

Did the Canadian Mounties Pull Their Punches With BCCIP?

OTTAWA—Those who wear the scarlet tunics of the Royal Canadian Mounted Police (RCMP), legend has it, always get their man. But following a special federal inquiry into the case of the collapsed Bank of Credit and Commerce Canada (BCCC), all the "Mounties'" "got" was a lot of egg on their collective faces.

The four Canadian branches of BCCC—in Toronto, Montreal, Vancouver and Ottawa—were wholly owned subsidiaries of the infamous Luxembourg-based Bank of

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Credit and Commerce International throughout its nine-year existence. On July 5, 1991, all four branches were shut down by the Office of the Superintendent of Financial Institutions, on the heels of an unprecedented international crackdown on BCCI's global empire. Following the lead of financial regulators in the U.S., Britain and five other nations, Canadian authorities took control of an estimated \$208 million (Canadian) in assets and changed the locks at the four branches.

Alarmed by reports that the bank's officers allegedly were involved in laundering of drug money, arms sales and even the funding of terrorist groups, Canadian members of Parliament decided to launch an inquiry of their own. On July 30, members of the House of Commons Finance Committee voted to examine the activities of BCCC. One of the committee's first tasks was to find out whether BCCC did anything criminal—and, if so, what the Mounties knew about it.

At hearings held from August to November of this year, the stunned parliamentarians discovered that the Canadian subsidiary of the rogue bank had been implicated in no less than three money-lau-

dering conspiracies. In two of the cases, the MPs were told, there had been successful prosecutions of co-conspirators residing in the U.S. But in Canada, there had been no prosecutions, no arrests and not even a single formal investigation of BCCC launched by the RCMP. As Liberal Party finance critic Herb Gray put it: "There is something very puzzling here."

But the case of BCCC grew even more puzzling in October, when members of Parliament were told that the former deputy commissioner of the RCMP—the man who had supervised BCCC-related probes from 1987 to 1989—had gone to work for BCCC as a paid consultant four months after his retirement. Henry Jensen had been the second-most-senior officer on the force. When questioned by the finance committee in October about his BCCC job, Mr. Jensen said he was hired to "protect" the bank from money launderers. His conclusion about BCCC's stated attempts to counter money-laundering: "Upon my examination of their procedures and policies, I concluded they were exceedingly severe. In effect, it was driving clients away."

But apparently not all clients were being driven away by BCCC's "severe" anti-money-laundering policies. During the course of the finance committee's hearings, MPs were told about the following cases:

- In July 1988, the Ottawa branch of BCCC was named by the FBI as being at the center of a Libyan government-led money-laundering conspiracy. During the course of the successful U.S. prosecution and deportation of six Libyan co-conspirators (also implicated in a plot to assassinate Oliver North), U.S. authorities discovered that the Libyans had opened well-nourished accounts at BCCC's Ottawa branch in 1987. The money ostensibly had been placed in Canadian banks to evade the 1986 trade embargo against the Moammar Gadhafi regime.
- Documents filed in the federal court in

Alexandria, Va., as part of a plea-bargain agreement with the Libyans, reveal how the BCCC accounts were used to pass on hundreds of thousands of dollars to neo-Nazi groups, the American Indian Movement and the anti-Semitic Nation of Islam. Representatives of the groups mentioned in the plea bargain have confirmed that Libyan donations in various forms were received. Mr. Jensen had initially assisted the FBI in its case, but concluded there was insufficient evidence to file criminal charges in Canada.

- In 1989, an undercover RCMP investigation tripped across BCCC in a money-laundering investigation dubbed Project Albus. The Mounties' investigation focused primarily on members of the Ismaili Muslim sect who, they suspected, were laundering millions of dollars through banks in Toronto and Vancouver into a Swiss bank account. The suspects were found to have a very large safe-deposit box at the main Toronto branch of BCCC, in which cash and the phone numbers of several BCCC bank managers were found.

While the RCMP's investigations led to no arrests in Canada, a U.S. investigation of the same group led to 11 successful prosecutions in Texas. Asked why the Mounties did not have the same success in prosecuting their side of the investigation, Mr. Jensen said that the RCMP investigation went nowhere because of insufficient "resources."

- In 1989, RCMP undercover agent Paul Vidosa was probing money laundering in relation to Project Albus. When agent Vidosa mentioned to BCCC bank officers his supposed connections with members of the Ismaili sect, the officers allegedly promised an "unlimited" credit line at the Ottawa branch of BCCC. While BCCC managers do admit having met with Mr. Vidosa several times while he was undercover, they deny he was extended any preferential treatment. The former agent—whose Eastern Ontario home was fire-

bombed and burned to the ground in September, shortly before he was to testify before the finance committee's BCCC inquiry—stands by his story.

Other BCCC-related cases discussed at the finance committee have raised more questions than they have answered. One is a drug money-laundering prosecution announced in Vancouver in August, with alleged BCCC involvement; another case questions the decision of BCCC management to pour \$27 million (U.S.)—more than 10% of the Canadian subsidiary's entire capital base—into questionable real-estate investments in the Puget Sound area of Washington state.

Unlike authorities in the U.S. and the U.K., Canadian authorities have yet to decide whether BCCC wrongdoing merits criminal charges. And it appears unlikely that they will ever do so—despite the startling testimony heard by the House of Commons Finance Committee. Asked why the Mounties had not been more diligent about the BCCI's Canadian branches, current RCMP Deputy Commissioner Gilles Favreau testified: "To this day, to this day, we do not have grounds in Canada to investigate the BCCC. You just do not start an investigation when you do not have grounds."

Mr. Jensen, meanwhile—whose employment with what remained of BCCC was terminated in September—sees nothing improper in his relationship with the disgraced bank. He said in October: "The bank of Credit and Commerce Canada did not have a public reputation that was detrimental or that one ought to avoid. . . . I'm still unaware of anything where BCC Canada acted inappropriately, let alone criminally."

Mr. Kinsella is an Ottawa author. His book on Libyan terrorism, "Unholy Aliances," is to be published next spring.