

Washington Post

TUESDAY, JULY 30, 1991

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BCCI Is Indicted on Fraud Charges

N.Y. Prosecutor Calls Bank Case History's Worst

By Mark Potts
and Robert J. McCartney
Washington Post Staff Writers

The Bank of Credit and Commerce International, its founder and another executive were indicted yesterday on charges of fraud, money-laundering, bribery and theft by a New York grand jury in a scheme that District Attorney Robert M. Morgenthau called "the largest bank fraud in world history."

BCCI is "one of the most complex and secretive criminal organizations we have ever encountered," he said. "The best estimates indicate at this time that upwards of \$5 billion has been lost through this fraud."

The indictments were the most serious criminal charges brought to date in the widening scandal surrounding the Pakistani-founded, Arab-owned and Luxembourg-based BCCI, which was shut down and seized by regulators in Britain, Luxembourg and the Cayman Islands earlier this month. BCCI also is the



ROBERT MORGENTHAU

Morgenthau said his investigation is about one-quarter completed.

THE FEDERAL RESERVE



AGHA HASAN ABEDI

■ The Fed is seeking a \$200 million fine against BCCI and an order barring BCCI founder Agha Hasan Abedi and other foreign investors from doing banking business in the United States. The Fed said BCCI secretly controlled First American for more than a decade.

THE SENATE SUBCOMMITTEE ON TERRORISM

■ Sen. John F. Kerry (D-Mass.) will hold hearings Thursday on the Federal Reserve's regulation of First American, the alleged bribery by BCCI of Peruvian central bankers, and reported links between the Central Intelligence Agency and BCCI.



SEN. JOHN F. KERRY

MOVING AGAINST BCCI

Manhattan District Attorney Robert Morgenthau announced an indictment against BCCI and its top executives for violations of state banking law including:

- Fraud, by allegedly misrepresenting its ownership and financial condition to potential customers.
- Larceny, arising from a \$30 million loss by American Express Bank Ltd. when BCCI was seized by authorities July 5.
- Bribery, involving an alleged \$3 million payment to senior officials of the Central Bank of Peru in order to obtain deposits for BCCI. Peru's account at BCCI once held as much as \$270 million in 1987.
- An alleged failure to report cash deposits of \$10,000 or more on eight separate occasions, an apparent effort at money laundering.

THE JUSTICE DEPARTMENT

■ Four U.S. attorneys—in the District, Miami, Tampa and Atlanta—are conducting separate parts of a criminal investigation into BCCI.

■ At the Federal Reserve's request, the U.S. Attorney in the District is investigating whether Clark Clifford and Robert Altman, chairman and president of First American Bankshares, deceived regulators about First American's true ownership by BCCI. Clifford and Altman have denied doing so.



ROBERT ALTMAN



CLARK CLIFFORD

BY MICHAEL DIEN—THE WASHINGTON POST

subject of investigations in Britain and other nations.

Morgenthau told a news conference in New York that the indictments brought yesterday covered "maybe 20 to 25 percent of what will ultimately result from this investigation." He declined to elaborate.

The specific charges in yesterday's indictment include defrauding individual and corporate BCCI customers—including American Ex-

press Bank Ltd.—by misrepresenting the bank's ownership and financial health; laundering money for drug dealers and organized crime by failing to properly report large cash deposits; and bribing officials of Peru's central bank.

The New York charges are similar to a wide range of allegations about BCCI's operations being investigated by authorities all over the world.

See BCCI, A7, Col. 1

BCCI, From A1

The 12-count indictment names as defendants BCCI and several of its affiliates; Agha Hasan Abedi, the Pakistani businessman who founded the bank in 1972 and ran it until 1989; and Swaleh Naqvi, who was the bank's chief operating officer until 1990.

The reclusive Abedi, who sold controlling interest in BCCI to Sheikh Zayed bin Sultan al-Nahayan, ruler of Abu Dhabi, in 1990, told the Associated Press in Pakistan yesterday that he believes he will be found innocent of the charges. "The truth will ultimately prevail," Abedi, who is 68 and in ill health, told the news service.

Naqvi, who lives in Abu Dhabi, could not be reached for comment. Morgenthau said he would seek to extradite both men to the United States for prosecution. Abedi and Naqvi could face prison terms of 25 years or more each, and BCCI and its affiliates could be liable for millions of dollars in fines if convicted.

Included in the indictment are allegations that BCCI fraudulently solicited deposits from customers in the New York area and elsewhere

by falsely representing BCCI as a healthy bank when it was in fact virtually insolvent for several years.

"The essence of the scheme was to convince depositors and other banking and financial institutions, by means of false pretenses, representations and promises that the BCC Group was a safe financial repository and institution for funds," according to the indictment.

Morgenthau said BCCI used what he called a "rent-a-sheik plan" to gain credibility, paying Arab businessmen to pretend to be the owners of the bank and help it gain respectability with potential customers, competitors and regulators.

"You use the name of the sheik, you pay him some money for the use of his name, and he had no financial stake in the bank," Morgenthau said. The defendants systematically falsified financial and ownership statements of BCCI "to make it appear as though it was a solvent, profitable bank secured by the backing of wealthy businessmen from the Middle East. In fact, much of the bank's capitalization [financial underpinning] and assets were fictitious and its backing illusory."

Among those who put money into BCCI as a result of its fraudulent as-

angled to protect Df. which succeeded in Florida case on behalf of BCCI & refused N.Y. access to documents its case requires

no reference to CIA involvement or to the fact that a Saudi principal in the crimes was formerly head of Saudi intelligence. story also

sertions, according to the indictment, were American Express Bank Ltd., a New York-based subsidiary of financial services giant American Express Corp. The indictment said American Express lost \$30 million in deposits in BCCI from foreign currency trading and other transactions when BCCI was shut down July 5. Because the money was obtained fraudulently, "the losses are thefts," Morgenthau's office said, subjecting BCCI, Abedi and Naqvi to charges of grand larceny.

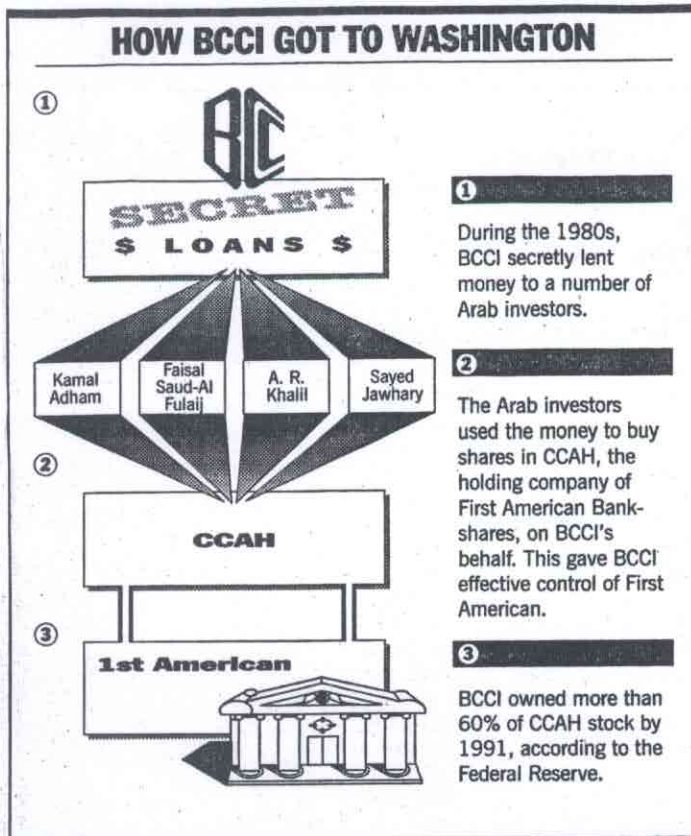
An American Express spokesman said the company's bank, which operates exclusively overseas, did have a routine relationship with BCCI, but said it had "no net credit exposure with BCCI." A banking source familiar with the situation said the Amex bank had more than \$30 million in BCCI's money on deposit when BCCI was shut down, offsetting any losses.

Morgenthau, who has been probing BCCI's affairs for two years, pulled no punches in his descriptions of BCCI in a press statement and news conference announcing the indictments.

"BCCI was operated as a corrupt criminal organization throughout its entire 19-year history," the district attorney said. "It systematically falsified its records. It knowingly allowed itself to be used to launder the illegal income of drug sellers and other criminals. And it paid bribes and kickbacks to public officials."

The bribe and kickback charges involve, among other things, a \$3 million bribe BCCI allegedly paid to two former senior executives of the Central Reserve Bank of Peru—identified by Morgenthau in his press conference as president Leonel Figueroa and general manager Hector Neyra—in exchange for deposits from the bank. Figueroa, Neyra and Peruvian central bank officials could not be reached for comment yesterday.

The indictment also alleges "the payments of bribes and kickbacks to agents of other banking and financial institutions" to get their business, although it provides no details. It was not clear whether those bribes and



BY TRACY KEATON—THE WASHINGTON POST

payments were made to Americans or foreigners, and Morgenthau declined to comment.

The charges of money laundering followed a guilty plea last year by two BCCI divisions and five bank officials to federal charges in Tampa, Fla., that the bank laundered money from drug dealers. BCCI agreed to forfeit a record \$14 million in assets in that case.

The new indictment alleges that BCCI helped launder money from drug dealers and organized crime by failing to report to federal officials cash deposits of more than \$10,000 on several occasions. "These transactions appear to be instances of money-laundering," Morgenthau said. "For money laundering, it [BCCI] was used by a broad spectrum of people."

Morgenthau said the New York county grand jury is continuing to hear testimony on BCCI's acquisition of Washington-based First American Bankshares, which has 42 branches in New York, and the relationship between BCCI and Washington lawyers Clark Clifford and

Robert Altman, who are First American's top executives.

In a statement accompanying release of the indictments, Morgenthau, who has been feuding with the Justice Department over handling of BCCI, pointedly thanks Federal Reserve and New York State banking officials for their help.

Deputy Attorney General Robert S. Mueller III issued a statement in Washington, however, saying that the Justice Department "has fully supported the work of District Attorney Robert Morgenthau related to the bank's Manhattan activities. We have provided substantial information to Morgenthau and will continue to cooperate in the investigation." A Justice Department spokesman declined to say when federal prosecutors might announce charges in the case.

Potts reported this story from Washington; McCartney reported from New York. Staff writers Jim McGee, Stephen Levine and Kathleen Day also contributed from Washington.

CLIFFORD AND THE FEDERAL RESERVE



CLARK M. CLIFFORD

Statement by Clark Clifford, April 21, 1981 to the Federal Reserve Board while it considered the acquisition of First American by Middle Eastern investors:

"There is no function [involving First American] of any kind on the part of BCCI. . . I know of no present relationship [between First American and BCCI]. I know of no planned future relationship that exists, and other than that, I don't know what else there is to say."

Statement by Federal Reserve, July 29, 1991:

"The application stated that BCCI would have no ownership interest in . . . First American; that BCCI was not funding the acquisition of shares . . . and that none of the [Middle Eastern] shareholders held his interest as an unidentified agent for BCCI. In fact, BCCI funded the acquisition. . . and was the actual owner. . . of First American in 1982."

Federal Reserve Links BCCI to

By Susan Schmidt
Washington Post Staff Writer

The allegedly illegal purchase of large blocks of stock has linked the scandal-plagued Bank of Credit and Commerce International with some politically well-connected American bankers around the country—David L. Paul of CenTrust Savings of Miami and former Carter administration official Bert Lance at National Bank of Georgia.

Documents released by the Federal Reserve yesterday show that BCCI reached far beyond Washington's First American Bankshares Inc. and its chairman, Clark M. Clifford, for ties to people of influence.

In announcing its \$200 million fine against BCCI yesterday, the Fed charged that BCCI secretly, and illegally, acquired substantial ownership stakes in CenTrust and the National Bank of Georgia, as well as First American. The Fed said it has also referred some findings to the Justice Department for criminal investigation.

BCCI's interest in the two institutions is likely to fuel allegations that a bank considered an international rogue—with drug dealers and terrorists for customers—was trying to buy influence in Washington.

BCCI, the Federal Reserve charged yesterday, owned as much as one-quarter of the now-defunct CenTrust Savings, a savings and loan whose failure is expected to

cost taxpayers up to \$2 billion. The Miami S&L was reputed to be one of the most profligate members of the industry. At CenTrust's helm was Paul, a spender of legendary proportion who has drawn particular scrutiny for his efforts to cultivate Democratic politicians in Washington.

Fed officials looking into BCCI's involvement with First American said they were startled when they discovered in recent weeks that the international bank was smack in the middle of yet another scandal: the U.S. savings and loan debacle. The Fed charged that BCCI's secret acquisition of as much as 25 percent of CenTrust's voting stock was a violation of banking law, which requires the Fed board of governors to approve purchases of more than 5 percent.

Similarly, the Fed said that BCCI illegally acquired more than 25 percent of the voting stock in the National Bank of Georgia and concealed its stake from the Fed.

In both instances, said the Fed, Saudi financier Ghaith Pharaon was at the center of the deception. Pharaon is a former BCCI shareholder and longtime client of the bank.

The Fed charged that Pharaon acted as a front man in BCCI's acquisition of more than 1.5 million shares of CenTrust stock during 1988 and 1989. Pharaon borrowed the money for the stock purchases from BCCI—pledging the stocks themselves as collateral—and on April 14, 1989, he signed over con-

trol of his voting shares to BCCI, the Fed said.

CenTrust was closely allied with another highflying S&L—Charles Keating's California-based Lincoln Savings and Loan. Both were avid customers of Drexel Burnham Lambert Inc.'s junk bond wizard, Michael

In both instances, said the Fed, Saudi financier Ghaith Pharaon was at the center of the deception. Pharaon is a former BCCI shareholder and longtime client of the bank.

Milken, and are the targets of numerous federal lawsuits and investigations.

A Miami grand jury is reportedly investigating allegations that BCCI participated in an effort in early 1988, while CenTrust was undergoing an examination by regulators, to make the failing S&L look healthier than it

Miami, Georgia Banks

was. The Miami Herald has reported that BCCI bought \$25 million in junk bonds issued by capital-starved CenTrust, spurring a lackluster market, then sold the faltering bonds back to CenTrust for 100 cents on the dollar when regulators left.

A congressional source who has reviewed CenTrust examination records and other bank documents said they contain evidence of almost daily phone calls and messages from Pharaon to CenTrust officials in 1987 and 1988 from points around the globe, including Paris, Saudia Arabia and New York.

Congressional investigators are trying to determine whether any politicians intervened with regulators on behalf of CenTrust. Sen. Orrin G. Hatch (R-Utah) may be close to completing a report on CenTrust for his antitrust subcommittee. He and other Republicans in Congress have complained that the former Federal Home Loan Bank Board in Washington twice rejected their Atlanta field office's recommendation that enforcement action be taken against CenTrust, and they draw parallels between CenTrust and Lincoln Savings, which spawned the "Keating Five" scandal involving Keating's contributions to five senators.

Lists of Paul's political contacts obtained last year by the House Banking Committee from his desk calendar and limousine records and other sources show frequent meetings, some of them aboard his luxuri-

ous yacht, with politicians including former president Jimmy Carter and Senate Banking Committee members Donald W. Riegle Jr. (D-Mich.), Bob Graham (D-Fla.), John F. Kerry (D-Mass.) and Timothy E. Wirth (D-Colo.). Paul gave hundreds of thousands of dollars to campaigns of prominent Democrats.

Pharaon was also instrumental in BCCI's ownership interest in the National Bank of Georgia, the Fed said, in a way that mirrored his alleged CenTrust involvement.

Pharaon had purchased the Georgia bank from Bert Lance, who also helped BCCI acquire its ownership stake in First American Bank. Lance, a longtime adviser to Carter, was forced to resign as director of the Office of Management and Budget in 1977 amid an investigation of his Calhoun First National Bank in Georgia.

Pharaon owed money to BCCI in connection with other businesses, the Fed charged. When those businesses got into trouble in 1985, BCCI's auditor, Price Waterhouse, demanded BCCI reduce its exposure to Pharaon. BCCI took control of \$220 million in National Bank of Georgia stock that Pharaon had pledged as collateral on his loans from BCCI.

BCCI then sold the stock to its holding company, a transaction that required a change in Georgia banking law, which was accomplished "at least in part to the lobbying efforts" of the Georgia bank, the Fed said.