

REUTERS/PHOTO ILLUSTRATION

FROM HANNIBAL LECTER TO BERNIE MADOFF

FBI profilers famous for tracking serial killers are turning their attention to white collar felons

BY MATTHEW GOLDSTEIN NEW YORK, APRIL 20

 $B^{\rm ernard\ Madoff\ -\ the\ architect\ of\ history's}$ biggest Ponzi scheme - and Gary Ridgway, the Green River killer, would seem to have little in common aside from being

branded as "monsters" in the tabloids.

But a team of FBI agents, the same ones who specialize in helping local police track down serial killers like Ridgway, are using their expertise in behavioral profiling to target white collar criminals like Madoff.

For about two years now, agents with

the Federal Bureau of Investigation's Behavioral Analysis Unit have been consulting with their colleagues in New York who specialize in securities fraud detective work. The BAU agents are going over the case files put together by the FBI for Madoff and other convicted scammers like Bayou



Group's Samuel Israel, whose \$400 million hedge fund turned out to be Ponzi scheme, and former Democratic fundraiser Hassan Nemazee, who stole nearly \$300 million from Citigroup and two other big banks.

The hope is the BAU agents, whose work in profiling serial killers has been popularized in books, movies and on TV, can get into the minds' of fraudsters and see what makes them tick.

In cinematic terms, substitute Gordon Gekko, the insider trader in "Wall Street," for Hannibal Lecter, the cannibalistic serial killer in The Silence of the Lambs, and you get an idea of what the FBI is trying to do.

"This originally started out as an attempt to find a way to prevent and detect Ponzi schemes," said Peter Grupe, the FBI's assistant special agent in New York in charge of white collar investigations. "But it developed into something broader."

The FBI's profiling strategies are part of an aggressive new approach to financial crimes. Facing widespread criticism over the lack of criminal cases stemming from the financial crisis, the FBI and federal prosecutors are keen on showing that they are not soft on white collar offenses.

To that end, the FBI for the first time has an "embedded" agent working closely with the Securities and Exchange Commission's

main office in Washington, D.C. The

agent began working a year ago with the SEC's new market intelligence unit, vetting early tips the regulatory agency gets about potential scams and frauds from the public. An FBI official says there's talk of doing something similar with the SEC's all important New York

PROFESSIONAL CROOKS

regional office as well.

THE EXPANDED EFFORTS to sniff out white collar crime arise from a deep-seeded belief shared by many in law enforcement - that fraud is rife in some corners of Wall Street and corporate America. Manhattan U.S. Attorney Preet Baharara says his office, which is prosecuting the big insider trading case against Galleon Group co-founder Raj Rajaratnam, has found that trading by hedge funds on confidential information is

Some of the research papers that can be found on the bedside tables of the agents working with the FBI's Behavioral Analysis Unit.

1. "Why do they do it? The motives, mores and character of white collar criminals"

- Bucy, Raspanti and Rooney (St. John's Law Review)

2. "Criminal thinking and identity in male white collar offenders"

- Walters and Geyer (Criminal Justice and Behavior)

3. "Economic crime: Does personality matter?"

- Alalehto (International Journal of Offender Therapy and Comparative Criminology)

4. "Corporate psychopathy: Talking the walk"

- Babiak, Neumann and Hare (Behavioral Sciences & Law)

5. "Can general strain theory explain white-collar crime"

- Langton and Piquero (Journal of Criminal Justice)

"pervasive and pernicious."

Indeed, some of the FBI agents in New York assigned to investigating securities fraud openly describe some of their targets as operating like "professional criminals"

- the kind of language you might expect agents to use when discussing the

Mob or other organized crime syndicates.

Still, the ability of FBI profilers to make a difference is less clear to some experts. There's a good deal of skepticism about whether the techniques used to target killers who commit some of the most heinous and violent crimes is at all applicable analyzing the motivations

most heinous and violent crimes is at all applicable to analyzing the motivations of Wall Street felons.

"As an academic exercise it may be interesting to put Madoff, Michael Milken, Allen Stanford and Jeff Skilling all in the same room and let the shrinks analyze them," said Marc Mukasey, the head of white collar defense practice at Bracewell & Giuliani and a former federal prosecutor. "It would be interesting to do, but I'm not sure of the utility."

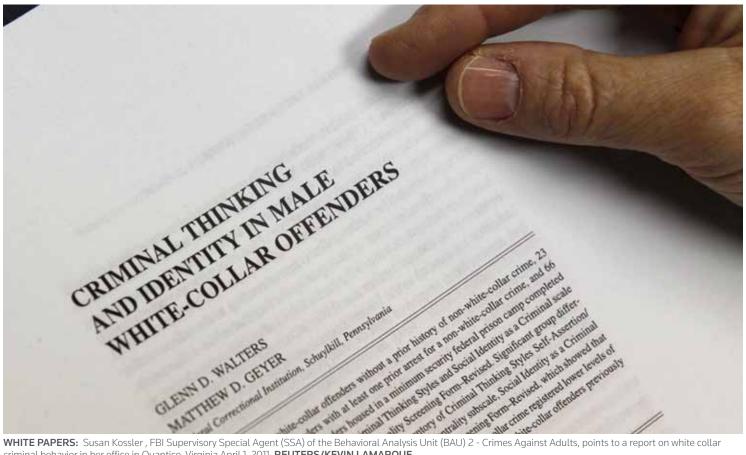
After all, Mukasey and others point out

that many white collar defendants have no prior criminal records and outwardly often fit the profile of a successful corporate executive or Wall Street trader: greedy, hard-charging, charismatic, ambitious, smart and Type-A control freaks.

Yet the agents with the FBI's behavioral group, some of whom also are active in developing profiles of terrorists and criminals who prey on children, believe they can develop profiling strategies that will help undercover agents ferret out corrupt corporate titans, shady hedge fund traders and other Wall Street con artists. At a minimum, the profilers want to determine if major white collar criminals share enough personality traits and behavioral patterns that agents in interrogations and investigations could use the information they glean.

If the FBI profilers can do that, it will enable agents working undercover to better spot the bad guys and determine which suspects are the best ones to try to flip and turn into snitches against their corrupt colleagues.

"The goal here isn't so much to prevent a financial crime from occurring but to make investigations more productive," says Mark Hilts, head of the FBI's BAU-2, the eightmember group that is overseeing the white collar offender project. "There is no one template for what constitutes a serial killer and the same applies to the white collar world. What we try to do is look at things



WHITE PAPERS: Susan Kossler, FBI Supervisory Special Agent (SSA) of the Behavioral Analysis Unit (BAU) 2 - Crimes Against Adults, points to a report on white collar criminal behavior in her office in Quantico, Virginia April 1, 2011. REUTERS/KEVIN LAMARQUE

through the lens of the offender. "

Hilts said his team likely will interview significant white collar cons like Madoff -- just as FBI profilers did in the past with serial killers Ted Bundy and so-called Son

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of Sam murder David Berkowitz. But any one-onone interviews with Madoff and his white collar ilk are probably months, maybe even years, away.

Despite what goes on in the movies, FBI profilers don't like to interview criminals until they've done extensive "archival and paper research" so they can then sort out fact from fantasy, Hilts said. Nor can he rule out that Madoff, who many have described as cold, calculating and largely lacking in remorse, may be

something of an "outlier" in his peer group.

"VOODOO" COPS

CLEARLY, HILTS AND HIS TEAM have their work cut out for them. A dozen former

prosecutors, criminologists and investigators Reuters interviewed for this story were skeptical that the profiling strategies can work in the white collar arena.

"It sounds a bit like voodoo law enforcement to me," said "THE GOAL HERE Jeffrey Bornstein, a former longtime federal prosecutor ISN'T SO MUCH and now an attorney in the TO PREVENT San Francisco law firm of K&L Gates.

> Bornstein, who represents Richard Choo-Beng Lee, a former hedge fund manager who pleaded guilty in 2009 to insider trading and became a key cooperating witness in the Galleon insider trading investigation, said few white collar offenders set out to be criminals. In most cases, they end up breaking

the law because they keep stretching the limits of permissible activity.

"You could give these people lie detector tests and they might pass," said Bornstein.

Nicole Piquero, an associate professor of

criminology at Florida State University, who wrote several academic papers that Hilts' BAU team is reviewing, said her research on white collar offenders has found that many are extremely controlling in the workplace,



PONZI KING: Accused swindler Bernard Madoff enters the Manhattan federal court house in New York, March 12, 2009. REUTERS/SHANNON **STAPLETON**

almost obsessively so. But she said the problem profilers may encounter is that the characteristics that make a successful businessman, especially on Wall Street, are often ones shared by white collar offenders.

Other lawyers and experts were simply skeptical of profiling in general. They say that movies like The Silence of the Lambs and the CBS television show "Criminal Minds" have glamorized the work of FBI profilers, making them seem like real life versions of Sherlock Holmes who always get their man.

In a 2007 New Yorker magazine article, writer Malcolm Gladwell tore into the mythology that has surrounded profiling of serial killers. He wrote that a lot of the success attributed to profiling stems from books written by former profilers who in many cases have embellished the facts. He noted that much of what the FBI profilers said about Kansas' so-called BTK killer -- short for "bind, torture and kill" -- was often contradictory. In fact, Gladwell said that when police in Kansas arrested Dennis Rader in 2005 and charged him with the BTK murders, the married father of two was "nothing even close" to the descriptions offered by the profilers.

Some feel FBI profilers also came up short in helping law enforcement track Gary Ridgway, the Green River killer. "I don't really believe in profiling," said Patricia Eakes, a former Seattle-area prosecutor who worked on the Green River killer investigation and now is a partner with Yarmuth Wilsdon and Calfo and mainly defends white collar defendants.

"In Green River, they missed big time," she said. "In theory it's a great concept. But there are so many individual factors that go into why people commit crimes."

INSANE PRICES

STILL, PROFILING HAS ITS champions -even among some who've been convicted of white collar offenses.

Sam Antar, the former chief financial officer of discount electronics retailer Crazy Eddie, who pleaded guilty to securities fraud for his role in a long-running accounting scam, says he sees some value in profiling. He told Reuters that greed often is a secondary motivation for many white collar offenders. He believes Madoff, for example, was driven mostly by "a sense of stature" and an unwillingness to show failure as an investor.

In his case, Antar said the main reason he helped cook the books at the once ubiquitous New York retail chain Crazy Eddie was loyalty to his family. His cousin Eddie Antar, the



CRAZY CON: Sam Antar, the former convicted CFO of Crazy Eddie electronics store, stands for a portrait in New York, April 12, 2011. **REUTERS/SHANNON STAPLETON**

company's namesake, ran the business. But in 1993, Sam Antar testified against his cousin and helped convict him in exchange for a lighter sentence.

Today, Sam Antar works with law enforcement and goes around the country giving lectures on how to fight white collar crime. He also runs a popular blog at his website, whitecollarfraud.com, where he comments on usual trading activity in the markets.

In a recent interview, Antar told Reuters that FBI profilers are right to be wary of putting too much stock into interviews with white collar felons because they'll often say what a questioner wants to hear. In his view, once people become a scamster it's hard for them to ever really change.

"People like to ask me if I am redeemed," said Antar. "I like to say that I am possibly retired. The only reason I stopped was because I got caught."

Of course, FBI profilers working with the BAU never have claimed to be fortune tellers. They fault movies like "The Silence of Lambs" with fostering unrealistic expectations of

their craft. They say profiling is nothing more than another tool, along with DNA analysis and questioning of witnesses.

Indeed, the FBI's official involvement with profiling dates back to 1972 with the formation of the Behavior Science Unit, which is part of the FBI Academy in Quantico, Virginia. In the mid-1980s, the federal government decided to expand the BSU model and that led to the creation of the Behavioral Analysis Unit, with whom Hilts has worked with more than a decade.

In hunting down serial killers, BAU agents help local police departments better analyze the physical evidence left behind at murder scenes to decipher some motivation or character traits of the killer. But in a white collar investigation, the clues left behind often are computer records and private emails -- not blood splatter and DNA traces. Hilts says he and his crew are aware of the skepticism about developing profiles of white collar offender and they do have some reservations about limitations of the work they are doing. It's one reason, Hilts, when he talked to Reuters last months, seemed to dial back expectations a bit.

"I don't ever seeing us displacing the accountants in a white collar or securities investigation" said Hilts, who notes that his group always has had a mandate to look at white collar cases. He said BAU agents won't be doing crime scene analysis in a white collar case. But Hilts said, his group "can be relevant in helping agents prepare to make a pitch to a guy," he said.

In FBI speak, "the pitch" is all about determining which suspect in an investigation is the best one to approach to turn into a cooperator and get them to either wear a wire or tape phone calls with friends and colleagues. The success of an undercover investigation often rests on finding the right person to "pitch" or "flip."

DATA PROFILING

MEANWHILE, A RELATIVELY new SEC team that specializes in insider trading is already showing there may be some merit to profiling in white collar cases. This group has developed an expertise in analyzing associations between traders suspected of wrongdoing and their friends and relatives.

Relying on computers to analyze trades made by people with common social connections, the team will also look for aberrant trades that fall outside the expected pattern of activity. They have found that these one-off trades can lead to people who



may prove to be weak links and potential cooperators.

This so-called pattern-recognition analysis may not be profiling in the classic sense. The SEC isn't focusing on behavioral characteristics of suspects as the FBI agents do. But regulators are profiling data to help find patterns in trading activity that previously would have left regulators befuddled and scratching their heads.

And the SEC's new pattern-recognition analysis approach has achieved some early success. The market abuse team's analysis proved instrumental in helping federal prosecutors bust a 17-year-long insider trading ring that generated at least \$37 million in illicit profits, say people close to the investigation.

But pattern recognition has it limitations as well. This kind of analysis lends itself best to smoking out insider trading rings, not to busting a corporate executive cooking the books or a person running an investment scam.

As with much of the SEC's approach to enforcement work, the trading analysis developed by the market abuse team tends to be dry, legalistic and devoid of looking at the victims of crime. Indeed, one of the most important behavioral tools that FBI profilers bring to the white collar world is a perspective of focusing on the victims to learn more about the offender.

With serial killers, much of the art of developing a profile of a suspect comes from analyzing the way victims have been selected and slain. The FBI profilers expect to gain potentially even more insight from victims of white collar crimes because they still around to tell their side of the story.

"An important part of what we do is victimology," said Susan Kossler, a longtime BAU agent, who is working closely with Hilts on the white collar profiling project. "Looking at the victims tells you a lot about the offender."

In the case of Madoff, there are certainly plenty of victims for the FBI profilers to take into account. Ira Lee Sorkin, the former federal prosecutor and former top SEC enforcement attorney, who represented Madoff, said he has found that victims of financial frauds all



"AN IMPORTANT PART OF WHAT WE DO IS VICTIMOLOGY."

too often ignore obvious warning signs as they get blinded by promises of big returns. Sorkin said it makes no difference how educated or wealthy an investor is.

"Investors tend to be greedy and ignore red flags if they are making money and that is something that occurs with boiler rooms, insider trading and Ponzi schemes," said Sorkin. "The bad guys know all this and they play off it."

Indeed, if there is one thing FBI profilers can count on it is that a little more two years since his arrest and the bursting of scores of smaller Ponzi schemes, the spirit of Madoff is alive and kicking.

HIP-HOP TRADER

A CASE IN POINT IS A bizarre investment deal involving a wealthy Cincinnati, Ohio, businessman, a New York financier and a Philadelphia-based online minister who claims to be a commodities trader and a friend of hip-hop musician Sean Combs. The wreckage from the deal is now playing out in the federal and state courts in New York with the various parties either suing each other or denying responsibility.

Many of the facts are in dispute but the warring parties appear to agree that a charitable fund set-up by Cincinnati's David Parlin is owed some \$4 million it sunk

last year into a purported high-yielding investment strategy involving U.S. Treasuries that was pitched by New York financier Vassilis Morfopoulous. Parlin says the money wound up in bank accounts controlled by TL Gilliams LLC, a commodities trading shop run Tyrone Gilliams Jr., who broadcasts services on the Internet.

Parlin claims in court papers he knew nothing about Gilliams' involvement in the investment deal and has no idea how his fund's money ended up with TL Gilliams, which says it has office in more than two-dozen locations around the globe, according to the firm's website. Parlin is seeking to get his money back and claims and Gilliams has spent some of it on hotels, real estate ventures and night clubs.

How this litigation will be resolved is unclear. Parlin claims he was defrauded by Morfopolulous and contends in court papers that Gilliams is running a Ponzi scheme. Lawyers for Morfopolous and Gilliams dispute Parlin's contentions. John Lang, the attorney for Gilliams, says: "If any Ponzi scheme existed, T.L. Gilliams is its biggest victim." Meanwhile, a lawyer for Parlin says his client has contacted the FBI in Cincinnati about the matter.

Maybe someday this mess will wind up on the desk of the FBI profilers in Virgina. But one thing is certain: if the FBI is serious about profiling white collar criminals it won't go wanting for work.

(Reporting by Matthew Goldstein; editing by Jim Impoco and Frank McGurty)



ARE YOU A WHITE COLLAR CRIMINAL?

ABEHAVIORAL ANALYSIS GROUP with the U.S. Federal Bureau of Investigation is trying to bring the same skills it uses to work up profiles of serial killers to the world of white collar felons. It's an ambitious project and one that many in the legal community believe the FBI will have a difficult time achieving.

One of the big challenges facing the criminal profilers with the FBI's Behavioral Analysis Unit is that successful Wall Street traders and corporate executives often share many of the same characteristics with the most notorious white collar criminals.

In other words, there's a fine line between what makes someone the chief financial officer of the year and a convicted felon doing hard-time for cooking the company books.

It's worth remembering that Enron's Andrew Fastow, one of the architects of the company's off-balance sheet shenanigans, was named CFO of the year in 1999 by the trade publication CFO Magazine. Three years later, he was charged with securities fraud in one of the biggest U.S. corporate

scandals.

With those caveats, here are some of the most common character traits FBI profilers, prosecutors, lawyers, academics and criminologists say are markers for white collar criminals:

- 1) a controlling personality
- 2) hard-charging and overly aggressive
- 3) charismatic and charming
- 4) lack of transparency in dealing with clients
- 5) revenge
- 6) greed
- 7) hunger for power
- 8) feeling of intellectual superiority

The FBI profiling group also is planning to investigate the impact a company's culture has on individuals and whether that is what causes some to break the law.

Susan Kossler, an agent with the FBI's Behavioral Analysis Unit/2, which is overseeing the white collar crime project, said, "Corporate culture is very important." She adds, "One of the important things in a

white collar case is how a person relates to his co-workers."

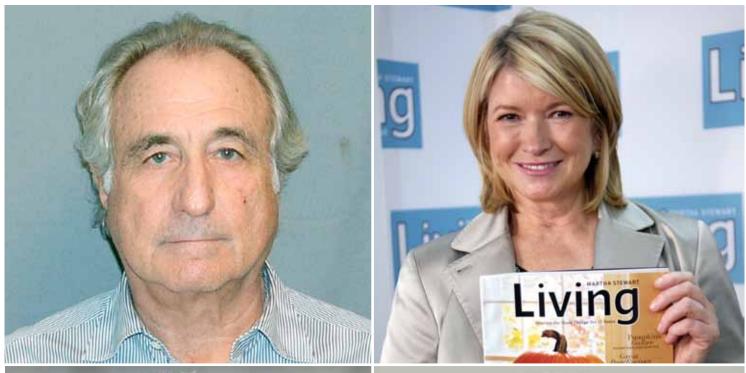
Here then, is a scenario that three criminologists asked a group of business school students to analyze and respond to:

"Tom is an upper-level manager at the XYZ accounting firm. During the end of the fiscal year board meeting, Tom is told that his division needs to "take care" of particular documents relating to the Smith account. When Tom returns to his office, he calls a staff meeting and instructs his employees to destroy all documents relevant to the Smith account. Each of the employees begins to shred the documents."

The business school students were told they could answer anonymously and were instructed to answer truthfully to help the researchers, Nicole Piquero, Andrea Schoepfer and Lynn Langton, conduct their study.

Do you think Tom did the right thing?

(Reported by Matthew Goldstein; Editing by Frank McGurty)







PERPS: (Top Left) Convicted Ponzi king Bernard Madoff, pictured here in a booking mug shot released to Reuters on March 17, 2009 by U.S. Marshals Service. (Top Right) Homemaking maven and media personality Martha Stewart, pictured here in Sept. 30, 2006, was convicted in 2004 of lying to investigators about a stock sale. REUTERS/ CHIP EAST (Bottom Right) Former Democratic fundraiser Hassan Nemazee, pictured here on March 18, 2010, pleaded guilty last year to a nearly \$300 million fraud. REUTERS/BRENDAN MCDERMID (Bottom Left) Former WorldCom founder and chief executive officer Bernard Ebbers, pictured here on July 8, 2002, was convicted in 2005 of securities fraud. REUTERS/HYUNGWON KANG/FILE

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