# Appendix 4
# All of this is Unreal
# Reason #7 - On systematic account falsification

**Computer! End program!**

**My Top Seven Reasons "All of this is unreal"**

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When I was thirteen years old, in the summer of 1970, I watched my first episode of the original TV-series *Star Trek*. It was an early rerun wherein Leonard Nimoy's character *Mr. Spock* explained a principle of perception and logic that has remained in my consciousness ever since - as a kind of *filter* for all other information.

The episode, titled *Specter of the Gun*, was thematically based on the famous *Gunfight at the OK Corral* involving Wyatt Earp, Doc Holliday and the Clanton Brothers. At one point in the plot the series regulars, led by Mr. Spock and Dr. McCoy, attempt to create a *tranquilizer* gas using what appeared to them to be certain genuine chemical elements from the local (19th century) dentist (Doc Holliday).

When the gas does not work on the ship's engineer, Mr. Scott, who had volunteered to test it, he and the others somewhat frantically discuss what to do next. But Mr. Spock persists that it is not possible for the mixture not to work, such that if it did not work, then "**All of this is unreal**".

[Mr. Spock explains why All of this is unreal]

In more general terms, a single legitimate view or fact that exposes a fraud completely dominates, displaces, and often *explains*, all others that do not.

The same plot device was employed periodically throughout the original series and in the several *spin-off* series that followed it, often ending with the words "Computer! End program!" when some logical *glitch* in a given deception causes the characters to realize that they are necessarily in some wholly staged reality.

The global financial system in the *real world* has likewise developed quite a few *glitches* in its program, which most significantly reveals that it *is* a program.

If we are being deceived about these, then we are being deceived about virtually everything.

Here are my Top Seven in *countdown* format starting with the least serious.

**Reason #7 why "*All of this is unreal*":**

***Leveraged super-fraud* by falsifying operating / overdraft accounts**

#### Administrative / accounting fraud

The people who administer financial institutions in Canada systematically falsify their customer accounts to defraud their customers. The first level of impossibility is that mainstream financial institutions would do something this objectively provable and flagrantly criminal. The second level of impossibility is that it has been going on for so long.

The practice is a kind of *leveraged-super-fraud* or *super-theft*, because the direct amounts obtained by criminal means can be spent immediately by the banker, while simultaneously *still having them* as the interest-bearing-debt of the victim.

For every $1 fraudulently added to a typically high-interest *operating* or *overdraft account* in 1970, for example, the banks today have $14,400 of constructive credit assets on their books. And that is solely a function of the directly accumulated (compounded) interest charges and *before* what is called financial *leverage*. If you had a continuously active business operating account with an overdraft rate of a nominal 21% per annum (1.75% per month), and the bank fraudulently added $1,000 to the outstanding balance in 1970, you would today owe the bank about $14.4 million in interest on the $1,000.

Whether an actual such account remains active over the whole period is somewhat irrelevant because the criminal law violations mean that the amount of restitution must be measured against the maximum amount that the bank theoretically gains directly or indirectly from the illegal practice. Both law and equity are exceptionally harsh on criminal wrongdoers.

Yet, incredibly, this is truly *the little stuff*. That is why I put it first on the list (*i.e.*, at the low end), but also to provide a kind of *preamble* to what is going on out there in the real world. If the banking people in Canada have done this to just 10,000 small businesses since 1970, then the owners of those businesses would today theoretically / legally own the entire system outright.

The following relatively brief description / summary of what I call the *Phantom Loan* technique (which I wrote in 1998 at the end of a multi-year research / investigation period, with a few minor edits and updates) reveals a longstanding *culture of criminality* at financial institutions throughout Canada (*i.e.*, and they are still doing it today).

What should become evident immediately is that the bankers have no-fear-in-fact of broadly-defined bank auditors / examiners and / or of the accounting / auditing profession (or of anyone for that matter, including and especially the police and the Courts).

Always and everywhere keep in mind how monumentally incompetent the banks' auditors have to be to miss something this obvious for forty-plus years. It raises *willful blindness* and *criminal incompetence* to an *art-form*.

**Rolling tsunami of interest**

First, however, and as a general *frame of reference* throughout, consider the following brief excerpt from Nominal *my butt* on the subject of the so-called and wholly fraudulent *nominal* method of interest calculation. The nominal method is the next *Reason* or *Reason #6* on our list, but the separate **long-term-time-element** is directly and overwhelmingly relevant to each of our seven Reasons.

(Under the *nominal* method, when a bank in Canada (and / or the U.S.) claims that the rate of interest is 6% per annum (with monthly payment), it means a real 6.167%).

**Entrenched-money-power *surfs* the long term interest *tsunami* ever rolling forward**

A more recent globally-shared event demonstrates the same essential (managed reality) phenomenon from a different perspective. Over longer periods, even at still relatively low rates the difference [between a real interest rate and a nominal interest rate] is increasingly significant and eventually monumental. On June 11, 2008, Prince Charles was widely reported as having paid off a debt incurred and owed by his (alleged / legally-pretended) family (King Charles II) some 357 years earlier.

At a real interest rate of 6% per annum, the original £453 debt with interest (as at 2008) was about **490 billion pounds (£490,000,000,000)**. Here is the (full text) story from associated press. Note especially the mix of *studious avoidance* and positive deceit as the *powers that be* dance around the issue of the interest (emphasis added):

**Prince Charles pays centuries-old royal debt - without interest**

June 11, 2008 - 14:34

THE ASSOCIATED PRESS

LONDON - Prince Charles has paid off a royal debt from the 17th century. But he showed modern day financial prudence by declining to pay the accumulated interest, which would have been substantial after more than 350 years.

The payment of 453 pounds and three shillings, or about $900, was made yesterday during a visit to Worcester by Charles and his wife Camilla. The debt was incurred in 1651 when King Charles II was preparing for the Battle of Worcester.

He asked the Clothiers Company in Worcester to prepare uniforms for his soldiers and pledged to pay afterward - but his forces were defeated and Charles fled to mainland Europe.

He left behind the unpaid bill, and never got around to paying it after he returned from exile in 1660 to claim his throne as king of England.

Worcester businessmen have tried to collect the bill for the last 15 years, and according to a statement released by his office, Prince Charles decided to pay it as "a gesture of goodwill."

The Master of the Clothiers Company of Worcester, Andrew Grant, received the money from the prince in a 1650-style gaming purse made by the Royal Shakespeare Company. The two met at the Commandery, the royal headquarters during the battle.

> "We are very grateful to the Prince of Wales for repaying the debt to the Worcester Clothiers Company," Grant said.
>
> Prince Charles said he was happy to take care of the debt but said he would not be paying the interest because "I was not born yesterday." With interest, the bill **would have exceeded** 47,000 pounds, or $94,000, according to the British Broadcasting Corp.

Although (carefully / studiously) misrepresented in the above article, the general (but still unstated) consensus from all the articles that I could find through the internet (I spent about an hour searching and reading on the day of the event), is that £47,000 is what the same quantity and quality of uniforms would cost today. None of the articles that I found dealt with the amount of the debt at actual commercial interest rates, or even much lower *judgment or pre-judgment interest* rates, since the time the debt was incurred (*i.e*., other than to misrepresent it as in the above article).

So why would they do that? News and newspaper editors are constantly and actively looking for ways to sensationalize their stories, yet here where the very subject is unpaid debt-interest charges, they carefully avoid – and apparently deliberately and radically downplay or misrepresent, the fact of it.

Again, at even a relatively modest real 6% per annum the £453 would have grown to almost £500 billion (£490,000,000,000). The story was carried all over the world but, as far as I have been able to determine, not a single mainstream (or even *alternative*) media outlet dealt with the enormity of the real debt, even to speculate – as if the subject of debt-growth / compounding were itself *taboo*. At a real world commercial rate of 2% per month on overdue trade accounts, the royal debt would have grown to £3,119,784,110,359,810,000,000,000,000,000,000,000,000 (*i.e*., £3.1 octillion-billion). Albert Einstein said “The most powerful force in the universe is compound [constant rate] interest”. He knew what he was talking about.

At a *nominal* 6% per annum, meaning an actual 0.5% per month (or real 6.167% per annum), the Royal Family’s debt with interest would have increased from £490 billion to £861 billion versus a real / actual 6% per annum or 0.4868% per month. At just a fraction over a real 6.2% per annum the debt would have grown to exactly £1 trillion.

If I were the editor of a newspaper, especially a stereotypical *British tabloid,* I would have had a two-inch banner headline screaming: “**Royal Family *artfully dodges* £1Trillion (£1,000,000,000,000) in overdue interest!!**!”. And on a *slow news day* I would have had some trouble resisting “**Prince of Wales *welches* on £1Trillion Royal Debt**!!! Probably explains regardless why I’ll never be hired as a mainstream newspaper editor. *Real-world* editors would seem to know instinctively that they can’t go there.

So if a bank had defrauded a customer of £1,000 in 1651, then it would today owe the descendants of the victim a minimum of about £2 trillion based on a nominal 6% interest rate. So what happens if the same bank has defrauded its customers of a new £1,000 every day for the past 350 years?

The only answer the system has is that it would not be fair to confiscate the current fortunes of the mega-wealthy because the criminal acts upon which they are founded occurred so long ago. But the same family fortunes are relentlessly passed down from one generation to the next as a *head start* and *free-lunch* for each successive generation of *free riders* that takes its turn looting the rest of us while genuinely expecting a *thank-you* for so-doing.

When I first did the calculations in the mid-1990's, at that time, in Canada alone, there was approximately **$150 million a day** being passed down as inherited wealth that had been effectively stolen (and by leveraged-super-fraud) by the previous generation and more further-removed ancestors of the beneficiaries.

But the modern generations of *free riders* are making their ancestors look like *rank amateurs*.

And, again, the above Royal debt is based on relatively low rates of broadly-defined gain. It is an *exponential* function such that under an operating or overdraft account with a nominal 21% interest rate, a £1,000 fraud in 1970 is £14.4 million in 2016. What takes about 300 years at 6% only takes 46 years at 21%.

> **Banker:** Mr. Smith, I'm afraid I have some bad news, and some really bad news.
>
> **Mr. Smith**: What is the bad news?
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> **Banker**: Well back in 1970, as a fresh young banker, I bought myself a relatively new used-car and paid for it by fraudulently charging the $1,000 that I paid for it to your business overdraft account with interest at a nominal 21% per annum.
>
> **Mr. Smith**: And what is the really bad news?
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> **Banker**: The really bad news is that today in 2016 you owe the bank $14.4 million on the $1,000 that we effectively stole from you the first time in 1970.
>
> **Mr. Smith**: I see. Is there any good news?
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> **Banker:** Why yes there is! The used car I bought in 1970 was a 1966 Pontiac GTO. I still have it, and it is now worth about $100,000. I like to invest my money wisely.

So with that in mind we can now consider the effect of our most mild or insignificant reason why *All of this is unreal*, and that is the naked falsification of accounts to charge interest on purported and recorded loans that the bank did not make.

The principal take-away is, at a minimum, the breathtaking incompetence of the auditors that something this obvious could go on for forty-plus years without detection in an environment that measures financial performance by the *basis point* or 1/100th of 1%.

**Systematic falsification of accounts**

The *Phantom Loan Technique* (or the *Falsification of Account Technique*) involves a financial institution making a false entry in the debit column of a business operating / overdraft account to increase the interest-bearing loan or overdraft balance accordingly.

In the initial example, (in the referenced Report) the Bank of Montreal made a false entry of $92,800 (round numbers) to convert an actual $10,000 credit balance into an $84,000 overdraft. It then allowed the falsified balance to remain for four days, followed by an equally false (fictitious) but apparently off-setting $92,800 credit / error-correction to the account.

At the end of the month it assessed and converted / collected almost $200 of real interest charges on the falsified / inflated account balance for the four-day period between the false debit and the false credit / *error-correction*.

Over the one-year sample period (September 1, 1990 to August 31, 1991) on this one *Home Hardware* franchise operating account, the bank employed the device **29 times!!!** and assessed over $1,200 of interest for the year on and / or pursuant to recorded advances that were not made-in-fact.

The extra / fraudulent interest charges and overdraft fees accounted for about a 30% increase, *per se*, in gross revenue to the bank from the operating account over the one-year period. The *yield* on business operating accounts is one of the standards by which branch management performance is measured by corporate management (a kind of *coercion*-index).

For the period 1985 to 1994 the three consecutive banks (Toronto-Dominion, Bank of Montreal, Royal Bank of Canada) where the owner kept his business accounts (sequentially) aggregated over $10,000 as interest charges on more than 300 recorded advances not made in fact (*i.e.*, on directly falsified account balances and subsequent interest charges upon them).

The practice and process on its face involves falsification of an account, fraud, breach of trust, breach of fiduciary[1] duty, embezzlement, constructive and actual forgery, uttering forged documents, receiving payments or partial payments of interest at a criminal rate, mail fraud, laundering proceeds of crime, racketeering, and, strictly speaking (in this particular case), *piracy*. And it appears to remain a common practice at the bank(s) today more than thirty years after first being documented (at this particular bank (Bank of Montreal)).

The Royal Bank of Canada, and most, if not all, of the others, engage systematically in the same practice (I have yet to encounter a financial institution in Canada that does not do it).

In its case, when confronted by the account holder (owner of the Home Hardware franchise) in 1994, (its) solicitors / lawyers sent a letter in reply (as the bank, *i.e.*, on Royal Bank letterhead and under the legal *persona* of the bank itself) with an accounting of the interest assessed on the falsified balances and a refund notice for the total (on the few statements that he had submitted to identify and complain about the practice).

> Re: 662[xxx] Ontario Inc. - Mr. [franchise-owner/customer]
>
> Further to your letter of October 14th, 1994, the Overdraft Interest totalling $145.85 has been credited back to the company's Current [i.e., operating/overdraft] Account at this office. Documentation to support these calculations is enclosed.

But then the bank (or rather its management) continued to employ the same device as it does to this day. The practice appeared to be worth at least $100 million per year to financial institutions in Canada in terms of new direct real interest charges and overdraft fees on falsified account entries and balances [based on the data I had in 1998 to the end of fiscal 1995].

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Again, that was in 1998 when I wrote my initial (detailed) report to the owner of the franchise. The full 8-page section summarizing the falsification of the account is here [link] while a more comprehensive analysis and report is here [link].

The owner had taken my much earlier initial introductory/summary report to the local RCMP detachment and the officer in charge read it and said to the effect: "Well that's not *high finance* - that's just theft!" He then went to see the manager at the Bank of Montreal, and three days later was called in to see the manager of the Royal Bank where the officer and his wife had their own home mortgage. He was told that if he did not drop the matter at the Montreal, then the *higher-*

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[1] Note that a typical banker will maintain that the bank does not owe a fiduciary duty to an ordinary deposit account holder, in the sense of having an obligation to ensure that the account holder invests their money (capacity) wisely, but (1) the bank still owes the account holder an honest accounting regardless, and (2) after at least the first few instances of account falsification the bank lost all claim to any right of property in any subsequent deposit made by the business owner, which automatically creates a trust, which automatically makes the bank a fiduciary.

*ups* at the Royal would likely call-in the officer's own mortgage. That is how the system works when you catch it doing something this brazenly criminal.

The significance of the above Royal Bank letter is regardless at least twofold.

First, it *estop*s (legally prevents) the bank and / or its management from later denying its knowledge-in-fact of the fact and / or wrongful nature of its practice. (*i.e*., it precludes the *right-hand-didn't-know-what-the-left-hand-was-doing* defence).

Second, once pointed out, the practice itself is so overwhelmingly and scandalously criminal that the lawyer representing (or rather, *as*) the bank provided an immediate refund *nolo contendere* (*I will not defend it* or *No contest*) instead of implementing the bank's normal four-point negotiation strategy: Deny. Threaten. Deny. Threaten.

Such is technically significant because, if things are as they appear, then both law and equity, and Canada's binding international treaties, dictate that the banks' aggregate victims of just this one practice have a superior legal and equitable claim, to that of the banks (or rather the *owners* of the banks), to virtually all of the banks' individual and aggregate / collective assets.

With literally thousands of branches across the country busy falsifying their accounting records, this single practice could well be of itself among the top ten most profitable *stand-alone "service" industries* in Canada. Among them, private financial institutions in Canada were collecting about $300,000 a day as overcharges on falsified balances in the mid-1990's and it has now been going on for at least 40 years in total, and charged to accounts often bearing interest at a nominal 21% and a real 22.5%.

This direct falsification of accounts is only one of about a dozen common illegal accounting techniques and devices routinely and systematically employed by management of financial institutions, that technically qualify as *falsification of an account* (and / or *fraud*) and where the employee's actual state of mind is irrelevant to a criminal charge against the bank in its own right [or rather as a *holding company* for the wrongfully-acquired assets].

And as detailed in the linked report, the fact that one or more of the *prima facie* criminal offences by the bank(s) is an *enterprise-crime* or *anti-organized-crime* [racketeering] offence means that all subsequent increases in credit (loan / credit assets) supported by the illegal (fraudulently obtained) interest charges and / or overdraft fees are themselves defined as *proceeds of crime* and the Crown / government is legally bound to seize these venerable institutions *lock*, *stock,* and *barrel*.

That is, $1 million of interest assessed against falsified debt balances in the first accounting period will support a $20 million credit expansion by the offending bank in the second period, and the entire $20 million of new loan / credit *assets* are also defined as *proceeds of crime* and must be seized.

The banks appeared to be skimming about $100 million per year in the 1990's under the falsification of accounts technique and which would (and did) support an annual $2 billion ($2,000,000,000) expansion of credit / loan assets, all of which are in fact and in law *proceeds of crime*.

***Grubby-little-Dickensian-thieves-in-law***

Think of Bank of Montreal (and the others) as a tall, patrician-looking, elderly gentleman who is among the 100 richest men or women in the world. *He* is entitled to such imagery by ss. 15(1) of the *Bank Act* which purports to bestow upon him: "[T]he capacity of a natural person, … including the rights, powers and privileges of a natural person." *Very* nice.

But *he* is also a pathological *repeat offender* who compulsively steals / defrauds relatively small amounts from the accounts under his administration and fiduciary-trust duty (a disorder or form of disorder akin to what is called *kleptomania* by psychiatrists[2]).

If, as the Courts have ruled, *he* is entitled to the protection of the Canadian *Charter of Rights and Freedoms*, including *free speech* in the form of political campaign contributions, then is *he* not also *entitled* to the protection of the provincial *Mental Health Act(s),* and the right to receive treatment for his *prima facie diminished capacity?*

Clearly one of the richest *persons* in the world has no conceivable *need* to steal from or falsify the accounts like this, and in such cases the law automatically defaults to a presumption of mental illness / *diminished capacity*.

Consider this same process by the banks / bankers but applied instead to fictitious-debtor accounts. If the bankers were to falsify the balance of a non-existent account or debtor to manufacture earned-interest for its own account (income statement(s) and balance sheet(s)), then no one in the *industry* (banking, regulatory, or accounting) would have the slightest problem seeing it as a massive fraud and criminal activity by the bank and its employees / management.

But if precisely the same fraud is committed against a real account / debtor (and / or creditor-in-fact[3]) meaning a direct victim, then everyone in the *industry* sees that as a constructive reduction in the severity of the bank's crime, and in practice a negation of it, when by objective standards in both law and equity it is a *compounding of the felony*.

We are being systematically conditioned to discharge our natural moral outrage against the actions of the bank(s) / banker(s) against an induced need to punish the human victim units for some real or contrived failing.

In the majority of cases, the bank initiated the process by effectively refusing or declining to honour an automatic debit. The bank then penalised the account holder with a nominal NSF charge, but also increased the debt balance anyway as if it had honoured the automatic debit.

Essentially and psychologically, because the victim of the bank's unlawful and illegal acts is a deemed defaulting debtor, the observer becomes blind to the criminal acts committed by the bank no matter who the victim is.

We are so habituated to accepting anything that is done to punish a defaulting debtor, that we fail to even observe what the punisher is doing-in-fact, regardless of whom they are punishing, or why.

Alternatively, assume exactly the same crime but executed by an employee of the bank who diverts the real interest charges on the temporary inflated false overdraft balances to his own secret account to steal about $20 million per year from just the customers of the bank for which he works. Virtually no one would fail to see the massive criminality of it. So how does the same

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[2]Although I think it important to make a distinction here. *Kleptomania* is technically an obsession with possessing (usually) small valuable objects, whereas even as a composite *natural person* judged by their actions, the bank's motivation is materially different. It wants at all cost to maximise its accounting profits at the expense of the nominal account holder, but it has no obsessive interest in any particular credit.

[3]That is, in the first example the bank was indebted to the Home Hardware franchise in the amount of about $10,000 (net deposit account balance) when it falsified the account with the false debit for $92,800. Because the basic design of the system is to keep the customer very close to the edge, and then fine them for going over, once the bogus interest charges are taken into account, these overdraft accounts are almost always in credit balance. So the banks are technically fraudulent debtors and not creditors and that changes the dynamics of the relationship.

fraud and theft become less serious merely because the same *take* is *divvied up* among the bank's shareholders and as *bonuses* for management?

As to its true scope, assume that the private banks were to have anticipated and incorporated the contingency into their corporate structure by treating the interest charges on the falsified accounting records as constituting a separate and distinct banking system.

Under such construction, (and as a *snapshot-in-time* for example) this parallel banking system receives a new $100 million per year of interest (*circa* 1994) on falsely-inflated balances which it then leverages 20-to-1 in the broadly-defined financial markets. It then repeats the process the next year while also carrying-forward the gains from the current / previous period. After 40-plus years in total the constructive banking system based solely on fraudulently-acquired revenue (as *seed capital*) is vastly larger than the official / other system.

Again with reference to the AP story on Prince Charles and his royal debt, had the Crown actually paid / discharged the accumulated interest at the end of each year, then (at 6% per annum) it would have only spent a total of about £30,000 over the 356-year period. But because no such periodic payments / discharges were made, the total owing as at 2008 is £490 billion.

Every time - **every single time** - that a bank's employees falsify its accounting records to generate a real interest charge on a fictitious advance and fraudulently-inflated balance, it effectively drops a ***law-and-equity-liability-time-bomb*** that will of itself eventually consume the entirety of the bank's equity and all of its assets.

The extra $200 that the Bank of Montreal pocketed on May 31, 1991, from its falsification of the Home Hardware account (just this single incident used as an example), gave it an extra $200 to spend in 1990, while simultaneously creating an additional $200 of debt on the operating account that bears interest at the rate of 1.75% per month. Thirty years later, that is a $103,000 liability to the bank.

If a single executive or board-of-directors were to be found to have expressly authorized such a practice, then that executive or board would be in a psychiatric facility. The practice itself does not become any less dangerous-in-fact simply because management at all of the financial institutions appear to be engaging in the same *prima facie* fraudulent practice.

Computer! End program!

Black's Law Dictionary (6th ed.) has a definition of "pattern of racketeering activity". This definition, which derives from several American cases, reads, in part, as follows:

As used in the racketeering statute ..., a "pattern of racketeering activity" includes two or more related criminal acts that amount to, or threaten the likelihood of, continued criminal activity. ... A combination of factors, such as the number of unlawful acts, the time over which the acts were committed, the similarity of the acts, the number of victims, the number of perpetrators, and the character of the unlawful activity can be considered in determining whether a pattern existed.