



UNITED STATES DEPARTMENT OF JUSTICE

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PRESS CONFERENCE:

OPERATION DOUBLE BARREL

Conference Room B
Department of Justice
9th and Pennsylvania, N.W.
Washington, D.C.
1:30 p.m.
Thursday, December 17, 1998

PARTICIPANTS:

THE HONORABLE JANET RENO, Attorney General of the United States

SHEILA ANTHONY, Commissioner, Federal Trade Commission

THURBERT BAKER, Attorney General of Georgia, and for the National Association of Attorneys General

TESS CANJA, President-Elect, American Association of Retired Persons

PAUL R. CAREY, Commissioner, Securities and Exchange Commission

PARTICIPANTS: (Continued)

TED JACKSON, Deputy Assistant Director, Federal Bureau of Investigation

LARRY MAXWELL, Inspector in Charge, United States Postal Service

JONATHAN RUSCH, Special Counsel for Fraud Prevention, Criminal Division, U.S. Department of Justice

JOHN TULL, Commissioner, Commodity Futures Trading Commission

P R O C E E D I N G S

GENERAL RENO: Good afternoon.

Today I am pleased to announce the most extensive operation ever directed at telemarketing fraud, Operation Double Barrel. For the past two and a half years, Federal law enforcement, State attorneys general, and Federal regulators have been collaborating to combat telemarketing schemes. The operation combines sophisticated investigative techniques, joint training of Federal and State law enforcement, and coordinated prosecutions.

The goal was to have maximum impact on telemarketing fraud. It did. As we speak, agents are arresting more than 40 individuals and effecting some 20 search warrants around the country.

But these numbers only scratch the surface. Since it began in July 1966, Operation Double Barrel has produced tremendous results. Nearly 800 individuals have been charged with Federal crimes and nearly 200 others have been charged with State crimes. In addition, another 400 telemarketers have been sued in civil actions.

Dishonest telemarketers are very, very efficient. Rather than calling just anyone, they purchase lists of individuals who were previously victimized by telemarketing fraud. Then they call the victims to see if they'll fall for a scam the second time.

In some cases the telemarketer pretends to be an officer of the law, offering to recover the money that the victim previously lost. Of course, in the scam the victim has to pay a fee.

But over the years we've been obtaining those same phone lists, and in Operation Double Barrel when the telemarketers called we have oftentimes answered. As the tape recorder ran, FBI agents, State authorities, and specially trained members of AARP posed as potential victims recording the crime. The tapes were then handed over to Federal and State law enforcement, Federal regulators, and even foreign law enforcement for possible action. To date, our telemarketing efforts have produced more than 12,000 tape recordings of telephone calls by dishonest telemarketers.

In addition to the undercover effort, telemarketing experts trained Federal and State law enforcement authorities on how to investigate and prosecute telemarketing schemes, and Federal and State authorities worked together to coordinate their prosecutions.

Operation Double Barrel represents the highest level of cooperation between law enforcement authorities to combat telemarketing fraud, and I'm so pleased by what it has produced. The operation involved 20 U.S. Attorney's offices, 21 FBI field offices, and 35 State attorneys general.

With us today is one of my colleagues, Thurbert Baker, the Attorney General of Georgia. And I want to welcome you to the Department of Justice and to acknowledge the great working relationship that exists between the State Attorneys General and the Department of Justice, one we value greatly, sir.

MR. BAKER: Thank you, Ms. Reno.

GENERAL RENO: I'm also joined by representatives of other Federal enforcement agencies that have played such a crucial role: Ted Jackson, Deputy Assistant Director of the FBI; Lawrence Maxwell, the Inspector in Charge of the Postal Inspection Service; Sheila Anthony, a Commissioner of the Federal Trade Commission. Has Mr. Carey arrived?

VOICE: Yes.

GENERAL RENO: Paul Carey, a Commissioner of the Securities and Exchange Commission; and John Tull, a Commissioner of the Commodity Futures Trading Commission.

Especially I would like to welcome Tess Canja, who's the President-Elect of the AARP, and thank you for being here, for AARP has been so very helpful, not only assisting with the investigation, but doing so much to help educate the public to prevent these scams in the first place.

Today's announcement grew out of another telemarketing operation that I announced in 1995. That effort, called Operation Senior Sentinel, was the first Federal operation where agents and senior citizens worked undercover to record the sales pitches of con artists. There were State officials involved in that as well, and that was so very important.

Today's operation is a massive expansion, involving more prosecutors, more enforcement agencies, more States, and more resources than ever before. Operation Double Barrel has taken aim at these ruthless telemarketers who seek to reach out and con you, the people. Now each time telemarketers pick up a phone they are taking a risk.

The cases we've heard about are truly shocking. One particularly compelling story involved a telemarketer in Buffalo who went to great lengths to get his victim to send him some money. The telemarketer would call an elderly victim who'd been conned before by other telemarketers. On the call the telemarketer would pretend to be an FBI agent. He would tell

the victim he wanted to wiretap the victim's phone to catch a known telemarketer engaged in a fraudulent scheme.

To pull this off, he would even make up a phony court order to authorize the wiretap and send it to the victim. Thereafter, the phony telemarketer would call back using a different voice and pretend to be the other. As the other, he would tell the victim that he'd recovered the money from her previous losses and would send it to her for a 10 percent fee.

Then the telemarketer would make a third call, posing again as the FBI agent. This time the FBI, the would-be FBI agent, would encourage the victim to go ahead and send the money to the telemarketer so that they could catch this fraudulent telemarketer red-handed.

The telemarketer's plan was to take the money and run. But the real FBI, working with the victim, conned the con artist. They had been taping the calls all along. Suffice it to say that telemarketer is now out of business.

Operation Double Barrel is our coordinated response to these assaults on senior citizens and others. No American should have to fall prey to these con artists. If someone you don't know calls you asking you to invest, take your time and study the investment. If it sounds too good to be true, it probably is and don't do it. And if someone claiming to be a Federal agent tells you to send money in to catch the thief, that person is lying. No Federal law enforcement agency or State agency that I know will ever charge fraud victims a dime when trying to get money back. If you get one of those calls, I urge you to call the nearest FBI office.

Thanks to Operation Double Barrel, this holiday season will have fewer scams and I hope a lot more cheer for a lot more people.

If anyone wants more information, they can contact our web page or they can call the FBI or they can call the FTC consumer lines at 202-FTC-HELP, FTC-HELP.

I'd now like to ask FBI Deputy Assistant Director Ted Jackson to discuss the role the FBI played. Thank you so much for your good work in this effort, Mr. Jackson.

MR. JACKSON: Thank you, Attorney General Reno.

It's a real pleasure for me to represent the FBI in a case of this magnitude, an operation that we started back in 1993 using the undercover technique. We used it with State and local officials, with State attorney generals, officers, and regulatory agencies, as well as AARP and other concerned citizens.

Our concern was the victimization of elderly and others who lost their life savings from a telephone call. As the Attorney General mentioned, if it's too good to be true it's too good to

be true. Generally these calls involved a chance to increase your money, increase your life savings, increased your fixed income. Each time the victim was victimized and lost all of their money.

They had other techniques, such as reload. In reload they would give you a chance to get all your money back. They would sell your name to other telemarketers for five to ten dollars and you'd just lose your money and you had no way to go.

Through our efforts and the efforts of all of us working together, we've given the victims a chance to at least go somewhere for help and assistance when they are involved in these types of activities.

In telemarketing fraud there are very many techniques that are used. Generally, it's all to multiply your resources. For example, investments. Investments, if you really think about them or you get advice, you'd know they don't work. For example, one of the most common ones nowadays is considered foreign currency transactions in the futures market, where they'll call you and say that for a certain amount of money they'll invest it in foreign currency, you'll double the results. There's no chance of you doubling results and mostly the chances are that you won't receive one penny back.

The telemarketers work with each other. They have networks among themselves and the victims will continue to be victimized until they reach out for help. So this has been a great opportunity for the FBI to be involved with other agencies and with other States.

What we passed out here is a Double Barrel that contains all the information you could want to know about telemarketing. As of 1:30 this is on the web page, so this is available to the public, every word that's in this material.

Around you you will see charts. To date we've arrested and imprisoned at least 1500 telemarketers. So I think we're having some impact. The problem we have is, no matter how good we are, they're going to always be out there and always try to be one step ahead of us. So as the Attorney General mentioned, if it's too good to be true it's too good to be true.

What we're going to do now for you is to give you an example of a telemarketer and a victim in a conversation, so you can get some flavor for how it goes. As you listen, just picture yourself as a victim being approached by a telemarketer and what happens. In this particular instance the telemarketer is unaware that the victim is taping the conversation and that's one of the advantages that we have. They don't know where we are or what we're going to do.

As you look around on the charts, you'll see that we've been involved in about 38 States with these investigations, and the word gets out among the telemarketers and they say: Don't go to this State or that State because they're working there, and that's what we're trying to do

here.

So we'll listen to the tape.

(A tape recording was played, the text of which follows:)

IRA: I'm okay. I couldn't hear what you said.

KIMBERLY: Are you alive? Are you alive?

IRA: Yes.

KIMBERLY: Okay. Now, you've talked to two of my representatives.

IRA: Hey --

KIMBERLY: Okay, I've been listening to this whole thing. We are not going to sit here and try to talk you into doing anything you don't want to do. You're wasting our time. Okay, I have an executive award with your name on it ready to go out the door. Do you want it, yes or no? Yes or no?

IRA: Well, Miss, I couldn't hear what you were saying in the beginning.

KIMBERLY: I said I have an executive award with your name on it. Do you want it, yes or no?

IRA: Well, do you know what it is?

KIMBERLY: Yeah. You're looking good. Do you want it, yes or no?

IRA: Well, what's your name?

KIMBERLY: Kimberly.

I was listening to my associates, I walked into this office, I can't take it any more. I'm ready to release the executive award, but I'm not playing and wasting my time.

Now, do you want this award from our corporation, yes or no?

IRA: Are you the woman that's in charge of it?

KIMBERLY: Yes, I am. I handle the VIP accounts. And I want you, because I know you want

this award, and I don't mean to sound so firm, but I want you to read that credit card number right now. 5 --

IRA: Wait a minute.

KIMBERLY: Read it.

IRA: Well, I just want to know what the award is.

KIMBERLY: Well, it's one of the nicest awards, in my opinion, to ever leave the company.

Now, read the number, please, because I have a corporation that I'm, I'm, I'm handling here and I have to do an hour's paperwork and I'm going to put my initials on this and send it out, and I don't have time to waste.

Now, that's 5 --

IRA: 5-2-7 --

KIMBERLY: 5 what?

IRA: Wait, I'm getting out the other one.

KIMBERLY: Okay.

IRA: Are you still there?

KIMBERLY: Yes, sir.

IRA: Well, that's --

KIMBERLY: What is it?

IRA: Well, it's a Visa card.

KIMBERLY: That's fine.

IRA: It's 4-1-2-1.

KIMBERLY: 4-1-2-1 --

IRA: Well, I have to --

(End of tape recording.)

MR. JACKSON: That's an example of one of the calls. They use pressure sales. Once they get the Social Security number or credit card number, they can go on from there and just cause a nightmare for you.

Again, the FBI appreciates the opportunity to work with all these fine organizations to do something about a major fraud.

I'd like to introduce the Attorney General for the State of Georgia, Thurbert Baker.

MR. BAKER: Thank you so much, Deputy Director Jackson. Let me say that I too am honored to be here today with U.S. Attorney General Reno to talk about this issue. I'm glad to be here as a representative of the Attorney Generals around this country. We have also taken a great deal of interest in this whole area of telemarketing fraud and are certainly proud to be a part of this announcement.

Operation Double Barrel is a joint effort, as you know, by the U.S. Department of Justice, the FBI, 35 Attorney Generals from around this country who have participated, along with volunteers from the AARP. I think the wonderful thing about it today is that we have been able to combine the investigatory and the prosecutorial abilities at the Federal level and the State level and the local level to deal with this very, very devastating problem.

This joint campaign in my opinion is really serving to tighten the vise, I believe, around the necks of those out there who are engaged in telemarketing fraud, the ripoff artists what target older Americans and many other citizens of this country. State Attorneys General, the U.S. Department of Justice, the FBI, I think we all have as a common goal finding these criminals, prosecuting these criminals, and more importantly, sending a very strong message all across this great country of ours that you can no longer commit these crimes with impunity.

In Georgia, as in many other States now, we have made the fight against telemarketing fraud a top priority. As Attorney General I have had the opportunity to prosecute many of these crimes. It is so refreshing as a State Attorney General -- and I know I say this on behalf of my other colleagues around the country -- that we are now no longer restricted by those geographical boundaries that we see so often that prevent us from pursuing these telemarketing fraud con artists throughout the States and throughout the country in which they ply their trade.

We now have the ability, of course, to prosecute on a statewide level in Georgia, as in many other States. But also, as a result of Operation Double Barrel we now have the ability,

combined with the Federal Government, to prosecute these and to follow these cases on a nationwide basis. Our reach now is national in scope, and that is very significant, I believe, for this operation.

Across this country of ours we have talked a great deal for a number of years about the most effective and the most productive way to pursue telemarketing fraud. As a result of this operation, we've seen approximately 194 indictments. We've seen 150 convictions that have come about as a result. I think those results speak for themselves. We are simply proud to be a part of it.

I want to thank Attorney General Reno today for making the fight against telemarketing fraud one of her top priorities, as we have made this one of our top priorities at the State level. I think far too long now too many people have been victimized by this crime, and we are not only talking about, in my opinion, a loss of millions and millions of dollars throughout this country, but we are also talking about a loss of a sense of security that many people feel and experience as they become the unwilling victims of telemarketing fraud throughout this country.

So as I mentioned earlier and will say again in closing, with the combined resources that are at the table now, with the efforts of the FBI, the U.S. Department of Justice, with the help from AARP and State Attorneys General all over the Nation, we are going to do what is necessary to make sure that we not only send a strong message, but also that we take action where appropriate, that these cases are identified, that they are prosecuted, and not only is restitution recovered but we are also going to send some people to jail.

Thank you so much for this opportunity.

QUESTION: I'm a little confused on the numbers. Operation Senior Sentinel began in '93 and went through '96, and then Double Barrel began in '96? Is that how it goes?

GENERAL RENO: Senior Sentinel began in '93 as an investigation and it built on that. There were tools used by the State Attorneys General. There were other initiatives under way. I announced Senior Sentinel, had a take-down in 1995 in Las Vegas, and that was a very good beginning. But that was a very small beginning compared to what has happened since, in terms not only of more State Attorneys General being involved, more Federal agencies being involved, but the AARP has done some wonderful work, not just in assisting in our investigation but in providing sound educational programs to try to avoid the problem in the first place. But this is a massive expansion of the original.

QUESTION: But the numbers you cited, are those the numbers from '93 on?

GENERAL RENO: Jonathan?

QUESTION: The 12,000 tapes recorded, the 800 Federal arrests, and so on?

MR. RUSCH: The 12,000 tapes represent all tapes that we've been compiling since the very beginnings of Operation Senior Sentinel running up through Operation Double Barrel. The numbers that we talked about with the almost 800 arrests Federally relate to Operation Double Barrel, which begins July 1996.

As you'll see in the press materials, there are also statistics that deal specifically with Senior Sentinel, which ran from '93 up to but not beyond July '96.

QUESTION: So this is the biggest crackdown on telemarketing nationwide ever?

MR. RUSCH: That's correct.

QUESTION: Double Barrel would do that even without Senior Sentinel, or looking at the whole operation from 1993?

MR. RUSCH: Even if we didn't have the great successes we had in Operation Senior Sentinel, this would still be the biggest ever.

QUESTION: When you say that you're sending a strong message about this problem, would you characterize the extent to which you've either dented or crippled telemarketers? Or is this just a very tiny fraction of fraudulent telemarketers?

MR. BAKER: I think the message is very clear. I also think the problem is very broad-based and nationwide in scope. What we are hoping to do here and I believe what we are doing with Operation Double Barrel is making sure that where we can we're going to be very aggressive in prosecuting these cases. There have already been a number of indictments, there have already been a number of convictions.

But to say we've cured the problem would be a misstatement. But I do think it sends a very strong message, and we're all in this boat together trying to address a very needed problem.

QUESTION: Understood. But is it a tiny fraction of fraudulent telemarketers that have been taken down now or is it a significant percentage?

MR. BAKER: Well, I can speak for Georgia. I know that the problem is very broad-based in Georgia, as it is in a number of other States. The FBI may be able to address it on a nationwide basis. But what we do in Georgia is really just dealing with a small portion of it.

We hope to be able to send a very strong message, not only in Georgia, but in our sister

States around the South, as we join together as Attorney Generals and work with Attorney General Reno to deal with this problem.

GENERAL RENO: Mr. Jackson.

MR. JACKSON: Obviously, it would be an estimate if I said that we are having a significant impact. But I believe we are having a significant impact because by making arrests, shutting down the operations, at the same time we're educating the public, and I think that's where you'll tell the difference. Any estimate I made would be just an estimate.

QUESTION: Mr. Director, where are these 40 arrests taking place today and who's making the arrests?

MR. JACKSON: Well, the arrests are in 12 different offices and it's a joint effort with the FBI and the States. If you look around on some of the charts and in your book, you'll have the details on each of those.

QUESTION: Arrests today?

MR. JACKSON: Today.

QUESTION: What are they being charged with and what kind of prison sentences are they drawing?

MR. RUSCH: The typical charges we use in these types of cases Federally would include wire fraud, mail fraud, and in many cases where you're dealing with the ringleaders of the operations who are handling the money they take in from victims, money-laundering as well. In some cases we will even, as appropriate, use RICO charges.

As to the types of sentences, our Federal sentencing guidelines tend to dictate, based on the amount of loss lower level telemarketers might have caused, what sentences they get. But a number of the ringleaders of major operations have received sentences during Double Barrel that have gone as high as 14 years. In one case we know of one telemarketer, a principal in a major operation, who received a sentence of almost 20 years.

So part of our focus has been to try to deal with the strategic dismantling of these kinds of major operations, and the more we can focus on ringleaders and crucial participants we think there we're having a significant qualitative impact.

QUESTION: The press release mentions that, because of the aggressive enforcement, that a lot of these telemarketers are branching out, trying new techniques. Can you go a little into that?

MR. RUSCH: Sure. Part of what we talked about in the press release involves the reasons that we went from Senior Sentinel to Double Barrel. In Senior Sentinel, as the Attorney General will recall, there was a strong focus on major concentrations of telemarketers in cities like Las Vegas, Buffalo, and Chattanooga. Senior Sentinel was very successful in breaking up those concentrations and taking out some major boiler rooms in those areas.

Those people who didn't get arrested at the time tried to compensate for that by moving away from some of the scams they thought were more likely to be picked up by law enforcement. They moved to some of the types of things that Deputy Assistant Director Jackson mentioned, these investment scams. They've also gone to the recovery room pitches and gone to smaller scale operations, on the theory that if they're more mobile, less visible to law enforcement on an ongoing basis, they stand a better chance of taking in lots of money.

That's why it was so important that we expand this to a truly national scope and go after this on a truly coordinated basis between Federal and State authorities.

QUESTION: And now that the cat's out of the bag on this operation, is there something else in the works, since this seems to be an ongoing effort?

MR. RUSCH: I think it's safe to say that this is the kind of technique and the kind of cooperation that is going to be continuing between Federal and State authorities.

GENERAL RENO: I would also add, this is something not just that is national in its scope, but it is international, and we are going to be working with our colleagues around the world. I think we are also going to have to look at what can be done on the Internet in the same vein, and that presents new and extraordinary opportunities for us to work together.

As some of you know, we had a conference this week by video, and this is one of the issues that was addressed and we have much to do. Whether it be violent crime, which is down now six and a half years in a row, or other issues of crime where we think we've made inroads, the one hallmark of our efforts is that we cannot become complacent. We've got to keep ahead of the game. We've got to see what they get into next, and we're dedicated to pursuing them and not becoming complacent and changing to other focuses.

QUESTION: Ms. Reno, if I could follow up on that, as I recall, there has been a period where there was a fair amount of telemarketing scams coming out of Canada, it seemed like. I guess they felt like they were safe if they crossed the border. Is that still the case and what has been done in that vein?

GENERAL RENO: I will let Jonathan talk on the issue, but we've had a number of exchange visits between my colleagues -- there are two colleagues that I deal with in Canada, the

Solicitor General and the Minister of Justice. We have raised this issue and talked about how we can work together with the Mounties and otherwise.

Jonathan, you can address that.

MR. RUSCH: I think we can certainly say that, based on the report that a joint U.S.-Canada working group on telemarketing fraud issued last November and sent to the President and the Canadian Prime Minister, both countries have been actively engaged in discussions since then figuring out what new tools we need in our arsenal to deal with the problem.

I understand that the Canadian Parliament currently has under consideration legislation that would create Federal telemarketing fraud offenses, would expand the law enforcement authority that Canadian law enforcement can bring to bear against telemarketing fraud, and deal with other types of law enforcement techniques that will give them a stronger hand in dealing with the problem.

So we're awaiting those results and we look forward to continuing to work with our Canadian counterparts on this issue.

QUESTION: Are U.S. laws satisfactory to deal with the problem?

MR. RUSCH: We took a close look at that in November of last year and we think that they are strong enough. One of the things that helped recently was the promulgation by the U.S. Sentencing Commission of higher sentencing guidelines that deal with telemarketing schemes, including the ability to get higher sentences in cases where there are schemes that operate from beyond the U.S. borders but reach in to try to get U.S. victims.

QUESTION: Can we hear from Ms. Canja about the need for, say, members of AARP to cooperate with the FBI?

MS. CANJA: Surely. This has been one of the most satisfying partnerships, working with the Attorney General and with the FBI and with law enforcement at every level, because our volunteers have been able to pitch in and be undercover agents themselves and help record some of the conversations, for example.

But there's something else that we are doing that we feel that's really very helpful, and that's our public education. We are throughout our membership alerting them, trying to help them protect themselves from becoming victims. Statistics show, in fact, that 56 percent of these victims are older people, and so it is a concern of ours.

What we also found was that it isn't enough to tell them to just hang up. It's just too easy to say that in too hard to do. So the first thing we had to tell them or help them understand was

that this person on the other end of the line could be a criminal. You would not open your door willingly to a criminal. You cannot just pick up your phone and let a criminal into your house. That is a message we have been sending to our members, and they have been responding to that.

The second thing we have tried to tell them is, plan what you're going to do. Have a strategy. Some people are very comfortable just hanging up. Other people are not, so they have to say something like: I just work here, or he's not home, or anything that makes them comfortable. The important thing is to hang up the phone fast.

Now, if we can work at our end and help people not become victims and just become very alert to the scope of the problem, I think we can really help this effort. That is what we are doing at this time.

QUESTION: Aren't even legitimate telemarketers a big problem for senior citizens?

MS. CANJA: Well, you know, they can't tell the difference. This is what is so hard. And their phone rings all the time, and they are very trusting. Here's something we found in our research. You tend to think of a victim as being someone maybe frail or very elderly and, you know, that is not the case at all. It is usually someone that is very outgoing, someone that really has many ties in the community, someone that's well educated, and someone that has some money. I mean, they go where the money is.

But they are very trusting. This could be their grandchild on the phone trying to make a living. So we have to change that orientation.

QUESTION: On the Internet, is there any effort yet to direct, with the number of seniors on the Internet growing rapidly, to direct Internet fraud, which is also growing rapidly? Or is that sort of the next phase?

MR. RUSCH: I think we can safely say that part of what we have seen in the telemarketing area is that some people who've been involved in traditional telemarketing schemes have looked to the Internet as another mechanism for outreach to victims. So that's part of what the Department's focus, along with the National Association of Attorneys General, has been in developing training and joint efforts to focus on the Internet fraud problem as well.

QUESTION: In this case, do you have any idea how much restitution has been recovered, fines, penalties, and so on?

MR. RUSCH: We'd have to look for the statistics.

GENERAL RENO: Thank you very much. Thank you.

(Whereupon, at 2:01 p.m., the press conference was adjourned.)