

MOTU RULES: MATERIAL SUPPORT FOR TERROR EDITION

AmericaBlog's Chris is right. We should not look at yesterday's sentencing of Raj Raratnam as the first act of justice against the banksters who killed our economy.

As I've said many times before, if Raratnam is guilty, fine, find him guilty and send him to prison. But let's not confuse this case with the much larger problem of Wall Street triggering the recession. Raratnam was a swindler and used insider information to profit by tens of millions of dollars. That's a much different story than the trillions of dollars needlessly lost by Wall Street, yet we see no legal action related to those losses.

Not only doesn't Raratnam's sentence represent a victory for the 99%, a former FBI Agent claims that he was largely convicted because of his material support for the Tamil Tigers. (h/t scribe)

Jay Kanetkar, who was [FBI Tamil Tiger infiltrator] Rudra's main F.B.I. handler from 1999 until he left the bureau in June 2006, says that Raratnam's alleged involvement with terrorism was a significant factor in why the F.B.I. and the Department of Justice went to such extraordinary lengths to nail him. "It was a conscious decision," Kanetkar says, "to treat Raj the terrorist the way they treated Al Capone when they got him for tax evasion."

[snip]

By 2005, Rudra's penetration of the Tigers' network was so deep that the

F.B.I. had acquired a comprehensive picture of the group's fund-raising capability. Raj Rajaratnam's name came up frequently. "On the recordings, he was spoken of in a reverential way, with all the kudos he got as a financial whizz," says Kanetkar. "At the same time, he wasn't a commoner, which is why it was hard for Rudra to get close to him. He was reserved for the big stuff." For example, in September 2005, two Tamil Tiger members were duped by the F.B.I. In an attempt to have the Tigers removed from the government terrorism list, they agreed to pay \$1 million to two "corrupt State Department officials" (in reality, F.B.I. agents) whom Rudra had introduced them to. The Tamils went straight from that meeting to Rajaratnam's house, apparently to arrange to get the money, according to Rudra and Kanetkar.

"Rudra told us that the L.T.T.E. had given Raj a very large sum of money for him to invest in the Galleon fund," says Kanetkar. "It was clear that the Tigers did have that kind of money. They were raising \$1 million every time they held a function, and also going door to door—extorting people to pay thousands of dollars for the next wave of operations." Kanetkar and his counterterrorist colleagues had been aware of evidence that Rajaratnam was using illegal insider information since 2001, when wiretaps caught an executive from the Intel Corporation offering him insider tips. The F.B.I. saw the two endeavors—terrorism and insider trading—as connected, says Kanetkar: "Money from insider trading was going into his pocket, and money from his pocket was going to the L.T.T.E."

In other words, if you believe David Rose, the

reason FBI prosecuted Rajaratnam as opposed to all the other banksters who engage in insider trading is because the gains from his insider trading went to fund the Tamil Tigers.

But there's even something funky with that story.

According to Rose's story, the FBI was aware of Rajaratnam's insider training starting in 2001, when they got him on tape getting a tip from an Intel. According to Rose, the FBI was collecting evidence tying Rajaratnam to the Tigers as early as November 2002 (and was reviewing money transfers going back to 2000). And while Rose doesn't mention it, we know the government was already using SWIFT to track terrorist financing by that point. That doesn't help you track insider trading, but it does mean any suspicion that Rajaratnam was financing terrorism would make his money transfers fairly transparent.

And while I'm not surprised in the least that the Bush DOJ chose not to prosecute Rajaratnam for insider trading (indeed, the implication of the Rose story is that the Obama DOJ is still ignoring a lot of insider trading that doesn't have a terrorism aspect), the entire story suggests that the FBI was tracking a prominent trader's alleged financing of terrorism for 7 years and not only never pursued him for that, but didn't indict him for it when they got around to indicting on insider trading, even though at that same point DOJ was sending non-bankster material supporters to jail for 65-year sentences.

Now, maybe the Rose story oversells Rajaratnam's ties to the Tamils, or at least his awareness that they were terrorists. Clearly, the case against Rajaratnam, unlike (say) that against Chiquita's top managers during the same time frame, was not so cut and dry. Perhaps DOJ believed they couldn't convict Rajaratnam.

But the lesson seems not only to be that this is one very small conviction that doesn't even begin to touch the much larger crimes, but that

MOTUs get treated differently even for terrorism-related crimes than ordinary people.