

1st American Role in BCCI Documented

District Bank Used To Aid Criminal Acts

By Jim McGee and Steven Mufson
Washington Post Staff Writers

First American Bankshares Inc. of Washington was secretly acquired in 1981 by the Bank of Credit and Commerce International (BCCI), which used its First American holdings to help finance fraudulent activities around the world, according to Bank of England officials and informed sources in this country.

BCCI's concealed ownership of First American, alleged earlier this year by Federal Reserve Board officials, was described in greater detail in dramatic statements this week by the Bank of England. Yesterday, bank governor Robin Leigh-Pemberton portrayed BCCI as an institution with a "criminal" culture, in a statement to a parliamentary inquiry into the July 6 seizure of BCCI by regulators.

Lawyers for the British central bank, quoting from an investigative report by the Price Waterhouse accounting firm, referred to First American only as bank "WXYZ," but U.S. sources confirmed yesterday that the initials refer to the First American holding company, Credit and Commerce American Holdings (CCAH).

The Bank of England asserted that prominent Middle Eastern individuals who bought the First American parent company shares when the bank was taken over 10 years ago were "nominees" for BCCI all along and received fees from BCCI for helping conceal that BCCI was accumulating a controlling interest in the Washington bank in defiance of opposition by the Federal Reserve.

Moreover, almost all of the subse-

quent infusions of capital into First American—purportedly by the Middle Eastern investors—came in fact from BCCI, the Bank of England said.

The illegally held shares in First American became collateral for a maze of sham loans by BCCI that generated "fictitious" income and account balances, "thereby increasing funds for the fraud," British authorities said.

The loans, which are assets on the books of a bank, thus helped conceal one of history's largest bank frauds, disguising bad debts in other parts of BCCI and BCCI losses of about \$849 million from speculative trading on financial markets from 1977 to 1985, the Bank of England said. Much of the financial market trading, in government securities and

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British Official Links BCCI to 'Terrorist'

Notes no ref. to CIA + other international intelligence agencies
BCCI, From A1

foreign exchange, was done using the names of bank clients but was really on behalf of BCCI itself, the British authorities allege.

Washington attorney Clark M. Clifford represented BCCI and the shareholders throughout the takeover process and helped win Fed approval of the acquisition. Clifford went on to become chairman of First American, and he has maintained that he was unaware of any hidden BCCI ownership.

Clifford also said BCCI never influenced his management of First American, and his attorneys said Clifford's position on this point is supported by William Taylor, chief banking regulator at the Federal Reserve.

First American has said its operations are not affected by the investigation of BCCI, but the future ownership of First American is in doubt because the Fed has insisted that BCCI sell its illegally acquired shares in the bank. Those shares are now under the control of a court-appointed BCCI liquidator in Britain.

The Fed recently issued a notice contending that BCCI acquired illegal ownership of the Independence Bank of Encino, Calif., through nominee loans to Saudi investor Ghaith Pharaon, the purported owner of Independence. The Fed is conducting a similar inquiry into the control of BCCI's ownership of Credit and Commerce American Holdings and is considering further enforcement proceedings.

In his statement to a parliamenta-

ry committee, Bank of England governor Leigh-Pemberton said evidence of the use of BCCI by "terrorist" organizations had surfaced as long as three years ago and that the "culture of the bank is criminal."

Leigh-Pemberton told the House of Commons committee that a "former employee" had told the bank in March 1988 that "certain terrorist-related accounts had been and were being operated at BCCI," according to news agencies. Leigh-Pemberton did not say what terrorists had accounts at BCCI, but news reports said that the Palestinian Abu Nidal organization was among them.

Leigh-Pemberton quoted a Price Waterhouse report as showing "evidence of massive and widespread fraud going back a number of years and involving not only past management but members of the existing

Groups

in other accounts etc.
and continuing management and representatives of the main shareholders."

As Leigh-Pemberton was testifying, Labor Party leader Neil Kinnock peppered Prime Minister John Major with questions about the handling of BCCI during an angry exchange.

Kinnock pressed Major about whether Major had early knowledge of BCCI's wrongdoing and had failed to act to protect depositors or to close down BCCI accounts, including those allegedly used by terrorists.

Major said he first learned of BCCI's fraud on June 28 of this year. Leigh-Pemberton told the Treasury Select Committee that he had not informed Major of the fraud earlier. Leigh-Pemberton also said that suffi-

cient evidence of widespread fraud was obtained only in June with the completion of the most recent of several accounting reports by Price Waterhouse.

This week's statements by British authorities lend credence to the work of Manhattan District Attorney Robert Morgenthau, whose investigators first discovered evidence of the nonperforming BCCI loans—those not earning interest—secured by shares in CCAH and conveyed that evidence to the Fed. The disclosures also reinforce criticism of a plea bargain agreement that federal prosecutors reached with BCCI in 1990.

BCCI pleaded guilty to charges of money laundering in U.S. District Court in Tampa and paid a fine. Although specific allegations about BCCI's ownership in First American surfaced in that investigation, there

is no indication that the Justice Department pursued the information on First American. Federal prosecutors have said that they never stopped investigating BCCI.

The current investigations of the BCCI-First American relationship are moving along two tracks: civil regulatory inquiries by the Fed and criminal investigations by Morgenthau's office and U.S. attorneys in Tampa and the District. The Fed, the Bank of England and Morgenthau's office have cooperated extensively in the investigations.

Morgenthau has complained that federal prosecutors have not cooperated sufficiently with his probe.

Mufson reported for this article from London and McGee from Washington.