

Trailing the money men

SHRAGA ELAM HAS DEBUNKED SWISS HEROES, ANNOYED THE ISRAELI GOVERNMENT, AND HELPED REVEAL RENE RIVKIN'S SECRET SWISS BANK ACCOUNTS. NEIL CHENOWETH TAKES US ALONG THE MONEY TRAIL. ILLUSTRATION BY JOANNE BROOKER.



On October 18, 2004, Zurich-based Israeli journalist Shraga Elam received the call he had hoped would never come. It was from the Swiss State Attorney's office, summoning him for formal questioning about the sources he used for *The Australian Financial Review's* exposé of stockbroker Rene Rivkin's secret Swiss bank accounts in 2003.

Only a week before he received the summons, the *AFR* team had been told the Rivkin stories were finalists in the 2004 Walkley Awards, and Elam was due to fly to Melbourne in late November for the Walkley dinner.

Now that timing looked uncertain. He was being ordered to report to the State Attorney's offices on November 17 for an interrogation under oath.

It had always seemed a calculated risk that the *AFR* stories would trigger an official inquiry in Zurich over the revelations of Rivkin's Swiss accounts and his 2002 testimony to a Zurich district attorney that he, former Labor fixer Graham Richardson and businessman Trevor Kennedy were the secret owners of a \$26million shareholding in Offset Alpine Printing Group.

In August 2004 the deputy head of the State Attorney, an investigating body similar to the American FBI, had contacted Elam to say a complaint had been made over the *AFR* stories, claiming that the paper's unnamed sources had violated banking secrecy and lawyers' rules of professional confidence. There was also concern over possible economic espionage if the source was outside Switzerland.

Elam had hoped the matter would not proceed to a formal interrogation. "The matter was delicate as the Swiss authorities are very sensitive about banking secrecy and were also afraid that the leak came from the District Attorney's office," he wrote in an email.

Elam's lawyer was optimistic as the investigation appeared to be concentrated on the sources and not the journalist.

Elam is a quietly spoken man of 58 who has lived in Zurich since 1979. He was born in Haifa and fought in three wars as an Israeli soldier before taking up a colourful career as a freelance journalist.

In 1999 he was detained for six hours by British Customs agents at Heathrow at the behest of MI6, and his laptop and documents were seized, after he broke a story of a joint operation by the British and Israeli secret services to sell ingredients and know-how for chemical weapons to Iran.

"I assume that the Israeli secret service, like the Brits, kept an eye on me, but the Israelis were more discreet and did not disturb my work," Elam says.

He sparked what he describes as a "hate wave" when he revealed documents which showed that an internationally celebrated Swiss hero, who in 1938-39 helped hundreds of Jews illegally across the border, did it in the

service of the Nazis, who were expelling Jews at that time.

In addition, he revealed classified Swiss documents which proved the Swiss government helped the Union Bank of Switzerland embezzle several billion dollars in Nazi assets.

He triggered controversy in Israel with a book in 2000 revealing how the Israeli government and the Mossad had protected an important Nazi agent. His work as a peace activist in Israel also puts him under the spotlight.

His involvement with Rivkin began in January 2001, shortly after the Israeli Bank Leumi discovered that its private client advisor in Zurich, Ernst Imfeld, had been embezzling clients' funds – though he had not personally benefited from the money, he claims.

With the bank in turmoil, Elam says that on January 17 some disaffected party used a middleman to leak the scandal to Eran Tiefenbrunn, the Berlin correspondent of the largest Israeli daily, *Yedioth Ahronot*.

Tiefenbrunn's source wanted the information released in Switzerland as well as Israel, and Tiefenbrunn then spoke to Elam.

In the wave of coverage which the Bank Leumi scandal generated in Europe, several newspapers with large budgets were hunting a persistent story that a list naming 300 of Bank Leumi's largest private clients was for sale on the black market, though it never came to light.

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Elam, who chased the story with the limited resources of a freelancer, had heard from a source that Leumi's Ernst Imfeld had had a special relationship with an Australian broker called Rivkin, together manipulating several Australian stocks.

Rivkin was also known in Leumi circles because of Australian stories about the \$53million insurance payout from the 1993 fire at Offset Alpine, and the inquest into the 1995 murder of Caroline Byrne, the Sydney model who was the girlfriend of Rivkin's driver, Gordon Wood, at the height of the first Australian Securities Commission's investigation into the mystery Swiss holdings in Offset Alpine.

By 2003, Elam had become convinced the main story was not Imfeld's embezzlement but the bank that had allowed him – or even pushed him – to operate illegally for years.

Elam had established links with a number of sources who were deeply unhappy with Bank Leumi and he had obtained a huge stockpile of documents which had to be worked through.

The documents revealed the names of many Leumi clients, but Elam said he decided he would expose names only where there was a clear public interest.

By mid-2003, Elam had located a large number of documents relating to Rivkin, as well as Graham Richardson and Trevor Kennedy, including Rivkin's testimony to Zurich district attorney Nathan Landshut during the Imfeld investigation.

It will never be clear why Rivkin volunteered those damaging admissions to Landshut about who owned the Offset Alpine shares without being asked.

Rivkin's Swiss lawyer at that time, Benno Hafner, must have known that while bank secrecy is sacrosanct in Switzerland, material from official investigations sometimes ends up in the media. Several documents from the Imfeld investigation had already been published.

"Rivkin seems to have been a nightmare for a lawyer," says Elam. "While he was highly intelligent he talked too much and did not follow his lawyer's instructions."

In mid-2003 it took several months for Elam to confirm that the documents were authentic.

Meanwhile in Australia, Rivkin had been running a defamation action over an article I wrote in 1998 about Caroline Byrne's suspicious death and another article by Ben Hills in *The Sydney Morning Herald*. The case culminated in a High Court decision in September 2003 ordering a retrial, which Elam found reported on the internet.

Two days later he wrote to me and to the *SMH* about his findings. We shared a mutual friend, who had recommended Elam contact me. We were exchanging emails hours later.

In the investigation that followed to re-authenticate the material for the *AFR's* Australian lawyer, Richard Coleman, and which involved Andrew Main, Colleen Ryan and Rosemarie Graffagnini, the issue of Swiss secrecy laws loomed large.

When Rosemarie and I flew to Zurich to meet Shraga, the *AFR* sought legal

advice about the position of foreign journalists holding confidential material in Switzerland. But it was Shraga, who had got the documents and who lived in Zurich, who faced the greatest risk of official scrutiny. Now that day had come.

In fact the interview on November 17 last year was relatively benign. Elam was questioned first by the district attorney and then by Rivkin's Swiss lawyer, Marc Russenberger, together with a British lawyer.

Swiss law, unlike Australia, recognises with a few exceptions the right of journalists not to disclose their sources. But there are traps for the unwary. Russenberger put two clever strategies to Elam. He attempted to extract an admission from Elam that he had prompted his sources to disclose confidential information – which would suggest that Elam had incited a crime.

He then asked Elam if he was aware whether the sources who provided the Rivkin documents to him had committed a crime. At this point the district attorney intervened to say that Elam's source may not have been acting illegally. Elam believes this point is critical because it means that eventually the documents he obtained may be used in an Australian court.

The investigation into Elam's sources appears to have gone no further.

Neil Chenoweth and his *AFR* team, with Shraga Elam, won last year's Gold Walkley for their investigation on Rene Rivkin's Swiss bank scandal. Joanne Brooker is a freelance illustrator. Email: purplespider@optusnet.com.au