



---

## The Citibank Affair: A Purely Russian Crime?

By Nahum Goldmann  
ARRAY Development  
Nahum.Goldmann (at) ARRAYdev.com  
<http://www.ARRAYdev.com/>

Nahum Goldmann has been employed as a manager, scientist and lecturer in leading industrial high-tech firms and academia. Mr. Goldmann has published several critically acclaimed books that deal with knowledge transfer issues.

---

Novoye Russkoe Slovo (NRS), a NY-published newspaper which acclaims itself as the largest Russian-language daily outside of the x-USSR, published an engaging account of the so-called Citibank Affair in September 1995. A fairly large article ("Purely Russian Crime..." NRS, Sept. 15, 1995, pp. 13-14) was written by Vladimir Strizhevsky but was actually based on the original investigative materials submitted by several contributors from Moscow and St. Petersburg, as well as from NY, London, Brussels and other world financial capitals.

Undoubtedly, NRS have done quite a good job in clarifying and illuminating the background of the Citibank Affair. For whatever reasons, the English-language media have not covered the background of Russian participants that well. However, an expert in electronic banking and commerce on Internet might find utterly fascinating the very minute details of this complex crime scheme that involved many people and spread across several continents.

The story at NRS starts at the end of August, 1994 in Tel-Aviv. A certain Alexei Lachmanov, a Georgian national and a holder of a false Greek passport to the name of Alexios Palmidis, had been arrested by Israeli police when he tried to withdraw nearly US\$1M. The funds in question were electronically transferred to five Israeli banks from Invest-capital, an Argentinean subsidiary of the Citibank. The Israelis had been tipped by the Citibank through the FBI with the information that all the money transfers had been done with the illegal use of Invest-capital's own secret codes.

The subsequent multinational investigation has shown that it was a leading St. Petersburg's, Russia computer expert Vladimir Levin who was able to conduct numerous electronic transfers from several Citibank's subsidiaries in Argentina and Indonesia to various financial institutions in San Francisco, Tel-Aviv, Amsterdam, Germany

and Finland. According to NRS's speculations, Mr. Levin's succeeded so well because, in addition to Citibank's own electronic cash-management hub in NY, he was also able to crack down the electronic defense of several SWIFT's branch offices in the third-world countries. SWIFT, a secretive Belgium-based electronic telecommunication consortia of World-leading banks, is primarily involved in mutual settlement payments amongst its members.

On the other hand, in the interview with an NRS correspondent V. Kaminsky, Citibank's spokesman rejected the newspaper's version of SWIFT's penetration. Instead he claimed that Citibank knew all along about Mr. Levin's infiltration, playing with him a sophisticated multistep deception game. Of course, the Citibank's face-saving version of events sounds not that convincing, taking into account a large number of uncontrollable players, a sizable amount of real cash involved, multicontinental reach of the overall crime scheme and the fact that the bank was ultimately unable to recover a substantial chunk of its own money.

Not your ordinary self-taught hacker, Mr. Levin, 31, an aloof man and a graduate of a prestigious Department of Applied Mathematics, was considered somewhat of a computer genius in the St. Petersburg's University circles. The scheme started when Mr. Levin's acquaintance, a Russian-American wholesale trader, asked him to develop programming support for his international trading business.

According to Mr. Levin's university friends, the idea of breaking into secure bank networks has been born somewhat spontaneously during a purely technical discussion on the advantages and disadvantages of different bank networking programs. The debaters were members of a St. Petersburg's group of elite computer experts that could best be described as a local response to the Internet's own Cypherpunk community. I found it fascinating and somewhat ironic that the infiltration plot had actually started as a low-key bet that the Russian famous resourcefulness would triumph where the famed Yankee ingenuity has already proven to be unsuccessful!

In the overall crime scheme, Levin was supported by as many as 30 collaborators, at least some of them computer experts. Several of his partners-in-crime, arrested in the U.S., Russia, Israel and the Netherlands, were primarily involved in cash retrieval and laundering, ultimately the most vulnerable part in any grand scheme of electronic theft. It is hardly a secret that most professional bankers are routinely trained to contest, or at least report to authorities, any suspicious withdrawal of large sums of cash. Some of the U.S. arrests have been successfully kept in secret for many months, for the fear of alerting the criminals back in Russia. Mr. Levin himself was arrested in September 1995 in a UK airport, en-route through that country.

Apparently, in the best tradition of this fledging industry, Citibank have already used the lessons obtained from Mr. Levin's penetration to beef up the security of its own electronic payment system.