

Cathy Scharf: Quiet Exit

Introduction

Cathy Scharf was in banking for over 25 years before she blew the whistle. When the institution she was working for went into receivership in 2009, she moved to a small American bank, SunFirst, in Utah. She quickly became aware of illegal account activity and went on to discover that the bank was laundering money for online gambling sites. Sunfirst's president denied her requests to report suspicious activity. Her disclosure, aided by the FBI and a private lawyer, mobilised a regulator to intervene. Between them, they revealed over \$200 million in laundered funds.

During her disclosure process, Cathy moved from Sunfirst to a contract position at Western Union in Colorado without having been identified as a whistleblower by either employer. When subsequent bosses in other workplaces found out about her disclosure history, it was acknowledged but not perceived as problematic in any way. Following her work at Western Union, she found a job at Bank of George in Las Vegas. Later, she switched to NBH Bank in Colorado where she has been a valued senior employee since 2014.

The disclosure

From the outset, Cathy felt out of place at SunFirst. The main religion was Mormonism. She reflected that one man who invested heavily in the bank was idolised, while women were told what to do and what to wear. A week in, Cathy noticed suspicious activity with a large third party payment processor (TPPP). A TPPP is an entity that helps receive payments online. The TPPP processes the transaction through their account and gives the merchant the funds. There is a risk of fraud with TPPPs and they received a lot of charge backs, that is, returned checks against the TPPP's account. At SunFirst, the poker funds did not appear to be fraudulent but this was not the case with other merchants within the TPPP. Suspicious, Cathy asked to see how account chargebacks were made. She discovered more third party processors nestled within the first one, indicating a complex system of fraud.

The high volume of transactions was connected with online gambling sites. Sunfirst had been on the brink of collapse and in an illicit effort to keep it afloat, executives were accepting cash injections from illegally trading companies in exchange for money laundering services. These 'services' included purchasing large amounts of gold. Between the close of 2010 and autumn of 2011, the bank made nearly \$250 million from poker alone. When Cathy urged her boss to file suspicious activity reports, he only said, "No."

Cathy was emboldened at a workshop for preventing internet gambling to reach out to the FBI. They instructed her to keep a journal and hire her own lawyer. She had to proceed cautiously: going through normal law enforcement would have engaged the bank's criminal lawyers, who were sponsored by the bank's illegal gambling clients. Her evidence prompted a regulator to set up an office within the bank itself, freezing the fraudulent accounts pending investigation. Under cover, Cathy continued to pass on more information to the regulator from both her own probing and from

other female staff who had become allies in her secret work. Twelve men were indicted for alleged conspiracy involvement and, in 2012, the chairperson of SunFirst was imprisoned.

The new role

Cathy now works for NBH Bank in Colorado, where she has been since 2014. Her new role is Senior Vice President and Bank Secrecy Act Officer. The position encompasses risk assessment, policy, strategy, management of audits and sitting on the fraud committee. She enjoys her work and is paid well.

Her past as a whistleblower does not negatively affect her job or her work relationships. Indeed, her employers are fascinated and they commend her for it. For example she recalls, "I was at a board of directors' dinner this summer and I was telling my whistleblower story to them. They were shocked and couldn't believe my story. They were hanging on every suspenseful word... about the whole adventure."

Factors that helped

Networking

When she was leaving SunFirst, Cathy leveraged her social connections as well as online platforms to find alternative leads for work. She used LinkedIn to secure a contract with another financial organisation through a recruitment company. Her active approach, drawing on social networks, provided her with information on opportunities she may have missed otherwise.

New Culture

Cathy's disclosure had been so well-concealed that prospective employers had no idea that she had been a whistleblower. The topic did not come up in interviews. All the same, when her subsequent employers did become aware of her story, they openly praised her for it. "They are actually proud of me... The new CFO saw online her award from ACAMS. He sent it to the whole bank and... said, 'Cathy is a hero,' or... 'a star.' It was really nice." Fortunately for Cathy, her new workplace takes a positive stance on her history. They have not been hostile nor have they overlooked her for promotion because of it, as could be the case in some companies.

The Ability to Move

When she was finishing up the Western Union contract she took when leaving SunFirst, Cathy was asked by Western Union to stay on for the long term as an analyst in their global monitoring department. "They would have hired me but at that time I still lived in Las Vegas." At a later point, she was in a position where moving state from Nevada was feasible and so she accepted a job in Colorado where she has stayed since. Flexibility around work location, Cathy says, was one of the key factors in her successful career progression since her disclosure.

Summary: Cathy today

A convoluted system of internet gambling-based financial corruption pervaded the small bank Cathy Scharf began working for in 2010. Through curiosity and following good advice, she managed to safely unearth the fraudulent banking processes, alerting the authorities and helping to bring the perpetrators to justice.

Cathy quietly collected evidence and secured a new job before leaving the bank. Since then, she has enjoyed a fruitful career in senior positions. Her networking, willingness and ability to travel have supported her along the way. She now has a position that pays well, draws on her skill set and expertise, and allows her to work with colleagues who value her contribution to the industry.

Further reading

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