

Elliott Abrams to deliver “humanitarian aid” to the Contras.

On March 9, 1985, weeks after Camarena’s body was found and as *EIR* was preparing the release of the second, expanded Spanish edition of *Dope, Inc. (Narcotráfico, S.A.)*, Lyndon LaRouche convened an international anti-drug conference in Mexico City, where his proposal for a comprehensive hemispheric war on drugs was presented for the first time. The 15-point plan included this prescient warning: “The greatest political threat to democracy in Venezuela, Colombia, Peru, and other countries, is the use of the billions of revenues held by the drug traffickers to fund terrorist armies, and to bring corrupted military officers into right-wing coup plots. . . . It is impossible to break the ominously increasing political power of the drug traffickers in Mexico, Colombia, Venezuela, and other countries, without capturing the billions of dollars of drug-revenues run through corrupt banking institutions.”

Within the 15-point plan, LaRouche underscored the need for a “system of total regulation of financial institutions, to the effect of detecting deposits, outbound transfers, and inbound transfers of funds, which might be reasonably suspected of being funds secured from drug trafficking.”

Addiction is skyrocketing

Today, the illegal drug trade has passed the \$600 billion a year mark, and may be already beyond \$1 trillion per annum. Figures on skyrocketing drug addiction in the former Soviet bloc are hard to come by, but in impoverished regions, such as Afghanistan, Pakistan, and South America, drug abuse is now epidemic.

It is no longer a secret that the major American, British, and continental European commercial banks are running the money laundering for Dope, Inc. Several years ago, when Raúl Salinas, the brother of former Mexican President Carlos Salinas de Gortari, was arrested on murder charges, evidence came to light that he had several Swiss bank accounts, where enormous amounts of ill-gotten cash landed, after passing through his private account at the New York City headquarters of Citibank.

The Salinas case became a paradigm for the problem as a whole. Motivated, in part, by the looming prospect of Ibero-American nations falling like dominos to the drug cartels and their narco-terrorist armies, a number of members of Congress, as well as President Clinton’s Director of the Office of National Drug Control Policy, Gen. Barry McCaffrey (ret.), at long last appear ready to tackle the financial side of the drug trade.

In November, the Senate Permanent Investigations Subcommittee (SPIS) held two days of hearings on the involvement of Citibank in several hot-money scandals, including the Raúl Salinas case. Bills are pending before both Houses of Congress, which begin to redress the decades of protection for America’s big narco-bankers. Perhaps, 21 years after the fact, LaRouche’s call to action is being heeded.

Senate hearings on highlight criminality

by Suzanne Rose

On Nov. 9 and 10, the Senate Committee on Governmental Affairs, Permanent Investigations Subcommittee (SPIS), chaired by Sen. Susan Collins (R-Me.), held hearings on the vulnerability of the U.S. private banking system to criminal money laundering, an industry estimated by one witness at \$500 billion to \$1 trillion a year, half of which comes to the United States.

On the first day, Sen. Carl Levin (D-Mich.), the subcommittee ranking member, at whose request the hearings were convened, gave a powerful opening statement: “We can’t condemn corruption abroad—be it officials taking bribes or looting their treasuries—then tolerate American banks making fortunes off that corruption,” he said. Rather than just an exposé of “corruption,” what emerged in the two days of testimony, was a chilling picture of bankers acting with stone-cold disregard for the moral issues confronting the nation—especially as it relates to drug-money laundering. According to *EIR* experts who have exposed, since 1978, the methods of U.S. banks in aiding and abetting money laundering, those with the biggest need for money-laundering services are drug traffickers, who seek to hide more than \$1 trillion a year in proceeds.

A report on Citibank/Citicorp

The SPIS hearing focussed on the findings of a year-long investigation conducted by subcommittee staff into the activities of Citibank, America’s largest bank. The SPIS report, which centered on four cases in which Citibank/Citicorp “services” were used to launder money for wealthy clients, was released to the press on Nov. 8.

The most egregious of the four cases was that of Raúl Salinas, brother of the former Mexican President Carlos Salinas de Gortari, who laundered \$80-100 million through Citibank. A Swiss court, which ordered the seizure of more than \$100 million from Raúl Salinas’s bank accounts in a civil proceeding, determined that the funds were tainted by drug trafficking. Yet, to date, no indictments have been brought against any banker implicated in this affair, a fact that has angered members of Congress such as Rep. Maxine Waters (D-Calif.) (see her letter elsewhere in this section).

The hearings also provided a rare glimpse into the workings of “private banking,” something which the American public knows little about. Through the mouths of the wit-

money laundering of U.S. banks

nesses, all top officials of Citibank's "private banking" division, the Senators and the public heard about the outrageous procedures used, which are all *legal* under the deregulated U.S. banking laws. For example, a wealthy foreign client can count on Citibank's "private banking" division to take his or her money, in chunks of millions of dollars. From there, the "personal banker" will set up a fully registered company, complete with a board of directors (completely unknown to the depositor) in a designated location, usually an island haven where the taxes are low and the banking secrecy laws ensure that the bankers *will not disclose* the identity of the depositor—even ignoring subpoenas from U.S. government agencies!

Called to testify at the hearings were top figures in this business: Amy Elliot, Raúl Salinas's "private banker" at Citibank; Alain Ober, vice president, Citibank private bank; Albert Misan, Mexican country head of Citibank private bank; G. Edward Montero, Western Hemisphere head, Citibank private bank; Antonio Giraldi, former Citibank private banker, currently in Federal prison for money laundering; and John Reed, CEO of Citicorp/Citigroup. Also testifying were Ray Baker, an expert on money laundering from the Brookings Institution; Richard Small, Assistant Director, Division of Banking Supervision and Regulation, Federal Reserve System; and Ralph Sharpe, Deputy Comptroller for Community and Consumer Policy, Office of Comptroller of the Currency, Department of the Treasury.

A 'bank within a bank'

The hearings brought to light the extremes to which Citibank and other banks will go to hide the funds of wealthy customers, in what is called the private banking system. This is a "bank within a bank," which is not subject to the rules and regulations of other commercial or retail accounts. Testimony revealed that the private banks are the second most profitable division, after credit cards, earning a rate of return in excess of 20% for Citibank. Citibank has 40,000 such accounts. It is estimated, according to the committee report, that the assets of the private banks worldwide are \$15.5 trillion.

A customer must be able to deposit at least \$1 million to be accepted into the private bank. In return, the customer acquires his own private banker, to be his advocate within the system, to arrange for his accounts to be shrouded in secrecy,

and, presumably, to evade the tax and regulatory laws of both the United States and his country of origin. In the case of Salinas, this involved setting up a shell corporation (called a private investment corporation, or "pic"), through which the funds are deposited in a jurisdiction, such as the Cayman Islands, Netherlands Antilles, or Switzerland, which has secrecy laws against divulging information about the account. The ownership of the corporation is disguised, even from bank personnel. The private banker does not even keep the name of the customer in connection with the accounts. Under such arrangements, even subpoenas from U.S. law enforcement agencies will not be honored.

In the case of Salinas, the Cititrust branch in the Cayman Islands activated a Cayman shell corporation, called Trocca Ltd., for his funds. Salinas's money was moved out of Mexico, through what are called "concentration accounts," into the secret accounts established for him by his Citibank banker. In the concentration accounts, the money to be laundered is commingled with other bank funds, so that it cannot be traced. Citibank used three Panamanian shell companies to serve as the board of directors, officers, and shareholders of Trocca. Citibank owned all of these companies, which established a trust, identified only by a number, to own Trocca. Raúl Salinas's name appeared nowhere in any of the records of the bank. Trocca accounts were established for Salinas in London and Switzerland. Cashier's checks, deposited by Salinas's fiancée under an assumed name, were deposited into Citibank accounts in Mexico, then wired, through concentration accounts, into the Trocca accounts.

Salinas's banker at Citibank, Amy Elliot, admitted that she did not do a background check on Salinas, or his source of funds prior to opening the account, in violation of written bank procedure. Instead, she relied on the Salinas name, on the fact that his brother was the President of Mexico, on his reputation for wealth, and his association with other prominent political figures, including President George Bush. When asked why she ignored the rules, she said, "President Salinas was a hero, a Harvard-educated reformer, a guest of President Bush at the White House. He worked with Bush and Clinton on NAFTA [the North American Free Trade Agreement]."

Only after Raúl Salinas was arrested in 1995 for the murder of his brother-in-law, did Elliot comply with bank regulations requiring that a written client profile be kept on record.

After Salinas's fiancée was arrested attempting to withdraw money from his Swiss accounts, a conversation among Citibank personnel was recorded on the bank's taping system, and accessed by the committee. The exchange suggests that the Salinas money be transferred from Citibank's London accounts to Switzerland, but then concludes that it is too late to hide the paper trail!

After the arrest of Salinas's fiancée, Elliot filed a suspicious activity report (SAR), as required under U.S. money-laundering law, but she *failed* to report the existence of the

Trocca accounts. Another tape, of a conversation between Elliot and Pedro Homan, records Elliot stating that the highest levels of the bank management knew of the Salinas transactions. This excerpt was presented to the subcommittee:

March 1, 1995 1:59 p.m.

Elliot: Uhm, everybody was on board on this.

Homan: Yeah.

Elliot: I mean this goes. [unintelligible] (The ah) in the very, very top of the corporation this was known, okay. . . .

Homan: Yeah.

Elliot: . . . on the very top Pedro.

Homan: Okay.

Elliot: You and I are little pawns in this whole thing okay?

On the second day of the hearings, Antonio Giraldi, a former banker at Citibank, who is now serving a 10-year sentence for a money-laundering offense, gave lurid details about the lengths to which private bankers will go to hide money for their clients. He told the panel that bank managers would give them lists of people to call “cold” in pursuit of new customers, indicating that the managers approved of the names on the list. Money-laundering services provided to customers included making loans against money which the bank held for them in their trusts, so that they could set up legitimate businesses in their home countries and pay back the loans with more dirty money. He testified that private bankers travelled incognito, as tourists, to the countries in which their clients were located, so that the authorities would not be alerted to possible capital flight.

The banks have not reformed

Throughout the hearings, top officials, including Mexican private bank head Albert Misan and Citibank CEO John Reed, testified that the bank had stringent regulations against money laundering, and that the problem was only that it “took a while” to get bank personnel to comply. However, the Senators were not buying the idea that Citibank has reformed itself.

Senator Collins pointed to the number of audits which the private bank division had failed during 1990-96. Bank officials replied that Citibank had introduced new, more stringent regulations in 1996-97, and that compliance had improved. But, it was pointed out by the Senate committee that the stricter enforcement had come about only because it had been set as a precondition for Citibank’s 1997 merger with Travelers Life Insurance.

Furthermore, testimony was elicited which demonstrated that Citibank continued to knowingly launder money even after its self-policed “reform” in 1996-97. The case of former Gabon President Omar Bongo, whose account was managed by Citibank through 1998, was illustrative. The source of funds for his \$111 million account was designated in Citibank records as “the Gabon budget,” even after the account was reviewed by Federal Reserve regulators.

Reed was questioned extensively by Levin on why the

bank set up branches in jurisdictions outside the reach of regulators, which left the bank the opportunity to launder money. Reed replied that his bank would set up operations only where regulators *had* approved. “If there was something about the legal structure that precluded our regulators from doing an adequate job of regulating us, they wouldn’t let us be there,” Reed claimed.

A heated exchange followed between Senator Levin and Federal Reserve representative Small, in which Levin concluded, based on his questioning of Reed, that even if other countries would not be bound by requirements excluding secrecy, and even if business was lost as a result, so what? But, as seen from Small’s replies in the following excerpt, the Fed and the bankers see it differently:

Levin: I’m not satisfied with that answer. Reed said if secrecy were a problem, the regulators would have told us. Our banks profit from dirty money. You should not tolerate this. Citibank said it was no problem if you said this. Why do we allow banks to operate in secrecy jurisdictions?

Small: We are getting access and we don’t see the same problem as in the past. We would hear an uproar if we tried to shut access to offshore accounts.

Levin: Why don’t you recommend that the regulators must have access?

Small: We have to evaluate this and get back to you.

Systemic changes needed

Following the hearings, Levin introduced legislation to strengthen money-laundering laws. However, it was clear from the hearings, that Levin’s legislation could not cure the system of its defects. The laundering of drug money is already an offense under the current money-laundering statute, enacted in 1986. However, there have been no money-laundering indictments as yet for the vast sums involved in the Salinas case. Levin’s bill proposes to add two more predicate crimes: bribery and corruption of foreign governments. This merely points the finger at so-called corruption in government, the latest whipping boy for the globalists, who deregulated the banking system, leading to the speculative financial bubble which depends on dirty money to sustain itself.

The second problem pointed to in the hearings—the fact that branches of American banks are located in secrecy jurisdictions, where the sharing of information about a client’s accounts is forbidden—is not really addressed in the legislation, except to require that the name of the account’s beneficiary be on file in the United States. To eliminate the practice of American banks locating their branches in offshore, unregulated jurisdictions, would require a political mobilization to end the globalization of the financial system, and reregulating it under the control of sovereign governments.

This solution was inadvertently raised by Citibank’s Reed, who said that the problems of the banking system being used to launder huge sums of illegal money didn’t exist until recently, because before then, nations had capital controls.