ruling the country, a guy named Nursultan Nazarbayev, appeared to be doing it only so that he could continue enriching himself and his family members and his inner circle.

He appeared dedicated to nothing but pillaging the people of Kazakhstan, and again, many of whom are friends of mine, and looting from the education budgets and the health budgets and the infrastructure budgets for the benefit of himself and his cronies and his children.

**Matt Adams:** These people are gangsters in the truest sense.

**Casey Michel:** 100%. There's a quote that opens the book from another buddy of mine who works on the Hill in Washington, who said something to the effect of, you know, when the Cold War ended, it wasn't, as we understand it, that democratizing voices and forces were the ones that that toppled the Soviet Union and took over and you know, launched the world on a bright, shining path forward. The Cold War ended, but it was the gangsters that ended up winning. Because Kazakhstan wasn't the only country that had a regime like that. It's not the only country that still has a regime like this. We see it all around the post-Soviet region. We see it all around Africa, parts of South Asia, parts of South America and the Caribbean. And increasingly places like Europe and who knows, potentially even North America down the line as well.

Because the one thing that ties all of these authoritarian regimes together -- which is what also ties it back to the regime in Kazakhstan -- is that these guys are looting all of this money, but they're not keeping it in the country itself.

They're not keeping it in the Kazakhstan or the Russias or the Chinas or what have you. Instead they're moving that money elsewhere. They're moving that money into third-party jurisdictions, getting it out of the country.

**Matt Adams:** Why?

**Casey Michel:** To keep it safe. I mean, there are plenty of reasons, many of which we can get into, but at the 10,000-foot level, it is to keep that money safe and secure. Because these guys who rule these countries, for as despotic as they are, they're also not idiots. They know that revolutions do and can happen. And when they do, those assets can then be seized right back from them if those assets are kept in the country itself. But if they are moved, if they are moved to Switzerland, if they are moved to London. Or, as I write in the book, increasingly, if they are moved into the United States of America, they can be kept safe. They can be kept secure. And maybe most importantly, they can never actually be tracked back to the regime itself.



So, what I realized was happening in Kazakhstan is the ruling country was doing this, moving its money, yes, to Switzerland, yes, to London, but also in the United States of America. And I thought that was just absolutely bizarre because I'd never thought, I'd never realized, I'd never heard that the U.S. itself could even ever be an offshore jurisdiction, a financial secrecy jurisdiction, that attracted this money.

But you know, years went by. I ended up doing more research and investigating. And, you know, now here we are talking about this book that I've written, arguing that it is the United States of America that at least up until very, very recently had transformed into the world's biggest center of offshore finance and the world's biggest center of transnational money laundering.

**Matt Adams:** So let's go through some transnational money laundering vocabulary, if you will. Talk to our audience about the difference between offshoring and onshoring. Your book starts out that way.

**Casey Michel:** Sure. Sure. So offshore-- and again, this is kind of tricky terminology, which again, I tried to define in the book. You know, when we talk about offshore finance, you know, that word came from somewhere. It came because the traditional financial secrecy jurisdictions were those, uh, countries--

**Matt Adams:** Switzerland.

**Casey Michel:** Well, so Switzerland is certainly one. But even places in the Caribbean, places in the South Pacific, places like the Caymans, British Virgin Islands, the island of Jersey or Malta or Cyprus in the Mediterranean. These are smaller jurisdictions, often islands that existed quite literally offshore. Off the shore of the European continent, off the shore of the North American continent. That is where the term offshore first came from. It is because it was so closely associated with these island jurisdictions that provided all of the financial secrecy mechanisms that wealthy-- whether Westerners or dictatorial regimes or what have you-- needed, were looking for for all of their financial secrecy needs.

And so we still have this idea when we're talking about offshore finance. And again, this is money that has been, is looking to be laundered, looking to be hidden, for whatever the reason. You know, and we still talk about offshore finance because we still use that term. We still have these images of these kind of, you know, of palm trees and beaches and, you know, aquamarine waters and these lovely places in the Caribbean or the South Pacific that are reliant on all of these financial secrecy provisions. And, you know, to be fair, places like the Caymans or British Virgin Islands or Cook Islands or the island of Jersey, whatever, they are still reliant on that.

I mean, they take place right in the United States of America. And some places like-- as I write about --South Dakota. I mean, smack in the middle of the country. Smack in the middle of North America. That is providing all of these services that we still describe as being offshore, even though, of course, South Dakota's landlocked as anywhere else.



**Matt Adams:** Yeah, and one of the most, I guess, surprising places where this type of onshoring, I guess we'll call it, was occurring that you talk about in the book is the Rust Belt, the industrial Midwest. Where factories have been shuttered, there are large swaths of land that really desperately cry out for redevelopment. And lo and behold, these thugs ride in with their dirty money. And the ability of the U.S. is to police that. It is, it's really difficult.

And before we get down that path, building from the onshoring and the offshoring concept for a moment: What conditions do you think in the United States make it ripe to be, as you describe it in the book, the kleptocrats playground?

**Casey Michel:** Yeah. So there's kind of two factors that play that make the U.S. so appealing, and that transformed the U.S., again, into what I argued ended up becoming the world's biggest offshore and financial secrecy haven.

One of those took place at the federal level, thanks to a number of policies out of Congress and out of the White House. Because of certain anti-money-laundering loopholes that were allowed to exist and then remain on the books for decades. It was the United States of America. And the United States of America's real estate industry and the United States of America's private investment sector, private equity and hedge funds, and United States of America's legal sector, that ended up providing all of these tools, all of these services, without any kind of even basic anti money-laundering oversight or requirements whatsoever.

Because Matthew, pulling back for just a moment, I think the thing that is just worth reminding listeners time and again, what I want folks to have in the back of their mind, is that so often, all too often, what we're talking about, this international money laundering, transnational money laundering taking place in the United States of America. All too often, it's perfectly legal. And it is taking advantage of perfectly legal services and perfectly legal loopholes. So things like the real estate industry or the private investment sector, those were specifically exempted from the basic anti-money laundering due diligence checks that, for instance, American banks have to go through.

The American legal sector has never had any kind of due diligence requirements on its clients. And that's, that's for, again, understandable and logical reasons. Because everyone, you know, should be equal in the eyes of the law. Everyone is entitled to due process. But what we have increasingly seen is it is American law firms that realize that they can search out the most kleptocratic clients and service them, provide them with all the legal protections those clients need, knowing full well, they'll never have to ask about the source of that money, let alone the kind of laundering services they're doing.

So this is all taking place at the federal level. That's one element. The other parallel element is what's taking place at the state level. And this is really where things like shell companies come into play. Because in the United States of America, because you have to go way back in American history to really track how this ended up happening. But basically, the United States of America, if you want to form a company-- at least up until very, very recently-- if you wanted to form a company, including a regular brick-and-mortar company or a shell company, you didn't go to Congress. You didn't go to



Washington, D.C. You went to a state capital. Because in the U.S., corporate formation is overseen by the states. And what a number of states realized-- most especially places like Delaware and Nevada and Wyoming --what they realized is that, well, if Congress doesn't have any kind of oversight for this, and if these kleptocratic clients are looking for all kinds of secrecy protections and money laundering services, well, why the heck can't we be the ones providing that for them?

And so all of a sudden you have places like Delaware, places like Nevada, places like Wyoming, engaging in what these political scientists described as a race to the bottom in terms of providing all of the financial secrecy protections that their clients wanted. And again, this is, you know, things like never knowing the names of the clients or not sharing the names of those clients with any other government. Or, you know, making it illegal to access any basic kind of financial documentation pertaining to these shell companies. I mean, it's really kind of whatever these kleptocrats wanted. And state government --

**Matt Adams:** So they're forum shopping, really, at the end of the day.

**Casey Michel:** Yes, 100%. And again, this is, you know, the dynamic you see emerge is, if these folks go to Delaware and they say, we want X financial secrecy service and Y money laundering service and Z illicit finance service. And if Delaware is not willing to provide all of those, they're just going to say, okay, fine, we're going to go over to Wyoming and see if they do it. And if they say, no, fine, we'll go to Nevada and they just--

**Matt Adams:** But these states aren't actually calling them these illicit services. It's just built in, it's baked into the statutory constructs of those states, right?

**Casey Michel:** 100%. And again, this gets back to the scandal of all of this being not what is illegal, not what is necessarily a crime, but--

**Matt Adams:** Perfectly legal!

**Casey Michel:** What is perfectly legal 100%. So again, you have the federal dynamics and the state-level dynamics. And they create this confluence that transforms the United States of America into the go-to money laundering haven for all of these networks from around the world.

**Matt Adams:** And there's two of these bad guys, these gangsters that you talk about prominently in the book. Now, you talk about a lot of them, including maybe one that's homegrown. But I'm struck by the level of detail and research that you put into -- basically, sprinkled into every chapter are parallels back to the story of Teodorin and Kolomoisky. And we're talking about people from the developing world, authoritarian leaders that come from authoritarian families. Who oppress their people and basically pilfer the resources of their economies to the detriment of the people whom they govern and to their personal benefits.

So talk to me about those guys. What drew you to really using them as the poster boys for this kleptocracy concept when you're talking about the unique role that the U.S. is unfortunately come to have in this whole dynamic?

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**Casey Michel:** Well, look, I mean, Matthew, I just wanted to say, I mean, you make an excellent point right there. You flag an excellent element of this, in that, like, yeah, we're talking about shell companies. Okay, fine. We're talking about, you know, the Rust Belt, whatever. And we'll get into all the details and what it cost the rest of us here in the United States. But I mean, these guys -- and they're almost always guys, right -- are ruling countries and they're stealing from people and they're enriching themselves.

**Matt Adams:** They just as soon kill you and I for having this conversation.

**Casey Michel:** A thousand percent. They would have no problem, no compunction whatsoever.

But I think-- and I'm as guilty of this as anyone. Like I have forgotten to remind myself and remind folks that what it means for like... it means that kids can't go to school. They don't have schools built. Or kids don't have access to food or medicine or water. To say nothing of their parents, to say nothing of their aunts and uncles. It means entire societies are just devastated. And it not only, you know, destabilizes entire countries and creates these massive refugee flows. I mean, look at what's been happening in Venezuela for the last 20 years. And what the Venezuelan elite had been doing in terms of looting and the kind of migration crisis that has caused. And that's only one country.

I mean, it's easy when we talk about these policies and so on and so on to forget like the on the ground costs for, I mean, again, like just children, right? Who can't go to school, can't learn anything. And, you know, barely make it past the age of six, so on and so forth.

So anyways, I just wanted to reinforce that. Because that's exactly what these two guys that I focus on the book have been doing. One of the guys is named Teodorin Obiang. His dad is now the longest standing dictator in the world, ruling the small African country of Equatorial Guinea. Equatorial Guinea is fabulously wealthy. It is an oil, oil, oil-rich country, has the highest per capita GDP in all of Africa. It should be the Dubai of Africa or the Singapore of Africa or what have you.

But because it's been overseen by one guy in one family for decades, that's not happening at all, right? It 's a country where something like one third of the kids don't make it past the sixth grade and half of the country doesn't have access to drinkable water. And the other half doesn't have access to, you know, basic health services, so on and so forth. That's all happening.

Meanwhile, this guy, the son of the dictator, thinks he is like God's gift to the rest of us. He thinks he is the greatest celebrity that man has ever known. I mean, he wants to be a celebrity, right? He has the private jets. He has the mansions. He has, you know, girls on his arms every single day. And he's posting all of it on Instagram. And he ends up befriending some celebrities in the United States of America as well and has them come perform at his birthday parties and so on and so forth. He's really the kind of symbol of, you know, crass consumerism in the 21st century.

**Matt Adams:** But why does he have to take all that dirty money and move it out of the developing world? What compulsion does he have besides just the idea that this guy's gluttonous. I mean, you tell a story in the book about this guy in particular taking all of his dirty money that he's pilfered from his people. Human rights abuses up the wazoo. And buying ridiculous amounts of Michael

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Jackson memorabilia, including paying something like \$200,000 or just about that for that glove that Michael Jackson wore in his iconic performance.

**Casey Michel:** Well, part of that is he has to. If he wants to build the world's greatest Michael Jackson collection, which he now has, right, he has to go to the United States of America and purchase the bulk of Michael Jackson's estate, right? He has to go to American auction houses. He has to use an American law firm to set up the American shell companies to move the money into the auction house, to get those items.

And then eventually when the feds come knocking, you know, whisk it, effectively steal it out of the United States and fly it back to Equatorial Guinea.

**Matt Adams:** Because let's bear in mind, right? Like the feds know he's a bad guy. They know his family is committing atrocities in their homeland. So they're not just going to go in and let him write a personal check for all this crap, right?

**Casey Michel:** This is one of the, I mean, there's a thousand ironies in writing this book. One of them is that this guy had been on the Fed's radar for years and years, because he had already been involved in a massive financial crime in Washington, D.C. when he and his family poured something like \$700 million into one of the most storied American banks, called Riggs Bank in the 1990s. Because if you go back to the 1990s, again, for American banks, there weren't any anti-money laundering requirements whatsoever. And then 9/11 happens and then you have new anti-money laundering requirements on banks. But this, Riggs Bank decided they didn't want to follow the law and instead just keep working with this one ruling family that is destroying an entire country.

So anyways, that blew up. But then this guy, Teodorin says, you know what? I have more money than God. I'm just going to keep spending it in the United States. And so he goes out to California and buys this massive mansion, right? Tens of millions of dollars. He buys all of this Michael Jackson memorabilia. He's still got the private jet. He's got this fleet of supercars. I mean, the reason that I wanted to write about this guy is cause he's just such, and I don't know if we can swear on this, Matthew, but he's such an effing caricature of what a guy who has, you know, billions of dollars in dirty money, what they're gonna do, what they're gonna spend it on, what they're gonna look like.

And again, there's a certain way where you can't help but look at this guy, just laugh at how ridiculous he is. But of course, that comes with such a cost for people back in Equatorial Guinea and increasingly folks here in the United States as well.

**Matt Adams:** Talk about the Ukrainian you write about, which takes a very interesting contemporary sort of bent as we live through what's going on in Ukraine and the invasion by Russia and frankly, the level of sanctions regimes that are happening as a byproduct of that now. On a prior episode of "The Presumption of Innocence," episode eight, we talked about managing sanctions against Russia as that was sort of coming into full focus. After the invasion of Ukraine by Russia, we talked about some real difficulties in this ever-changing environment. Ironically enough, one of the focal points of your book is this Ukrainian corrupt guy who's running the biggest Ponzi scheme in Ukraine.



**Casey Michel:** You know, we just talked about a guy who is buying the cars and the jets and the mansions. And is in Malibu and is in Miami and Hawaii. And you know, that's all fine and good. And when a lot of folks think about dirty money or money laundering, that's probably what they think about. What I wanted from the story of this Ukrainian guy, Igor Kolomoisky is the guy's name, what I wanted is to highlight the fact that it's not always just the cars and the women and the jets and the kind of celebrity culture that dirty money ends up in.

This guy, Kolomoisky, you know, he's kind of one of these generic oligarchs that emerged in the 1990s. He was affiliated with organized crime. He made his money in the aluminum and in the gas sector, and then eventually the banking sector in Ukraine.

You know, fast forward to 2014, there's a revolution in Ukraine. Folks may remember the democratic revolution in 2014. And a new government swept in and started poking around, started investigating and actually regulating and enforcing the laws on the books against some of these oligarchs. And what they found out is that this guy, Kolomoisky, he was in charge of the country's biggest retail bank. And when they started looking at the books, they realized there was no money there. All of the money was gone. The cupboards were bare. I don't remember what the total sum, I mean, it was in the billions, right?

**Matt Adams:** So people go into this bank, they deposit their life savings.

**Casey Michel:** Yeah.

**Matt Adams:** And, oh, oops, it's gone.

**Casey Michel:** Just not there, right? And, you know, all of a sudden the country realizes that, the new government realizes-- I mean, it's kind of similar to the U.S. in 2008, right? Oh, this is a linchpin of the Ukrainian economy. It can't just collapse because that will devastate the entire country even more than it had already been. And so they go in and they bail out this bank and they start investigating what happened to the money.

And, you know, look, Matthew, I, you know, appreciate you citing all the detail in the book. There's certainly plenty of footnotes, but I just want to flag that wasn't me, right? Or it wasn't all me. That's the investigators in Ukraine. It's the federal authorities in the United States that are investigating all this, doing the actual on-the-ground gritty work. So I just want to make sure to give them as much of a shout out possible, because it was the Ukrainians that really looked into this, Ukrainian investigators, and realized what this guy had been doing.

And again, he was using things like shell companies in some traditional jurisdictions, you know, in the Caribbean and in Cyprus. But what they found is he was also moving almost all of that money into the United States and setting up American shell companies. But he wasn't going to New York or to, you know, Malibu or Miami. He was going to places like Cleveland, Ohio. He was going to places like small towns in Illinois and in Kentucky and in West Virginia, and purchasing these old steel mills and old apartment complexes. He became the biggest landlord in downtown Cleveland. No one had any idea that he was the one secretly bankrolling all of this. You know, his guys on the ground would

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come into these, little towns in the U.S. and say, they're bringing new money, they're bringing investment, they're going to revitalize the local communities. And they get all these local communities' hopes up, but then they never end up doing anything with those buildings. They end up just rotting, in some cases outright collapsing. And these steel mills that have been used for generations in Ohio and elsewhere, you know, they end up shutting down. And the local communities in the U.S. are the ones devastated.

So, all of this is to say, you know, we can have the traditional, you know, idea of money launderers as going to the, you know, the mansions and the private jets and the cars. But we also have this whole other network of kleptocrats that are going to tiny town America, or going to places you never consider in the Rust Belt, and using that money to open new doors for themselves. And in the process, devastate those local communities while also devastating the countries back home. So that's really the kind of the Kolomoisky story or the laundering network in a nutshell.

**Matt Adams:** Casey, you know, we read every day, really, about AML, anti-money laundering clients in our financial institutions in this country. The book does a great job of putting forth some of the history of that. And I think the high watermark for AML compliance, where we went from nothing to something, was really 9/11. Would you agree?

**Casey Michel:** 100%. Absolutely.

**Matt Adams:** And post-9/11, you spend a substantial part of the book talking about some of the exceptions that sort of were baked into that robust regime of anti-money laundering rules, regulations and statutes.

Explain that a little bit for our audience. Because I found it really striking that we oftentimes think of things like the Patriot Act, right? In my world, we talk about the Patriot Act as almost limiting civil liberties and things like that, the types of criticisms of the Patriot Act that probably it deserves.

But we infrequently talk about the money laundering components of that. Because let's remind each other, you know, those hijackers that pulled 9/11 off, they needed money from somewhere. They ended up getting it. And I think if you read the 9/11 Commission Report I think you have to walk away knowing that they got some of it from the Saudis, a good portion of it from the Saudis, and our own banking system was weaponized against us.

And so when push comes to shove, that event woke us up to the fact that this laissez-faire approach to who's doing what in our banking system was not sustainable in our country. But is it working? Have we learned anything from that event? Because when I read your book, it strikes me that we haven't.

Because we've got all these exceptions that chip away at the rule and leave us with kleptocrats coming into this country and doing things with impunity, like buying luxury real estate.

**Casey Michel:** I think one of the clearest lessons in putting both my first and my second now book together is that you can have the most forward-thinking, the most, even if you'd like progressive

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pieces of legislation on the books that you want, the most anti -kleptocracy pieces of legislation on the books that you want. But if you do not enforce them or if they are undercut with loopholes that are allowed to remain on the books, then those pieces of legislation or regulation or statutes are not worth the paper that they are written on.

So, now, I think you are absolutely right that it was in the immediate aftermath of 9/11 that we saw the greatest burst of successful reform in the AML space. I didn't know, going into writing the book, that the Patriot Act was, as I ended up arguing in the book, the single most spectacular, the single most important piece of AML regulation that the U.S. and maybe even the world had ever seen.

Of course, as I, you know, I always understood the Patriot Act to be threatening civil liberties and so on and so on, and that's all, you know, fine and true. But the AML components of it absolutely get, overlooked, right? So, the Patriot Act went an incredible amount of the way to cleaning up the American banking sector, the American financial sector writ large, but especially the American banking sector.

But as you also mentioned-- I guess, as we mentioned earlier-- the problem ended up being that the Patriot Act was supposed to have been so much more. It had other components that were set to apply to the American real estate sector and the American private investment sector, you know, private equity, venture capital, hedge funds.

But the Treasury Department, shortly after the passage of the Patriot Act, they said, basically, you know, we don't want to necessarily throw the baby out with the bath water. We don't know what effect these regulations are going to have on the real estate sector, on the private investment sector. We want to, before we implement it fully and enforce it fully, we want to study what impact it's going to have on these sectors. This is only going to be a temporary, uh, step back. This is only gonna be a temporary move on our part just so that we can understand what effect this legislation will have.

And again, you see the logic of it, and it's tough to argue against. But then the years just went by. And then a decade went by. And then another decade went by. And all of a sudden, it's 20 years later, and I'm writing this book, and these supposedly temporary loopholes are still on the books. Which means that the American real estate sector and American private investment sector have been able to provide just a field day, right? A feast of services for kleptocrats around the world to use their lack of anti-money laundering requirements, their lack of basic due diligence requirements, to provide all of the anonymous sales and anonymous financial flows that these kleptocrats need to hide their tracks, hide their money and, you know, keep this kind of kleptocratic carousel spinning for as long as they want.

This was really what undid so much of the progress that the Patriot Act first brought to bear.

**Matt Adams:** What other industries benefit from that exception that consumes the rule?

**Casey Michel:** Well, those are the two big loopholes right there. But there are a couple other industries that that I wanted to flag that I write about in the book. You know, I talked about the importance of the American legal sector. And even within that, the role of organizations, trade



groups, like the American Bar Association, which advocate against some best practices in terms of due diligence. But there are two other industries that I thought I wanted to flag and highlight in the book especially that are, kind of interrelated.

One is the auction industry, the auction house industry, which I mentioned a moment ago in the Teodorin Obiang case, which also doesn't have to provide any due diligence requirements whatsoever for any of its clients.

**Matt Adams:** Your recounting of that particular situation with the Michael Jackson auction was crazy. That they started the auction at a dollar. And here is this strong man's plant, this woman who's impeccably dressed and in there looking like a socialite. And almost taken by the fact that she has to probably raise that paddle 250,000 times as they go up in, you know, a dollar increments because they wanted to have fun with it.

But it's just remarkable to listen to that. And in that split second where they are doing this auction, you know, she's essentially taking a limitless sum of money, bringing it into the U.S. economy and washing it, and the auction house is complicit and doesn't even know it. Because she's emailing them, telling them to make sure that his name's not on here.

**Casey Michel:** Yeah. Yeah. And you know what? I ended up talking to the guy that runs that auction house. He was one of the few guys that returned my phone calls. And I ended up talking to him about it. And again, at the end of the day, he committed no, no, no crimes were committed in this specific instance. And the auction house certainly didn't commit any crimes itself.

And, you know, I asked him about it because it's been a few years now, and obviously we know plenty more about how this money laundering network operated. And I asked him if he had any, you know, regrets, if he had any second thoughts about his role in this. And he said, you know, quite frankly, no, not really.

Because for him, this guy, Obiang, was a good client. And at the end of the day, he was bringing a lot of business in and bringing a lot of money in. And this guy running the auction house knew full well that if he said no to this Obiang guy, then he would just go to Sotheby's. He would just go to Christie's or some other auction house and use their services.

**Matt Adams:** I mean, I have represented multiple companies, individuals who get themselves ensnarled in a money laundering investigation. And there is a palpable resistance. Because you usually, what do you do when there's a cancer? You make sure it doesn't metastasize. You treat it, you cut it out, you get rid of it to the best extent possible.

And when AML anti-money laundering apparatuses within these organizations come to us and say, hey, we found something suspicious. You'd be amazed at the response sometimes that these folks... and it's natural because they are such significant portions of their business that they don't want to lose. And they're, you sure I got to do that? I mean, well, I don't really know for sure.



Well, you're tasked with following up and making sure that you're not being willfully blind to all the writing on the wall. So, that is such a common response in this space to just have a company say, ah, well, that seems a little drastic. Aren't we rushing into it?

**Casey Michel:** Yeah. I mean, look, Matthew, you've had these conversations with these people. I've had these conversations with these AML compliance folks. I mean, those are the ones, those are the folks that are on the front line of this, right? And they're underpaid and they're overworked. And as you just said, you know, not only are they underappreciated, but all too often, they're made to feel like they are completely worthless, and they're just hamstringing the business or the company or the organization that they're working for. So in a certain sense, you know, my heart goes out to them. Because they're doing what is legally required, but all too often they have no fans internally. And they're viewed as nuisances rather than allies, which is what they are, in the fight for a better economy that will allow that business to thrive. But unfortunately all too often, they're not seen like that.

**Matt Adams:** From your research, from your reporting, what ranging implications does this type of activity have on the economy writ large? Does this-- in the book I found it really fascinating at one point and it immediately took my mind to Miami.

I travel to Miami frequently. Per capita, there are more condominium projects going on right now in downtown Miami than I've ever seen in my life. But at the same time, I can rent an Airbnb in one of these immaculate, brand new condo projects from some absentee owner for \$99 a night-- undercutting the three-, four-, five-, six-hundred dollars that the luxury hotels are charging per night-- in a split second, because the inventory is enormous. There is not sufficient demand to meet that inventory. My mind went immediately there when thinking about the broader economic consequences of having legitimate industry infiltrated perfectly legally. Let's say nothing of the illegal money laundering that's done volitionally, but perfectly legally undercutting whole segments of the economy from this type of content.

**Casey Michel:** You know, at the-- and look, I've been down in Miami. I've seen the same thing. I haven't taken advantage of the Airbnb rates, but I'm looking forward to doing that when I go down for a bachelor party in a couple of months, I'm looking forward to that.

**Matt Adams:** Not too shabby to buy one either. I mean, talking about real estate prices in Miami right now, it's depressed. It's an artificially depressed downward. And these are luxury buildings, really nice stuff.

**Casey Michel:** So what we're seeing, as you describe that-- I think the housing market absolutely is the key one to focus on here-- is it completely distorts the market, right? You have all of these extraneous factors that are impacting the housing market around the country.

And it's not just the luxury real estate. It's residential real estate writ large. And as we've seen with, like, the Kolomoisky network itself, it's even these kind of smaller apartment buildings in smaller towns around the country. I mean, look, I don't have to describe how tight the housing market has



been and how difficult has been for any number of Americans to purchase either starter homes or second homes or what have you. But the flood, the tsunami of illicit wealth coming in and flooding the American housing market has absolutely distorted and absolutely driven up the prices in market after market, around the country in and of itself.

I don't think it's any coincidence whatsoever that in the 20 years that this loophole has been allowed to exist-- from basic AML due diligence or lack thereof --in the American real estate market. I don't think it's any surprise whatsoever that has coincided so well with the increasing tightening of the American real estate market itself.

Now there are, as you mentioned, some positive elements such as the \$99 Airbnb. Or, if you're working in the real estate sector itself, it has been a boon two decades for you. That industry has profited hand over fist, which is one of the reasons it has lobbied continuously against basic AML requirements. And that goes as well for the private investment sector.

It has been one of these, these forces and factors that is unseen, underappreciated and even to this day, under researched. I would love to see more research into how illicit wealth has affected the American real estate sector or the American private investment sector.

But it has very clearly had a deleterious effect for the rest of us, for Americans by and large, in terms of the basic market distortion and undercutting the kind of basic free market principles that we need to require the American economy to thrive.

**Matt Adams:** What's your biggest fear about the state of the American kleptocracy as you, pin it in the book, what fear do you have? And I'll tell you when you're done what my biggest fear was, because it goes back to 9/11.

**Casey Michel:** So my biggest fear-- it's funny, if you'd asked me that a few years ago, I think I would have said my biggest fear is that this ends up blowing up into some kind of national security crisis that was all too predictable and all too preventable and that we don't see coming and we don't have time to respond to.

Now, I think we have seen that in Ukraine with Russia's invasion. And the again, kind of downstream effects it's had on everything from European security to, you know, American foreign policy strategy. Thankfully, it wasn't, I suppose, more devastating for others. Although, of course, Ukraine has felt the brunt of this for years now.

But I think a lot of Americans have finally woken up to the linkage between illicit wealth, dirty money and national security concerns. But my big concern right now is the effect it has on American domestic politics. And especially at the federal level. Because if you let these things run unchecked, it clearly leads to the degradation of democracy and the expansion and entrenchment of autocracy.

And again, it's not just in places like China or Iran or Russia, but increasingly places that were, until very recently, democracies themselves. Places like Hungary. Places like India. Potentially places like



Slovakia as well. You know, we see the clear relationship between anti-democratic reactionary forces and illicit wealth, dirty money.

And without going to getting too far into the weeds of American domestic politics itself, I'm very concerned that future administrations will not be as interested as recent ones have been in expanding, in enforcing, in resourcing America's AML architecture. And learning the very clearly hard-fought lessons that, whether it was in 9/11. Or more recently, Americans had to learn, uh, themselves. You know, that's my concern is that all these lessons we have fought very hard to learn, and in many cases suffered to learn, will be forgotten, and that will be to the damage of American democracy for all of us.

**Matt Adams:** You give a series of prominent shout outs to former senator from Michigan, Carl Levin, for a big portion of his time in the legislature served in a capacity as a leader on the permanent Subcommittee on Investigations to really press these issues. And that 15-year term that he served in that capacity really began before 9/11. And then I would argue made it his life's work following this event where we see our banking system be used to basically wage war. And who's the next Carl Levin? He's no longer in the Senate. He's retired. We don't have this champion of sort of closing these loopholes. For all intents and purposes, there is at least a faction of political leadership that may be motivated not to close these.

By virtue... and I'm not trying to get political, but just simply by the industries that they come from. Real estate among them.

**Casey Michel:** Yes.

**Matt Adams:** Who's the next Carl Levin? Who is the next champion to try to close these types of loopholes that I think are leaving us exposed? And my biggest fear is that this illicit network that we are talking about maybe being used right now. But the groundwork may be laid right now as we speak, for some other catastrophe. And we'll be saying, coulda, shoulda, woulda in the same way we said after 9/11.

**Casey Michel:** Yeah, yeah. Look, just to echo that last point, Matthew, absolutely. That's my concern every single day. I mean, we saw... again, it's history repeating or history rhyming. We saw what the lack of enforcement, we saw what the lack of concern and we saw what the lack of policies led to in 9/11. And there are certainly still elements in terms of lack of enforcement loopholes that still exist that could lead to something else.

And, you know, every day is a good day when it doesn't. You know, in terms of carrying on Levin's legacy, I don't know that we're ever going to see one single person who makes it really their --

**Matt Adams:** Harvard-educated lawyer.

**Casey Michel:** Look, he's got the pedigree. And I, and one of the greatest honors in putting the book together was getting to talk to... you know, he, he passed away a few years ago right around when the book came out. But I got to speak to him a little bit right before he died. Now, that was an honor.

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Because, you know, it really, there aren't a lot of heroes in the book, but he is certainly one I would put there.

I mean, there's, there's one senator out of Rhode Island. He's a Democrat, Sheldon Whitehouse, who has taken the lead on most of these policies. And he's really kind of made it his own. But we'll, we'll have to, you know, have to check in in 10 years time, if he's still doing it.

I would say what's perhaps surprising: it's not that there's one person necessarily carrying on the legacy, but there is still a relatively bipartisan element of support for a lot of these policies. Whether it's anti-money laundering, whether it's, you know, foreign influence and foreign interference. Whether it's, you know, the whole suite of things we've been talking about today, I am consistently surprised that, because so much of this takes place out of the public eye, and because-- quite frankly, figures like Donald Trump don't keep it front and center in terms of whipping up their base to be opposed to these things-- you see a lot more bipartisan overlap. Because it takes place out of sight, where a lot of folks aren't following the day-in day-out.

And so, you know, the kind of right-minded politicians still in Washington who are not distracted by the day-in, day-out, whatever the news cycle might be, can do and continue to, work together. So if there's actually one area in Washington that continues Levin's legacy, it might be not a person necessarily. But there's a bipartisan body called the Helsinki Commission, which is made up of members of the House, members of the Senate. This goes back to the 1970s. And you see this Commission coming together, and it's a federal nonpartisan body that has just been launching legislation after legislation, regulation after regulation. Dedicated to patching up the kind of anti-kleptocracy architecture in the U.S.

But then going even further beyond that, whether it's about Russia, whether it's about China, whether it's about Iran, whether it's about Venezuela, North Korea, all of these truly anti-American regimes, that's really where you see the most energy and the most progress in terms of folks down in Congress who care about this, who're trying to do something about this. I think, again, at the end of the day, it's both Republicans and Democrats, which is, um, you know, maybe I'm too nostalgic or whatever it is, but it's, it's nice to see that even in this day and age.

**Matt Adams:** The book, *American Kleptocracy: How the U.S. Created the World's Greatest Money Laundering Scheme in History*. We're with the author Casey Michel. It's eye opening and brilliant. It's really a must-read. I can't thank you enough, Casey, for joining us today.

As I sit about 20 miles outside of downtown Manhattan and all the condo projects down there, I'm left wondering, you know. What's funding some of them? I've dealt with investigations associated with that from a lot of different angles. And your reporting in the book talks about specific projects. We won't name names, but read the book, because it's about the foreign influence that comes into these projects. Oftentimes, well over half of the project is funded by transactions from shell companies and the like that bear the hallmarks of transnational money laundering. And it's being done right in front of our face. With the impunity because it's legal. Or at least enough gray to pass the smell test.

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**Casey Michel:** Yeah.

**Matt Adams:** And, you know, I shared with you privately that I was reading the end of your book on a flight. And I looked out the window at about the time when I got to that part. Where it was about New York City and the development foreign influence that comes in through all of these transactions, bearing some level of hallmark of transnational money laundering.

And I was at that point. We're in the descent down to Newark Airport. Look out to the left and you see the New York City skyline. The two things that were noticeably absent from that skyline were the Twin Towers. Talk about transnational money laundering and the impact of 9/11. And what's present now is, at least in my lifetime, it's just a more robust landscape of skyscrapers. And it, really led me to do some thinking.

**Casey Michel:** Look, Matthew, I can't thank you enough for letting me join you today. It's been an absolute treat speaking with you. Yeah, again, I'm calling to you from the middle of Manhattan right now. My wife works at World Trade and she works in an office that looks directly down on the memorial where the towers used to be.

So again, of course, folks in and around New York, we go about our daily life. That's fine. We have everything to do and on any given day. But you know, this stuff, it surrounds us, right? You can't not think about it and you can't not remember things like 9/11. And again, the cost for not just those that died on the day, but the rest of us in the aftermath. And of course, in hindsight, the things that could have been done, should have been done, and the overlap, the intersection of the American financial sector and how little we knew at the time, and the kind of solutions that were on the table, but no one seemed interested in passing. And I can only hope that we never make that mistake again.

**Matt Adams:** Casey, thanks so much. I'll give you a quick plug for your latest work, which is *Foreign Agents: How American Lobbyists and Lawmakers Threatened Democracy Around the World*. Casey, will you come back on the program and talk to me about this one?

**Casey Michel:** I would love to.

**Matt Adams:** All right. We're going to have to set it up. That's all the time we have on this episode of "The Presumption of Innocence," but until next time, I'm Matt Adams. Take care.