

The CAD Files

A case of 4D and fraud

A bank was cheated of millions, the evidence filled an entire room from floor to ceiling, and over 1,400 counts of cheating charges were filed against one person – a record in the history of the Commercial Affairs Department. In many ways, the Chong Seah Wee and HSBC case was a landmark, and a challenge to crack, as **WONG WEI KONG** finds out

COULD anyone be so lucky? Chong Seah Wee, also known as David Chong, was defying the odds. During a two-year span beginning from 1999, he collected over \$20 million in 4D winnings from Singapore Pools. It seemed too good to be true. And sometime in 2001, CAD was informed of Chong's huge winnings, and decided to investigate.

The job was given to Assistant Superintendent of Police (ASP) Richard Wong and his team of officers from the Financial Investigation Division of CAD, supervised by Ian Wong. Other members of the team were Lim Huey Yong, Chan Tuck Wei, Koo Maylyn, Christopher Liu and Ismail Othman.

As the team got together to conduct a preliminary analysis of the case, they knew right from the start that the investigation would not only be interesting but also challenging.

The first task was to compile a profile of Chong, a customer service officer with the Tanglin Branch of Hongkong and Shanghai Banking Corporation (HSBC). He had been with HSBC since 1984, having joined the bank as a clerical staff. The check on Chong's background quickly raised a red flag with the investigating team. Despite his large 4D winnings, Chong lived humbly. A father of two young children, Chong and his family stayed in a 5-room HDB resale flat in Pasir Ris. He was not involved in any company or business, and his lifestyle was far from lavish.

Surely someone who had won large amounts of money would be spending the money on property, cars and other luxury items? In Chong's case, his family did not even own a car. Can someone be winning so much money from 4D and not be spending it? The investigating team was convinced that something was amiss and felt that Chong's lucky streak at 4D could be connected to some sort of criminal conduct.

There was still a million-dollar question confronting the CAD team: was it possible for someone to win so much money from 4D on a weekly basis? Chong had certainly proved that it was possible. The challenge faced by the team was thus to establish how Chong managed to do so.

Many theories

Several theories were considered and debated. The first theory, which was eliminated quickly, was that the 4D lottery run by Singapore Pools was rigged. However, after an in-depth review of the procedures in place at Singapore Pools and numerous discussions with Singapore Pools officers, ASP Wong and his team came to the conclusion that there were simply too many checks and balances in the lottery system for it to be rigged.

The second theory was that Chong was part of a money laundering or underground betting syndicate who purchased winning tickets from the public. This was a strong possibility but money laundering is usually for the purpose of legitimising wealth. In this case, Chong had no obvious signs of wealth. Furthermore, investigations into Chong's background and personal life did not suggest that he was linked to any underground betting syndicates.

Since the lottery was not rigged, and Chong's winnings were not linked to syndicated betting or money laundering, the team was faced with the possibility that he was a genuinely lucky person. At that point in time, the investigating team had yet to confront Chong and there were no indications to suggest that Chong was in fact cheating HSBC of millions of dollars. Therefore, as suspicious as Chong's 4D winnings appeared to be, it could not be ruled out that Chong was truly lucky, or that he had somehow managed to predict winning lottery numbers.

Still, despite the lack of evidence, ASP Wong was convinced that there was something fishy. As much as everyone would like to believe that it was possible to strike it rich at the lottery, common sense indicated that it was simply not possible for this to be happen-



Smart work: The investigating team – (from left) Koo Maylyn (seated), Ismail Othman, Richard Wong, Lim Huey Yong (seated) and Christopher Liu – received the Commissioner of Police Commendation

CASE SUMMARY: Fraud on bank

CHONG Seah Wee was a customer service officer at HSBC's Tanglin Branch in charge of the banking counter operations and cash section.

Authorised to approve withdrawals of up to \$100,000, Chong would write the names and particulars of either existing bank customers or fictitious ones on the back of debit vouchers and then hand the vouchers to the cashier on the pretext of making withdrawals for clients.

In all, he systematically siphoned \$12.6 million over a period of close to five years from 1997 to January 2002. After taking the money, Chong, a compulsive gambler, would bet heavily on 4D, spending as much as \$500,000 a week. He was convicted and sentenced to 12 years' jail in 2002.

The investigating team decided to interview Chong. In January 2002, Chong was asked to come down to CAD for an interview, which was conducted by ASP Wong.

Chong seemed to sense the reason behind the interview and came prepared, bringing a thick stack of 4D betting slips. During the interview, he appeared calm and explained to ASP Wong that he had chanced upon a winning formula for the 4D lottery and would bet on a set of "lucky numbers" for each draw.

ASP Wong did a quick mental calculation of the 4D bets and estimated that the stack of 4D betting slips Chong brought was worth over \$50,000. Being a seasoned police officer with over 15 years of investigative experience, he sensed that Chong was evasive and was withholding the truth.

Following his instincts, ASP Wong played a cat-and-mouse game with Chong, asking tough questions which Chong simply could not answer. In the end, Chong confessed that he had siphoned money from HSBC to bet on 4D and was immediately arrested by CAD. In fact, Chong was cheating the bank up to the very day that CAD arrested him.

At first, ASP Wong and his team estimated that Chong had probably took a couple of mil-

or fictitious ones on the back of debit vouchers and then hand the vouchers to the cashier on the pretext of making withdrawals for clients. He knew that the counter staff would not verify the particulars on the vouchers.

To cover his tracks, he also made out credit vouchers to balance the books. As Chong had to issue these fictitious credit vouchers on a daily basis, he worked almost all the time during the five-year period, seldom taking any vacation leave. Chong began small by taking relatively small amounts of between \$1,000 and \$2,000. However, caught in a vicious circle of needing more money to cover his gambling losses, he started taking larger sums, about \$200,000 a day.

After his arrest, the investigating team managed to trace and recover more than \$680,000 worth of shares, \$205,000 in six bank accounts and \$160,000 in two fixed deposits. The shares and money came from his lottery winnings and were repaid to HSBC. Still, the bank lost some US\$5.6 million.

12 years in jail

In total, Chong was slapped with 1,415 counts of cheating and a money-laundering charge of converting some of the stolen funds to shares. This was by far the most number of charges against an accused person in the history of CAD. He was eventually prosecuted with 19 charges of cheating and one money-laundering charge. Chong was sentenced to 12 years imprisonment on May 10, 2002.

While CAD's timely intervention stopped the audacious bank fraud by Chong and prevented further losses to HSBC, the case exposed several internal auditing weaknesses in the banking sector.

According to CAD, bank officers were generally given too much autonomy without adequate checks and balances in place – Chong's knowledge of the inner workings of the bank's counter operations enabled him to come up

Fraud prevention

How banks can deter frauds by employees

- Re-examine internal control systems
- Assign two signatories, instead of one, for approving accounting vouchers
- Conduct periodic surprise checks to ensure that bank officers are not in possession of unnecessary pre-signed documentation
- Provide appropriate job training for staff
- Increase audit checks, and train internal auditors to detect fraud

with a scheme to beat the system.

To deter frauds by employees, CAD said banks should re-examine their internal control systems to prevent any losses through employee frauds, assign two signatories, instead of one, for approving accounting vouchers, conduct periodic surprise checks to ensure that bank officers are not in possession of unnecessary pre-signed documentation, provide appropriate job training for staff, increase audit checks, and train internal auditors to detect fraud.

For their part in cracking the case, ASP Wong and the investigating team received the Commissioner of Police Commendation. "The fact that this case was solved owed no small part to the expertise and competence of the investigating team led by ASP Wong," said CAD.

"Chong led a miserable life trying to sustain his crime spree and support his gambling habit. For almost five years, he was caught in a vicious circle of siphoning money from his company to cover his ever rising gambling losses," said ASP Wong.

"If he had not attempted to beat the system in the first instance, he wouldn't be caught in such a plight."

This is the first of a series produced in collaboration with the Commercial Affairs Department