*Office of Public Affairs*
**U.S. Department of Homeland Security**

U.S. Immigration and Customs Enforcement

October 5, 2004

# News Release

## ICE AND DEPARTMENT OF JUSTICE TARGET INTERNATIONAL AND DOMESTIC TELEMARKETING FRAUD

WASHINGTON, D.C. – Attorney General John Ashcroft; Assistant Attorney General Christopher A. Wray; Assistant Secretary for U.S. Immigration and Customs Enforcement Michael J. Garcia of the Department of Homeland Security; FBI Assistant Director Chris Swecker;; Chief Postal Inspector Lee Heath; Federal Trade Commission Chairman Deborah Platt Majoras; and Chief Superintendent Peter German, Director General of the Royal Canadian Mounted Police's Financial Crime Division, today announced the arrest of more than 135 individuals worldwide in the most extensive multinational enforcement operation ever directed at telemarketing fraud schemes.

The ongoing action, known as Operation Roaming Charge, began on Jan. 1, 2004, and involved unprecedented coordination at the national and international levels to combat telemarketing fraud schemes. The schemes uncovered in this operation include every major category of telemarketing fraud: bogus lottery, prize and sweepstakes schemes; offers of nonexistent investments; bogus offers of "pre-approved" credit cards or credit-card protection; employment and business opportunity swindles; tax fraud schemes; and "recovery room" schemes, in which criminals pretend to be members of law enforcement agencies who can help telemarketing fraud victims recover some of their losses if they pay bogus "fees."

The operation resulted in the arrest of more than 100 individuals in the United States, and an additional 35 arrests in other countries. More than 190 U.S. and Canadian search warrants were executed as part of the operation, and 70 individuals have been convicted in the United States to date. In addition, state attorneys general have brought 279 criminal, civil and regulatory actions against illegal telemarketing operations.

The Roaming Charge cases demonstrate that telemarketing fraud schemes have become increasingly international in scope and more sophisticated in the use of methods and techniques. A number of the cases also demonstrated that organized criminal operations are engaging in telemarketing fraud. The results of more than 100 separate investigations led to the discovery of more than five million victims, who suffered losses totaling more than $1 billion. This initiative involved coordination among 37 United States Attorneys' offices nationwide, the Criminal, Civil and Tax Divisions of the Department of Justice, 25 of the FBI's 56 field divisions, 14 of the Postal Inspection Service's 18 field divisions, the Bureau of Immigration and Customs Enforcement, the

Royal Canadian Mounted Police, the PhoneBusters National Call Center in Canada, the Federal Trade Commission, and the National Association of Attorneys General, together with the Competition Bureau of Industry Canada, Internal Revenue Service Criminal Investigation, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the North American Securities Administrators Association and numerous other federal, state, local and foreign law enforcement and regulatory agencies.

The operation's success in targeting international telemarketing fraud schemes depended substantially on the creation of long-term partnerships between U.S. and foreign enforcement agencies. In Canada, these partnerships included joint task forces such as Project COLT in Montreal, the Toronto and Alberta Strategic Partnerships, and Project Emptor in Vancouver. In Spain, FBI agents and postal inspectors investigating fraudulent lottery schemes that operate from Spain worked closely with the Spanish National Police, which made 14 arrests and simultaneously executed numerous search warrants in connection with the operation. Other foreign authorities such as the Costa Rica Organization of Judicial Investigation, the Nigerian Economic and Financial Crimes Commission, the Philippines National Bureau of Investigation, and the United Kingdom's New Scotland Yard and Office of Fair Trading provided similar assistance in various telemarketing fraud cases.

"These cases show how ruthless criminal telemarketers can be in victimizing members of the public, especially the most vulnerable segments of our society," said Attorney General John Ashcroft. "Operation Roaming Charge sends the message that law enforcement agencies in the United States and abroad are committed to working together to track down these criminals and bring them to justice."

"Operation Roaming Charge shows that there will be no safe haven for telemarketing criminals," said Assistant Attorney General Christopher A. Wray of the Criminal Division. "As the operation's name suggests, no matter where fraudulent telemarketers roam to conduct their schemes, we will find them and prosecute them to the fullest extent of the law."

"I am proud of ICE's role in combating telemarketing fraud through Operation Roaming Charge. This crime is particularly disturbing not only because it targets the elderly, but also because the callers frequently impersonate Customs officials to give the appearance of legitimacy to their schemes," said Michael J. Garcia, the Department of Homeland Security's Assistant Secretary for U.S. Immigration and Customs Enforcement (ICE).

"These cases illustrate the devastating impact unethical telemarketers have on the financial security of many Americans," said Chris Swecker, FBI Assistant Director, Criminal Investigative Division. "The FBI recognizes the efforts of the prosecutors and dedicated law enforcement agencies worldwide that made Roaming Charge such a success. This partnership approach serves as a model of how to most effectively address global crime problems facing the international community."

"We will continue to target illegal telemarketers and those who knowingly assist them, such as bank processors and list brokers," said Deborah Platt Majoras, Chairman of the FTC. "Joint law enforcement initiatives like Operation Roaming Charge should send a clear signal to con artists that we will find them and we will stop them."

Chief Postal Inspector Lee Heath said, “Although we made 1,453 arrests for mail fraud last year and shut down 37 illegal telemarketing operations, our most effective weapon in preventing consumers from becoming victims is education. That’s why we created the new ‘Dialing for Dollars’ consumer protection campaign.”

According to Nancy Jardini, Chief, IRS Criminal Investigation, “the combined efforts of multiple law enforcement agencies result in the effective investigation of increasingly sophisticated telemarketing schemes. The IRS’ contribution to this effort is to track the underlying motivator of these schemes: the money.”

“Telemarketing fraud remains a ‘Top Ten’ Consumer Complaint on NAAG’s annual survey of consumer issues,” said William Sorrell, Vermont Attorney General and National Association of Attorneys General. “Since the start of this year, at least 30 state attorneys general have successfully investigated and taken 279 enforcement actions to shut down fraudulent telemarketers both here and in Canada.”

“Canadian law enforcement values the cooperation of U.S. authorities in attacking the scourge of fraudulent telemarketing,” said Chief Superintendent Peter German, Director General of the Royal Canadian Mounted Police’s Financial Crime division. “We intend to continue to increase our joint efforts at dismantling these organized criminal operations.”

The operation also involved civil and regulatory actions by various federal and state agencies. The FTC filed 27 telemarketing-related civil complaints, 26 of which challenged some form of deceptive or unfair telemarketing practice and one of which involved the FTC’s “Do-Not-Call” regulations. During the period of the operation, the FTC also obtained 28 federal court judgments. In addition, the Commodity Futures Trading Commission filed 14 actions alleging telemarketing fraud in the solicitation of purchases of commodity futures or options, including foreign currency. This total represents about a third of the enforcement actions that the CFTC instituted in 2004. Of the civil actions commenced that involve telemarketing, the CFTC obtained emergency relief – including asset freeze orders – in six actions, and preliminary injunctions in three. Finally, the U.S. Postal Inspection Service conducted seven administrative actions and obtained one civil fraud injunction in telemarketing fraud cases.

Some of the charges filed in districts throughout the country include:

In the Eastern District of New York, a superseding indictment was unsealed that included charges against 10 individuals – including an alleged capo, a soldier and associates in the Gambino crime family – for their role in a telephone “cramming” scheme that allegedly generated approximately $500 million in gross revenues. The scheme allegedly involved placing of unauthorized charges on the local telephone bills of millions of consumers. As a result of increasing consumer complaints, several defendants and others allegedly created a call center, in which the operators were directed initially to attempt to “sustain” the bogus charges by persuading customers that the charges on their phone bills were authorized.

In the Southern District of Illinois, three Toronto residents – Lloyd Prudenza, David Dalglish and Leslie Anderson – were indicted on 24 counts of mail fraud, wire fraud and conspiracy for their alleged role in a pervasive Canadian telemarketing operation known as First Capital. First Capital allegedly made unsolicited telephone calls to residents of the United States during 2001 and 2002 representing that they were providing Master Card and Visa credit cards to individuals with less than perfect credit for an advance fee payment ranging from between $189 and $219. The defendants allegedly did not provide consumers with the credit cards as promised, but instead provided them with a package stuffed with advertisements in the form of merchandise coupons and promotional literature for various products. Approximately 35,000 individuals were victimized with approximately $7 million in losses.

In the District of Arizona, an indictment was unsealed that charged six defendants for their roles in a telemarketing fraud scheme that allegedly promised consumers that they would receive a credit card in exchange for payment of more than $200. The scheme allegedly had more than 57,000 victims including senior citizens, who lost a total of $5 million.

In the District of Minnesota, Victor Wilcox, the ringleader of an advance-fee credit-card scheme that defrauded more than 50,000 people nationwide of more than $2.7 million, was sentenced to eight years and four months imprisonment and ordered to forfeit nearly $2 million. Wilcox owned Approved Credit Alliance (ACA), which falsely advertised "guaranteed" no-deposit Visa and MasterCard credit cards in the classified sections of newspapers and periodicals circulated across the United States. In fact, ACA never had authority to issue credit cards and had no relationship with any credit card company or issuer. Those who contacted ACA were asked for their bank routing codes and checking and savings account numbers, purportedly to "prequalify" them for the credit cards. ACA used these bank codes to electronically debit a "program" fee ranging from $49 to $129, and $19 per month, until the customer told ACA to stop. From May 1998 through October 2000, Wilcox and three co-defendants stole more than $2.7 million from the savings and checking accounts of tens of thousands of victims nationwide.

In the District of Rhode Island, Marilyn Cruz and Shanta Garner were sentenced to 41 months and 51 months imprisonment, respectively, for their roles in bilking elderly victims out of more than $437,000 through a fraudulent sweepstakes scheme. The two women called dozens of elderly victims and advised them that they had won large sums of money in sweepstakes drawings – prizes purportedly ranging from $100,000 to $19.3 million. The women told their victims that, to secure the prizes, they had to pay advance fees, often described as taxes and processing fees. Once a victim was on the hook for advance fees, the defendants continued calling, asking for more fees. They advised their victims to send the money via Western Union or other wire transfer carriers to various locations, including addresses in Rhode Island, Massachusetts, Florida and the Bahamas.

In the Central District of California, Charles Dike, a Nigerian national, was extradited from Nigeria to the United States for his alleged role in a Canadian-based telemarketing fraud scheme. Dike allegedly was part of a group – consisting primarily of Nigerian nationals who operated out of Vancouver, British Columbia – that conducted a fraudulent lottery scheme targeting elderly U.S. residents. Prospective victims were called and told that they had won the Canadian lottery and were directed to send taxes and processing fees to Canada. More than 1,700 victims of the scheme had known losses of more than $3 million. The Nigerian Economic and Financial Crimes Commission assisted U.S. authorities by arresting Dike and facilitating his extradition.

In the District of Nevada, a federal bankruptcy court entered a permanent injunction against a telemarketing firm, National Audit Defense Network, which allegedly sold abusive tax schemes.

Court papers indicate that hundreds of thousands of the firm's customers underpaid $324 million in federal income taxes over the past three years alone.

In the Western District of Virginia, Terry Dowdell, the former owner of a Bahamian shell corporation and ringleader of a fraudulent prime bank/high-yield investment scheme that caused more than $70 million in losses, was sentenced to 15 years in prison. Dowdell and others used telemarketing, faxes and other media to market an investment program that falsely promised annual profits of 160 percent from trading certain bank debentures supposedly issued by major money-center banks (prime banks) located in North America or Western Europe. In fact, no trades or investments were made by Dowdell's Bahamian corporation, and any payments to investors were from other investor funds.

In the Middle District of Florida, Tim Day, a defendant in a fraud scheme that falsely claimed to solicit funds for charitable causes – such as law enforcement, firefighter and veterans organizations – was sentenced to 10 years in prison. Over more than two years starting in 1999, the scheme had targeted elderly citizens and raised more than $600,000 from more than 10,000 victims. The proceeds were never used to benefit any of the agencies mentioned in the "pitch" and were ultimately converted to the personal use of the fraudsters.

According to a 2003 study by the AARP Foundation, telemarketing fraud "is a pervasive white-collar crime in the United States." The Federal Trade Commission reports that telemarketing fraud-related complaints accounted for 19 percent of all consumer fraud-related complaints that the FTC received in 2003 and the first half of 2004. For that same period, consumer complaints to the FTC about telemarketing fraud reported losses in excess of $190 million. Moreover, many telemarketing fraud schemes depend on the repeated victimization of the elderly. Foreign-lottery scheme victims who were interviewed for the AARP study, for example, had an average age of 74.5 years. Finally, FTC complaint data show that fraudulent telemarketers' preferred method of obtaining consumers' money is bank account debiting. For the first six months of 2004, 46 percent of telemarketing complaints filed with the FTC reported paying by bank account debit, compared to 18 percent paying by credit card, the next largest category.

Victims of telemarketing fraud schemes should file complaints with the Federal Trade Commission's Consumer Sentinel, either by calling the FTC's toll-free number, 1-877-FTC-HELP, or by filing an online form available through its website, http://www.ftc.gov. Victims of Canadian-based telemarketing schemes may also contact PhoneBusters, the Canadian national call center, at 1-888-495-8501 or http://www.phonebusters.com.

For more information on this initiative and other matters related to telemarketing fraud, please visit the Department of Justice's website at www.usdoj.gov.

# ICE #

U.S. Immigration and Customs Enforcement is the largest investigative arm of the Department of Homeland Security.