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Cast of Characters

WIRECARD

- Markus Braun** Chief executive and, from 2007 onwards, largest shareholder. Partial to a black turtleneck.
- Jan Marsalek** Teenage prodigy who became chief operating officer. A fan of jiu-jitsu and military tactics who carried a solid-gold credit card.
- Burkhard Ley** Chief financial officer from 2006 to 2017. An unashamed dancer.
- Hamid ‘Ray’ Akhavan** Californian porn baron, friend of Jan Marsalek, Wirecard business partner. Maintained a personal armoury in Calabasas.
- Paul Bauer-Schlichtegroll** Entrepreneur, pornographer, founder of Electronic Billing Systems, owner of Wirecard from 2002 to 2005, supervisory board member until 2009. Known to some as ‘Disco Paul’.
- Christopher Bauer** Manila tour bus operator and long-standing Wirecard business partner involved with Ashazi Services in Bahrain and PayEasy Solutions in the Philippines. Member of the Iron Cross Sons biker gang.

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MONEY MEN

Oliver Bellenhaus	Early Wirecard employee. Teetotal racing driver who became head of Wirecard's largest unit, CardSystems Middle East, in Dubai.
'Colin'	Friend of Jan Marsalek, whom he met drinking champagne on the terrace of Pacha with Markus Braun. Ran Goomo, a travel business.
Simon Dowson	Paperwork guy, operated Brinken Merchant Incorporations in Consett, County Durham.
Andrea Görres	Lawyer, general counsel. Wirecard employee number thirteen.
Pav Gill	Lawyer, Wirecard's Asian legal counsel in Singapore. A product of his single mother's determination.
Dietmar Knöchelmann	Businessman, he sold G2Pay to Wirecard in 2007 then ran it for another year.
Alexander von Knoop	Bookkeeper, Wirecard chief financial officer from 2018 to 2020.
Edo Kurniawan	Bookkeeper, the workaholic head of Wirecard's Asian finance team based in Singapore. Prided himself on cleaning up the mess of others.
Henry O'Sullivan	Businessman, publicity-shy dealmaker, rambunctious entertainer, shooting enthusiast and friend of Jan Marsalek.
Ramu and Palani Ramasamy	Brothers. Original owners of the Indian business Hermes i-Tickets, purchased by Wirecard in 2015. Known as 'The Boys'.
'Mr Samt'	Spin Doctor, Jan Marsalek's personal PR guru. Lego enthusiast.
Simon Smaul	Irish head of sales for G2Pay in Dublin. Left Wirecard in 2010 to run an independent partner. Petrolhead.

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CAST OF CHARACTERS

Rüdiger Trautmann Salesman, Wirecard chief operating officer from 2005 to 2009, when he left to become president of a rival, Inatec Payment. Chatterbox.

SPIES

Andrey Chuprygin Russian. Former colonel, an academic at Moscow's Higher School of Economics with a speciality in Libya.

Hayley Elvins British. Private detective. Ex-MI5.

Rami El Obeidi Libyan. Former head of foreign intelligence for the transitional government in Libya. A loyal guest of the Dorchester Hotel.

Grey Raynor British. His firm APG Protection was involved in multiple surveillance operations. Mancunian.

SHORT SELLERS AND ANALYSTS

Carson Block Activist short seller based in San Francisco. Took down Sino Forest and the FTSE 100-listed NMC Health. Once ran a Shanghai self-storage business.

Matthew Earl Blogger and short seller behind the 2016 Zatarra Report. A crusader persecuted by hackers.

John Hempton Australian raconteur. Ran the hedge fund Bronte Capital.

Eduardo Marques Brazilian short seller at Valiant Capital, San Francisco. Central casting's idea of a hedge fund manager.

Heike Pauls Analyst, Commerzbank, Wirecard superfan.

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MONEY MEN

- Fraser Perring** Co-founder of Zatarra Research & Investigations. A struck-off social worker turned trader.
- Leo Perry** Investor for Ennismore Fund Management, London. An early short seller of Wirecard stock. Softly spoken aficionado of accounting fraud.

‘BANDITS’

The affectionate nickname for Paul Murphy’s pool of sources

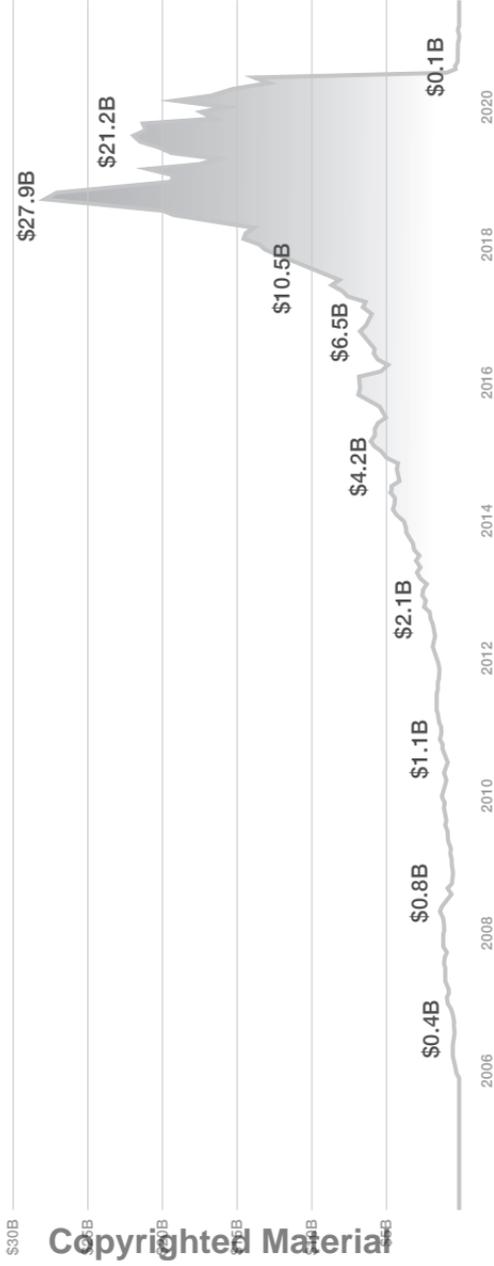
- Nick Gold** Bandit, stationer, co-owner of Soho cabaret club The Box.
- Gary Kilbey** Bandit, owner of Fabric nightclub in London, secret source of Paul Murphy.
- Tom Kilbey** Bandit, son of Gary, former professional footballer and reality TV star.

FINANCIAL TIMES

- Lionel Barber** Editor. ‘Lionel the Movie’.
- Nigel Hanson** In-house lawyer. A careful, rigorous badass.
- Sam Jones** Investigations team. Schooled in spookery and Russian literature.
- Cynthia O’Murchu** Investigations team. Expert tracker of paper trails.
- Paul Murphy** Founder, *FT* Alphaville. Knows the value of lunch.
- Stefania Palma** Singapore correspondent. ‘Donna Stefania’.

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Market cap history of Wirecard from 2003 to 2021



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MONEY MEN

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Prologue

BY JANUARY 2019 I had spent two months cloistered in a bunker to one side of the *Financial Times* newsroom. I'd worked 'off the grid', beyond the reach of online hackers, and each night my air-gapped computer and notebooks had gone into a safe with steel walls six inches thick. The paranoia I took home with me, eyeing fellow commuters with suspicion, alert for signs of the surveillance I knew my sources were under. They were nervous and impatient, then one of them fell ill. She'd thought it was stress, but her doctor had bad news: it looked like brain cancer. Would she live to see justice done?

Head bowed, I waited for the verdict of the editor, Lionel Barber. We were in his office on the first floor of the *FT* building in London, perched above the Thames by Southwark Bridge, where he delivered pep talks and dispensed bollockings. Seated with my back to the river, I looked at a picture of him playing cricket with the Pakistani professional turned politician Imran Khan as I tried to control my drumming foot. A popular and respected editor, Barber was a renowned dropper of names, known as 'Lionel the Movie' for his habit of placing himself at the centre of dramatic events. Clubbable and enthusiastic when things were going well, he was forensic and ferocious when they were not.

It was dark outside, the end of the day, when the international edition was almost put to bed and he had time to see us. I watched Barber in his suit, tie and running shoes, the merest hint of grey at his temples, reading glasses on the end of his nose, marking up the story

with a fountain pen as he called out errors and additions in a stern tone. He reached the end and paused for a moment, weighing it in his hands.

‘This whistleblower, I don’t want to know his name, but who is he? He’s asking me to put the reputation of the *Financial Times* on the line.’ A pointed finger jabbed the text. ‘Tell me why I should trust him’.

Even in that inner sanctum, I was nervous about mentioning details. The target of our investigation was a renowned tech company, and some of the group’s critics had found their private messages and emails plastered over the internet by hackers. There were no mobile phones in the room, a precaution against electronic eavesdropping. Was it possible the room could be bugged?

I took a deep breath. ‘He’s a lawyer, and he’s put his career and safety at risk by talking to us. He wants to do the right thing, and I believe him, but the point is we don’t have to believe him. We have the documents.’ I had chapter and verse on every aspect of this particular story so I took refuge in the facts, reeling off details as Barber listened closely.

To my left was Paul Murphy, a senior *FT* editor who’d been with me every step of the way on this one. What we suspected, but didn’t know for sure, was that Barber had his own ticking clock. Rumours were circulating that he was finally on the way out; what we did next could cap his legacy or, if we were wrong, wreck it entirely. Seeing Barber roll his eyes as I got bogged down in detail again, Murphy jumped in and cut to the chase. ‘Look, even the company’s own lawyers think they’re crooks, yeah. It’s there in black and white.’

Instinctively, he didn’t mention the company’s name, as if the invocation would summon it Voldemort-like into the room. It was an unspoken superstition Murphy and I had fallen into, lest we prompt any eavesdroppers to sit up and take notice. It was always ‘The Company’ or, for this investigation, *Ahab*; I’d been chasing it for so long it was a news desk joke, a great white whale I couldn’t let go, like the captain in *Moby Dick*. Here’s what I knew: The Company was called Wirecard. It had raised billions of euros as Europe’s answer to PayPal, a payment processing company poised to take a cut of the

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trillions of dollars of online payments flying through the air every year, but the truth was far stranger: taken to its stock listing by a porn magnate, The Company now had dozens of global subsidiaries, some of which didn't seem to be real businesses; its critics had been hacked, stalked and physically threatened. There were red flags all over the place, except that stock analysts were insisting that the emperor was very finely dressed – in fact, it had just overtaken Deutsche Bank in the stock market. Its billionaire CEO (chief executive officer) was feted as a technological visionary, champion of a future where notes and coins ceased to exist and all money was digital.

Initially I'd had trouble describing Wirecard to the *FT* lawyer, but over the course of five years of investigation I'd realized that was the point. Nobody, not its investors or regulators, really understood what was happening inside. I had become convinced The Company was run by Austrian gangsters who were, for reasons we couldn't fathom, protected by the German authorities. It was knee-deep in the worst kinds of porn, gambling and online scams. Its top brass appeared to be in bed with warlords, spies and mercenaries. Now, finally, I had proof that something inside The Company was rotten, a document which made me gasp the first time I laid eyes on it. At the top of every page was a tantalizing warning: 'Legally Privileged & Strictly Confidential. Please keep in safe and secure custody. Do not make copies or circulate.' It was a reporter's dream – I knew only the really good stuff got that sort of treatment. Squinting at my phone, I'd skimmed down a contents page written in block caps. There was a parade of strange company names, but then words started to jump out; **FALSIFICATION OF ACCOUNTS; FORGERY; CORRUPTION; MONEY LAUNDERING.** It was miraculous. I'd felt giddy, and I'd worked for months to have the confidence to put those words into print.

I followed Murphy's lead. 'Their whole business is moving money around the world. They've got their own bank, and it's wormed its way into the financial system. They're supposed to be whiter than white.'

Barber nodded. He looked to the fourth person at the table, Nigel Hanson, a sardonic lawyer in shirtsleeves who was taking detailed

notes of proceedings on top of a thick file of papers. He'd already been through the story with a fine-toothed comb, and with every pass he found something new to consider, a loose word that might give one of London's most feared legal rottweilers, the law firm Schillings, something to sink their teeth into. He could often appear harassed, as the lone defender of the *FT*, and would generally take the opportunity to sand down a sharp edge if he could. Barber trusted him. 'What's the legal risk?'

Hanson put his pen down. For once he seemed relaxed. 'From a libel standpoint I think we've got strong grounds here: solid evidence, clear public interest, a reasonable belief that what we have is true. I think we do have to face the possibility that the story is so damaging they will sue anyway. They have unlimited resources.'

It was the final push. Barber bristled: 'I'm not going to be bullied. The story is good. If we get sued, so be it.'

It was our signal to leave. I felt a mix of elation and nausea at the prospect of testing the story in public after months of work. It would give the sources what they desperately wanted, but would also bring with it the risk of exposure. As we rose, Hanson threw in a final request. 'If it's OK, I'd like to get a second opinion, just to be sure.'

The next day, Friday morning, Hanson wobbled. On his cycle into work he dropped a hard copy of the draft at the law firm the *FT* used, rather than trust email. As soon as he got to his desk in the newsroom, barely visible under towers of case files, he took a call from the outside lawyer. It wasn't libel we had to worry about, it was an injunction. If we weren't careful The Company could make sure that the story would never see the light of day. A third opinion was needed, that of a barrister who would be called on to plead the case in front of a judge, if it got that far. A conference was hastily arranged.

At 6.30 that evening Murphy, Hanson and I waited outside Barber's office in the 'U-bend', the corridor of power at the end of the newsroom floor where the higher-ups had their offices. We were about to take part in the most expensive conversation I'd ever experienced: a phone call with a Silk, a Queen's Counsel ranked at the very top of the legal profession. Murphy issued quick instructions on how to handle this rare beast. 'They think they are gods. Colossal egos.'

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Whatever happens, don't get into an argument. A QC is used to being the most important person in the room. If you disagree with them they just harden their position.'

This one got straight to the point. 'I've skimmed the lawyers' report and the draft story. If I was advising the other side, I'd tell them to go for an injunction.'

Hanson prodded her into laying out just what that meant. Schillings would rush to the High Court in London, asking it to halt publication of the story, claiming breach of confidence in accessing internal company documents. We'd have to show up with what we wanted to run and try to convince a judge why it was in the public interest. We might get an immediate decision, but more than likely it would be stayed for six weeks to give both sides time to prepare their arguments, during which time we couldn't publish. It would be a disaster. The Company would get weeks to clear up and invent cover stories, and there was a danger we might be gagged altogether. We risked exposing our sources for nothing. Then there was the potential cost: the loser pays the bill for both sides, easily a six-figure sum.

The editor spoke deliberately. 'This is Lionel Barber here. You're telling me we can't publish. I can't believe this, we're exposing fraud at a large listed company and you're telling me it's confidential.'

'My advice is that you face significant risk that an injunction would be sought and granted.'

Barber had his arms out, appealing the umpire's decision. 'What about the public interest?'

Failing to hide my exasperation, I chimed in. 'This is clear evidence of criminality. Surely we've got a public interest in exposing it?'

She stood her ground. 'Is it clear? It says this is only an interim report. What were the final conclusions of the investigation?'

I wanted to scream. 'It was squashed. That's why the whistleblower approached us, there was a cover-up.'

'And would this person testify to that fact?'

The faces around the table were grim; we all knew the answer. I'd been a journalist long enough to realize the London courts were a disaster best avoided, a cudgel oligarchs and despots used to cow opponents and settle scores, but this was a new low. When the

call finished we'd spent thousands of pounds of the *FT*'s money to shred my story. Murphy cursed the idiocy of the system. I was in shock; this was the best chance I'd ever had. What would I tell the whistleblowers?

Barber sent us off out into the darkness. 'We're not going to solve this one tonight, and I have to catch a flight to Tokyo. I want us to find a way of getting this into print.'

Five days after the QC torpedoed the story, my alarm went off at 5.30 a.m. It was Wednesday, 30 January. I'd slept fitfully that night, and as soon as I opened my eyes the adrenaline surged. This was the moment of truth. We had stripped the story down to its bare minimum and rested it on a presentation from my cache of documents which made no mention of confidentiality or legal privilege. A mid-level finance executive in the group's Asian headquarters had been investigated for cooking the books. Yet, instead of being suspended or fired, he was promoted.

All I had to do that morning was find out if it was actually true. In the months of work, one final detail had proved elusive: was this character still in the job? If he'd left, we had no story. We couldn't show our hand by making contact until the last moment. We had to give him and The Company a reasonable amount of time to respond, but no more. The risk of an injunction was still real.

It was too early to make coffee; the grinder would have woken the children. I settled for tea, sat at the desk in my threadbare dressing gown and prepared to make the call to his office line. The plan was to send questions at 6 a.m., early afternoon in Singapore and the start of the day in Munich, which was an hour ahead of London. I waited until 5.53, then dialled.

'Hello, is that Edo?'

'Yes, hi.'

'Edo Kurniawan?'

'Yes, can I help you?'

'And you're still head of International Finance?' There was an affirmative noise. 'Brilliant. My name's Dan McCrum, I'm calling from the *Financial Times*, I'm a newspaper.' No I wasn't, I should

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have made coffee after all. For a second I was thrown. ‘Oh, sorry, the *Financial Times* newspaper. I just, um, I just wanted to talk to you about a story, er, which we’ve been reporting on. And what I’ll do after this call is I’ll send you some questions, which if you could take a look at would be very much appreciated. There’s a relatively short deadline on it. If you want to get back to me that would need to be by 9 p.m. Singapore time today. By today, yes.’ My heart was pounding. Here goes. ‘OK, so the main thing is I understand you have been investigated for your involvement in suspicious transactions at Wirecard, backdating and forging documents.’

Kurniawan cut in. ‘I am not aware on that. I’m in the middle of a meeting at the moment. I’m closing off the group audit, actually,’ he said, politely trying to get off the phone as quickly as possible. ‘Thank you. Bye bye.’ Click.

I punched the air. We were on, the story was good. It was a tiny fraction of what I knew about The Company, the facts, theories and whispers I’d heard over the years: that it processed payments for extreme pornography; it was in bed with the mafia; it had regulators and politicians in its pocket; its supposedly thriving businesses were nothing but empty shells; it would stop at nothing to avoid being exposed. It was, however, a start, a signal to the rest of the world that something wasn’t right. Would it work? Would we even get the story out? The questions were ready and I hit send. In seven hours we would have our answer.

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Smoke in the Office

2003 – Hallbergmoos, Bavaria

DENIS WAGNER'S WIRECARD JOB interview in December 2003 exposed quite how little he knew about payments processing. He'd made the trek from Munich out to Hallbergmoos, where Wirecard occupied an expansive modern three-storey building on an office estate next to the airport runway, and found himself politely explaining to the interviewer that no, he didn't know anything about acquiring, or payment gateways, or any of the other bits of technical jargon a serious candidate might be expected to have thoughts on.

In his early thirties, Wagner was trying to escape a dull job at a Munich commercial bank. After university he'd spent the dotcom boom years at a start-up trying to revolutionize initial public offerings, by making it as easy for the person on the street to buy shares as to put money in their bank account. As it happened, Germany's finance industry had risen to the challenge of shovelling overhyped garbage on to credulous investors with the same gusto as Wall Street and the City of London. After the stock market collapsed, Wagner found work at a bank. If pressed, he might have been able to give the basic definition of a payments processor: it's the company that helps send money between businesses and their customers. But it was clear to both men in the room that Wagner was not equipped to manage relationships with Wirecard's banks.

Wirecard's finance director was serious but friendly, and he put a

kind gloss on the disaster. ‘Denis, you’re really an honest man, I like your courage.’ Wagner assumed it had been a wasted trip, so he was surprised to be called back to Hallbergmoos to meet the company’s owner, and even more surprised when he met him.

Paul Bauer-Schlichtegroll did not look like the head of a financial business. He wore trendy trainers and designer jeans, and at about forty was slim, with a ruddy perma-tan, sun-flecked brown hair and a gravelly voice that gave him the air of an ageing rock star. Bauer apologized for the state of the office, where a giant ashtray was overflowing with cigarette stubbs. He seemed uninterested in Wagner’s experience, instead asking about who he was and, more importantly, what he wanted. Wagner marvelled at a man who seemed totally at home with money – amassing it, displaying it and dangling it – as the inquisition quickly focused on the basic human desire for buckets of cash.

‘OK, this would be your expected salary, of course, and what else do you want?’ said Bauer, mentioning a number that prompted Wagner to blink. Bauer, not appearing to notice, continued to negotiate himself higher. ‘You’ll want a car, of course, I’ll write that down. And that salary – fixed, or with something on top?’ he asked.

‘Yeah, it might be a good idea to get something on top, that would be nice,’ mumbled Wagner, feeling that something very strange was happening. He was sure he’d come back to the same building. Was he in the right meeting, had Bauer confused him with someone else?

‘OK I’ll write down 30 per cent on top,’ said Bauer. ‘Now, where do you live? Do you need some money for changing apartments?’

Wagner declined; he already lived in Munich. Then, his head spinning and without actually being offered a job, he was ushered out. The whole exchange lasted less than twenty minutes.

The next thing he heard was bad news. The banking relationship job had gone to an internal candidate called Oliver Bellenhaus. The good news was another interview for the sales team. At his third attempt, Wagner was in.

He arrived at Wirecard for his first day on 15 January 2004. Waiting in reception while HR was summoned, a sharp click-clacking made him turn. Used to the conservative air of a bank, he was transfixed by a woman tottering towards him in six-inch heels,

wearing make-up and a dress more suited to a certain kind of stage performance.

A pointed cough interrupted Wagner's gawping. 'You must be Denis. I wasn't expecting you till February.' The head of HR had arrived from the other direction. The sales manager who offered him the job no longer worked there, she said. She handed him some glossy brochures on the merits of Wirecard's payment processing expertise to digest while the disorganization was resolved. Finally shown to a small room, the door opened into a pall of smoke where three people were gabbing away on phones. To one side a man was puffing on a cigarette as he spoke while another, also lit and apparently forgotten, smouldered in an ashtray on his desk. The lone woman smiled and waved, while the guy closest to the door, middle-aged and balding, stood and shook Wagner's hand with a nod and a friendly wink before returning his full attention to the handset: 'So hardcore you say, how hardcore? Right, four men and full penetration . . .'

Wagner could only laugh. What had he walked into?

The hand of serendipity was a 1997 flight from Munich to Berlin when the conversation turned, as was natural, to the subject of pornography. At the time Paul Bauer was making a bundle from skate wear as the exclusive distributor for Vans trainers in central Europe, along with a handful of other clothing brands. The chatty passenger next to him was a photographer for the American skin merchant Larry Flynt, whose iconic *Hustler* magazine was the foundation of an adult entertainment empire. Bauer learned there was video, television and a stable of periodicals that included *Rage*, a Gen-X lifestyle magazine mixing alternative politics with pictures of women falling out of their edgy urban clothes. Here was something he could sell, Bauer thought. Yet it turned out Flynt lacked a German publisher, which is how Bauer found himself invited to the Beverly Hills headquarters of Flynt Publications.

Flynt's office was gargantuan and gloomy. Underfoot was a bright-green carpet, squares of stylized foliage, covered with a small palace-worth of gilded French rococo furniture, Tiffany lamps and marble statues. The effect was Louis XIV transported from Versailles

to California as an ageing hoarder. Bauer found Flynt alone, in a gold wheelchair behind an immense mahogany desk. He negotiated in a murmur and the terms were straightforward: Bauer would pay a licence fee on whatever he sold. They shook hands and, just like that, Bauer became a pornographer.

Back in Munich, it took Bauer just three issues of *Hustler* to realize that print publications were doomed. Online was the future, and he had Flynt's vast inventory of material behind him. The question was how to charge for it. He started a new company, called Electronic Billing Systems (EBS), and hired a twenty-one-year-old local programmer who knocked up some rudimentary software to take direct debits and run what were called 'diallers'; it was the age of dial-up modems, so to access the adult material customers could switch their internet connection to a premium-rate number and pay via their phone bill. (If they forgot to switch back and continued browsing online at vast expense, bad luck for them.) Within a short space of time Bauer had diallers operating in more than twenty countries, which he monitored from a screen on the wall in his Munich office. The dashboard was mesmerizing, a torrent of money flowing into his pocket, but Bauer didn't stand still. He bought another payments processor to improve the technology. The system wasn't much better, EBS could barely reconcile transactions and the admin was a disaster, but the internet gold rush was on and the money pouring in for everyone was so great it didn't matter.

What transformed the business was the 2001 collapse of a rival on the other side of town. A payments processor called Wirecard went bust thanks to a combination of buggy software and a failure to win big clients. For just €500,000 and a commitment to keep on the staff, Bauer swooped in for the office furniture, the technology and the name. Wirecard quickly became the most valuable part of EBS due to its ability to process debit and credit card transactions. The message to his new employees was simple: chasing reputable blue-chip customers was out. One of the old Wirecard hands went from pitching Sony in Brussels to sitting at a formica table in someone's kitchen dealing with the proprietor of websites dedicated to 'assholes and armpits'. (He didn't stick around.) Others who made the transition

recalled how calls to Wirecard customer service reflected the shift. 'I've been online for thirty minutes and I still haven't had sex,' a frustrated voice might rant, uninterested to learn that the helpline was for payment problems only. Some callers would be perplexed and angry, finding the number on their credit card statement next to a mysterious item.

'What's 2000Charge? I've never heard of them.'

'Well sir, have you by any chance recently used your credit card to subscribe to certain websites online, perhaps of an intimate nature . . . ' the Wirecard rep would suggest. At this point the caller on the other end of line typically fell silent. A murmured 'ah' as the conversation barrelled into areas they'd prefer not to examine. Sometimes the muffled interrogation of a teenage son percolated through.

'Many of our customers prefer that a discreet reference appears on their bill,' the Wirecard rep would continue, if the line wasn't already dead.

When Denis Wagner joined the sales team in 2004, there was a chaos to Wirecard. Snap firings kept staff on their toes (the chain-smoker would soon be gone), but the company was growing fast and Bauer had loyal defenders among the staff who considered him a friend. The other man in Wagner's room was a former car salesman who looked after a weird array of small customers. He said it was his ex-wife who'd prompted Wagner's blushes on the first day; struggling for alimony, Bauer had helped him out by hiring her. Wagner had his doubts about staying on at such a weird company, but when he followed up with another business he'd applied to he mentioned that he'd started at Wirecard. The response was abrupt: goodbye, and good luck. Out of options, Wagner knuckled down and joined a team which was working on a new Wirecard product, an online wallet called Click2Pay, which brought him into the orbit of Jan Marsalek.

Marsalek ran the tech team of almost twenty people on the floor above Wagner. A Viennese whizz-kid of twenty-four who'd been one of Wirecard's first employees, he said he hadn't finished high school or learned to drive because he had better things to do. He was an athletic five foot eleven, a fan of jiu-jitsu with a buzz cut and brown

eyes that flashed with charm. There was something special about Marsalek, thought Wagner, but with a decade more experience he saw hints of recklessness. In the evenings they often caught the S-Bahn back into the city together. Munich's light rail network operated on an honour system without gates, just machines to validate tickets and occasional checks by inspectors. So Marsalek didn't pay. When he was caught he didn't argue, he just produced €40 from his back pocket, said thank you very much to the guard and the next day started the game again.

After a few months their commute changed, when Bauer's collection of businesses moved to a low-slung octagonal building in Neukeferloh, an industrial estate in Grasbrunn, out on the eastern fringes of Munich. A bold stripe of on-brand company blue ringed the lobby walls. Electronic glass doors sprang open at the touch of a pass card. Management and high-risk processing moved into the first floor, where Paul Bauer took a large corner office with space for several people to meet, adorned by a striking coffee table book, a special edition of work by Helmut Newton, typically opened to a page of the arresting nudes for which the photographer was famous. Marsalek and his tech team were relegated to the basement, although he didn't confine his activities to software development. In August 2004, one of Wagner's most important London clients, responsible for a selection of online casinos, flew into town. As soon as he heard about the visit, Marsalek took charge. He knew the man – let's call him Jack – to be a stickler for detail and how to deal with him, he explained. On the last trip over he'd put him into a taxi at 4 a.m., a model in tow. At their meeting the next morning Jack was so exhausted and hung-over he'd barely been able to focus on the numbers he was there to review and had jumped on an early flight back to London.

This time, Wagner and another colleague tagged along. Dinner for the foursome was an avant-garde place offering experimental food to those with substantial expense accounts. A savoury mousse squeezed from a tube like toothpaste, vegetables in a liquorice broth, revelatory steaks. As the wine flowed Marsalek became caught up in the topic of his own success. He was proud not to have wasted time at a university, he said, getting ahead directly on the job while his peers sat in tedious

lectures. Resolved to go far, Marsalek's hero in business was Dietrich Mateschitz, the Austrian marketing genius who had launched Red Bull in Europe in 1987. What really caught Marsalek's imagination was the intangible nature of it all. The business was worth billions, he said, but from the very first minute everything was outsourced, the production, the distribution. 'Behind the brand is nothing but air. Isn't it brilliant?' he enthused.

Wagner, a salesman finding himself out-talked and outshone, was fed up and attempted to leave once the meal was finished but was subjected to a charm offensive. 'Denis, please don't go home, Jack is here to see you. We're going to a club called Pacha. Come with us, we'll have a good time,' Marsalek promised, practically dragging him into a cab to Munich's party district.

Pacha was in high demand, a taste of Ibiza club life transplanted to Bavaria. The crowd lined up outside was young and casually fashionable, bouncing on that edge between excitement and anxiety in the balmy night air. The bouncers guarding the entrance were notoriously picky. Men in designer T-shirts and women in summer dresses palmed pills to each other in the queue, trying to gauge the level of scrutiny up ahead as the beautiful and the wealthy passed the test. Marsalek led the men straight through the side entrance, a high set of gates that opened into a grand courtyard. He was greeted like an old friend by the man guarding the VIP terrace. 'Jan, good to see you! Where's Markus? Come this way, your table is waiting.'

Raised a few steps, the terrace was just high enough for the group to take in the whole crowd, and for the crowd to admire them right back. With exaggerated humility, Marsalek made a suggestion: 'Gentlemen, would it be OK if I ordered a bottle of Louis Roederer Cristal?' As empty champagne bottles accumulated, Wagner realized that Marsalek's promise had been fulfilled; they were having a very good time indeed. Only the next day, once he'd peeled himself out of bed, did the thought occur that he might be on the hook for some of the bill, but in the office Jan reassured him. 'Don't worry, I'll take care of it.'

The client, meanwhile, was delighted with his night of fun. And when it was Wagner's turn to visit him in London, he found that Jack

was delighted with the service from Click2Pay as well. Jack's business took care of legal matters, marketing and payment processing. 'Everything is going through, we're getting such a small number of blocked transactions, I really thought we'd get a lot more rejections,' Jack said.

Online gambling was legal in the UK, but there were plenty of jurisdictions around the world where it was prohibited or where the status of online casinos and bookmakers remained a grey area. In Germany, for instance, it was unregulated because no laws had been passed to address the new industry. Some banks around the world refused to allow payments for gambling via the debit and credit cards they issued. Do not pass go, do not collect the gambler's £200. To identify and block these transactions they used two key pieces of information which were attached to every payment on the Visa and Mastercard networks. One was the unique Merchant ID (MID), which identified the business taking the payment. The other was the Merchant Category Code, which described the type of commerce involved. Online gambling was coded 7995, and those four numbers represented a serious challenge, both to processing payments and to Wirecard's business model. Under Paul Bauer's guidance the company had become the pre-eminent payment processor for online gaming, which soon dwarfed porn in terms of the payments involved. However, Wirecard had started to lose business to Neteller, a rival with a solution to the problem of blocked 7995 transactions that was elegant in its simplicity. Instead of paying money directly to a casino, the would-be player transferred money into a Neteller online wallet – an innocent e-commerce transaction. The wallet was then used to load funds at digital slot machines and blackjack tables, without involving the card networks. In the unlikely event that anyone took an interest, the payment processor could adopt the pose of *Casablanca's* Captain Renault: shocked, shocked, to find gambling going on in here.

Click2Pay was Wirecard's version of an online wallet, and judging by the reaction of Jack it was working as intended. Denis Wagner was uneasy on the flight home to Munich, however, as he considered the transaction volumes pouring through Click2Pay for online gambling. Millions of dollars of payments were flying through every month

coded as innocuous business. It was great for Wirecard, which earned a fat commission, and as a salesman he had a happy client who would sing his praises to others, but was everything above board?

Paul Bauer didn't share Wagner's ethical misgivings about Click2Pay, but he was starting to think about the exit nonetheless. He'd run the company for almost a decade, made a fortune, and it now had far too many staff and pointless meetings for his liking. Selling to a rival was out. He'd taken over a series of those, and the serious competition left were American companies who wouldn't be interested in Wirecard's gambling-focused business; he certainly hadn't had any offers. Selling some of his shares to the public by listing on the stock market looked like the best route to maximize their value, and another deal he'd done at a bargain price had paved the way to do it. Shortly after he rescued Wirecard, Bauer had scooped up the bones of a second company on its way to the glue factory. InfoGenie was an almost defunct operator of call centres from Berlin that was beset by accounting problems. It was a near-worthless penny stock, but it had gone through the expense and so-called scrutiny of an initial public offering on Frankfurt's Neuer Markt in October 2000, a final piece of trash foisted on to the public in the dying days of the dotcom boom. InfoGenie's shares had little value and barely traded, as Bauer owned most of them, but they were listed. He decided to take Wirecard public by obliterating InfoGenie in a process known as a reverse takeover.

In December 2004, a couple of lawyers from the firm CMS oversaw the operation. Like a parasite devouring its host from the inside, Wirecard was injected into the corporate shell, emerging to walk the stock market in its place. Bauer could now cash in his chips at his leisure, selling his shares to stock market investors whenever the price was right. And he'd also used the process to boost his business, by attracting gambling operators to Click2Pay with a revenues-for-shares scheme: for every €10m of transactions sent through Click2Pay, they had got a handful of stock.

In the Wirecard office, Jan Marsalek handed Wagner a white plastic card, entirely blank on one side, a black magnetic strip on the

other. It was an unbranded prepaid card. The idea, Marsalek said, was to link them to e-wallets maintained by Click2Pay. Gamblers would get the white card in the post, then they could take it to any ATM and withdraw their winnings in cold, hard cash without leaving a paper trail back to their bank account. Wagner mentioned his misgivings, but Marsalek was dismissive. 'No one is paying any attention, don't worry about it.' He had a point. A technical violation of rules laid down by Mastercard and Visa didn't even seem to be something the card networks were exercised about. Wirecard could also only operate with the help of a financial institution, which would have to bless the scheme. These banks were central to Wirecard's business, which is why the payments novice Wagner hadn't got the job of helping nurture such relationships. And the man who did, Oliver Bellenhaus, was the catalyst to bring Wagner's concerns to a head.

Bellenhaus had been one of the first people hired to work at EBS by Paul Bauer. A bloodless character, practically albino, he could look swamped in a suit and had a baby face with a fuzz of fast-receding hair. A specialist in banking technology, Bellenhaus was the card whisperer. He collected prepaid credit cards like other people accumulated business cards, asking for one at every meeting, taking prepaid cards when the banks were unwilling to give this polite but slightly odd, pale visitor a line of credit. He knew banking systems inside out, and that knowledge and position made him both a key figure inside the company and one of the most infrequently seen as he flew around cultivating banks, sometimes with Paul Bauer in tow. It was an elusive quality which caused aggravation, Wagner noticed. One day a senior member of the sales team marched into the Click-2Pay room, fuming. 'Can anyone in this company tell me where to find Oliver Bellenhaus?' he ranted, to shrugs. When Bellenhaus was spotted in Grasbrunn, it was in an office strewn with the boxes and packaging of whatever gadget had recently arrived. He'd either be on the phone or blowing off steam by playing *Call of Duty* on a big television attached to the wall.

The screen came in useful later when the porn site Live Jasmin was signed up as a client. The salesman involved mentioned it to Bellenhaus, slightly concerned. 'We just boarded this cam site, and