

Senator: CIA Knew BCCI Bought Bank

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The Central Intelligence Agency privately warned several U.S. agencies in 1986 that the Bank of Credit and Commerce International (BCCI) had gained secret control of First American Bankshares in Washington, in violation of Federal Reserve Board restrictions, but the CIA never told the Fed, according to a member of Congress.

This detail from a special CIA working paper on BCCI was disclosed by Sen. John Kerry (D-Mass.), chairman of a Senate subcommittee that will hold a hearing today on BCCI, the Luxembourg-based bank that was indicted Monday by a New York grand jury on fraud and bribery charges.

The Fed had approved the 1981 takeover of First American based on explicit assurances that BCCI would not own, control or manage the holding company.

The CIA working paper also contains allegations of BCCI involvement in drug trafficking and money laundering, sources

See BCCI, A33, Col. 1

BCCI, From A1

said. As outlined in the CIA document, the drug and money laundering activities of BCCI were "clear—there was not any doubt," said one congressional source.

But this document was not shared with the Justice Department, a Justice official said yesterday. The CIA refused Kerry's request to release the distribution list of the working paper. But knowledgeable sources said the agencies receiving the document included the State Department and the Treasury Department.

"In 1986 the CIA knew that BCCI was a criminal enterprise, and owned the First American Bank, and told a number of other government agencies," Kerry said in a press release. "There is no evidence on record that any of these agencies told the Federal Reserve what they knew nor is there any evidence of federal law enforcement taking any action."

Federal Reserve Board general counsel J. Virgil Mattingly Jr. told Congress last May that the Fed did not become aware of BCCI's interest in First American until late 1990. "The fact is, the CIA told some people—they told State and Treasury," said the source. "The question is, why didn't they tell the Fed?"

Yesterday, Kerry's office released a letter from a CIA official that said CIA Director William Webster "has authorized me to advise you that you may disclose the fact that this portion of the report states that BCCI attempted unsuccessfully to acquire or gain control of Financial General Bankshares (the previous name of First American's holding company) in later 1981, but that BCCI achieved this goal six months later," wrote Stanley M. Moskowitz, CIA Director of Congressional Affairs "The exact nature of this control

was unclear."

The memo adds new fuel to the controversy surrounding the handling of a federal investigation of BCCI by Customs Service officials in Tampa that began in 1988, and the Justice Department's decision two years later to accept a plea bargain in the case. The settlement required BCCI to plead guilty to money laundering charges and imposed a \$15 million fine, which Kerry and other congressional critics said was a slap on the wrist for the \$20 billion international bank.

In addition to the CIA document, federal agents and prosecutors involved in the Tampa investigation received lengthy taped statements of former BCCI officials describing

BCCI's secret ownership of First American, the National Bank of Georgia and Independence Bank of Encino Calif. Such foreign ownership would be illegal without the Fed's approval.

In the plea-bargain agreement, the U.S. Attorney's office in Tampa agreed never to charge BCCI with "committing any other federal criminal offense under investigation or known to the government at the time" at the time the agreement was reached.

Kerry protested then that the agreement allowed BCCI to walk away from a federal criminal case while the allegations about its secret ownership of First American remained unresolved.

Justice officials have argued that the restriction on further prosecution did not apply to other U.S. Attorneys' offices and did not prevent future action against First American or the institutions secretly controlled by BCCI.

Bonnie Tischler, the chief of Customs enforcement in Tampa, Fla., and the law enforcement official supervising the undercover investigation, said she recalls seeing a CIA document about BCCI in the spring of 1988. But she said she did not remember if it included the sentence about the Washington bank.

But even if it did, Tischler added, it wouldn't have been relevant to Customs' criminal investigation.

"We don't have any regulatory au-

thority," she said. "Customs doesn't do banks. It wouldn't have made any sense to us."

Another federal law enforcement official also downplayed the significance of the CIA working paper.

"Intelligence summaries have no attribution," the official said. "They don't say who said what, you can't use them in court."

Justice Department spokesman Dan Eramian said last night that the department "has had for some time four major investigations in BCCI."

"Obviously, I cannot comment on particulars, including what information has been collected for these investigations."

"It's easy for people to make charges in the public domain. But

prosecutors must present provable evidence in court."

Last week the Justice Department's public affairs office arranged a series of interviews on the BCCI case with Assistant Attorney General Robert Mueller.

During those sessions he said that Justice has now given the BCCI investigation a higher priority, and stressed that Justice won the money-laundering conviction.

Kerry has tried for many months to obtain a declassified version of the Sept. 30, 1986 CIA report after learning that it was sent to former Customs Commissioner William Von Raab during the Tampa investigation by Robert Gates, then deputy director of the CIA.