## CIA 'Mistake' Cited in Case Of 1st American

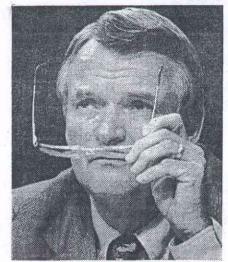
By Mark Potts Washington Post Staff Writer

The CIA's acting director yesterday said the agency made an "honest mistake" when it failed to send the Federal Reserve Board a 1985 report that revealed that the Bank of Credit and Commerce International secretly owned Washington's First American Bankshares Inc.—something the Fed did not discover until late last year.

Richard Kerr, the acting CIA chief, said the agency sent the report to the Treasury Department, assuming that it would be passed along to appropriate officials in other departments. The Federal Reserve is an independent agency that oversees bank holding companies such as First American Bankshares.

But two members of the Senate subcommittee on terrorism, narcotics and international operations sharply criticized the agency's handling of its intelligence on BCCI's activities and the way the information was disseminated to other federal agencies.

At a news conference after the hearing, Sen. John Kerry (D-Mass.), the subcommit-



RICHARD KERR
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tee's chairman, said it was a "mistake of judgment" for the CIA not to tell the Federal Reserve what it knew about BCCI's alleged ownership of First American. "There's a major breakdown of communications, of followthrough."

Sen. Hank Brown (R-Colo.) suggested that authorities might have been able to act earlier on had the CIA been more forceful about raising alarms about the bank's activities. "If you

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## CIA's Kerr Cites 'Mistake' in Bank Case

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know there's a fire, you don't call the city manager's office, you call the fire department," Brown said. "They called the city manager's office."

During the hearing, however, Kerr bristled at the suggestion that the CIA fell down on the job. Pointing out that the agency had disseminated many reports on BCCI to agencies throughout the government, Kerr noted repeatedly the difference between the CIA's intelligence-gathering mission and that of a law enforcement agency.

"We were focusing on a set of activities that really went beyond BCCI," he said, referring to BCCI's money-laundering activities and the bank's alleged role as the banker for terrorist organizations and the financing of arms deals.

Kerr also rejected several news stories that characterized BCCI as a "CIA bank," and said the agency did nothing more than maintain a few ordinary bank accounts that he said were lawful and proper.

Kerry and Brown did not restrict their criticism to the CIA, lashing out at the agencies that got reports from the CIA and failed to act. Noting Kerr's testimony that The CIA first distributed raw intelligence reports about BCCI's alleged involvement in money laundering in 1984, Kerry said: "An awful lot of information was being given to people. . . . It just seems that nobody wanted to respond. . . .

"Somewhere in this process you would have thought somebody would have leaped up and said there's a major problem in this bank," Kerry said.

Kerr said the agency had "disseminated" several hundred reports, many of them in the form of raw intelligence, over the past seven years. He said an internal investigation into the CIA's handling of the case had suggested that the agency needed to improve the way it disseminates intelligence information to other agencies.

Kerr declined to elaborate, and he also declined to answer several questions from the senators about various personalities in the BCCI saga, citing intelligence sensitivities. The subcommittee plans to hold a closed session with Kerr next week to deal with those questions.

The subcommittee also heard testimony from Laurence Pope, a counterterrorism official at the State Department.

Pope said the State Department learned in 1986 that BCCI branches in Europe had helped the Abu Nidal terrorist organization trade in weapons and other business enterprises through front companies, and said BCCI was involved in providing banking services for other terrorist groups.