Bank of England shuts down BCCI

by Jeffrey Steinberg

On Friday, July 5, central banks in a half-dozen countries simultaneously shut the doors of the controversial Bank of Credit and Commerce International (BCCI), in a move that seems to be aimed more at setting a precedent for global banking cartelization than cracking down on money laundering and other financial crimes. The move was ostensibly triggered by the Bank of England after a bank audit in late June revealed that BCCI's London, Luxembourg, and Cayman Islands branches were engaged in a massive tax evasion and money-laundering scheme. After an emergency consultation with central bank officials, BCCI accounts were frozen simultaneously in Britain, Luxembourg, the United States, Switzerland, Spain, France, and the Cayman Islands on July 5. On July 8, British authorities moved to seize the bank's assets in Hong Kong.

BCCI is a $20 billion international bank which is 77% owned by the royal family of Abu Dhabi. According to press accounts, Abu Dhabi ruler Sheik Zayed bin Sultan al-Nahyan was furious at the Bank of England-led move, since neither he nor his representatives were informed of it in advance, and they had been in the advanced stages of a major bank reorganization/bailout when the doors were shut.

BCCI has been at the center of international controversy for years. In October 1988, BCCI's Tampa, Florida branch and senior bank officials were indicted by a federal grand jury on charges that they wittingly laundered $33 million in Medellín Cartel cocaine profits. The bank negotiated a plea bargain with federal officials and paid a $15 million fine. A half-dozen bank officials stood trial last year and were found guilty and sentenced to federal prison. To a number of prosecutors, including Manhattan District Attorney Robert Morgenthau, the Tampa case was badly mishandled and allowed the major behind-the-scenes players in the BCCI scam to get away with everything but murder. As of this writing, Morgenthau is still directing a two-year grand jury probe which could hand down indictments at any time, according to sources close to the Manhattan D.A. And at least two federal grand juries—in Washington, D.C. and Georgia—are probing BCCI's potentially illegal takeovers of several large American bank holding companies, including the Washington area First American Bankshares.

Among the big name American politicians caught up in the BCCI net are Democratic Party fixer Clark Clifford and former President Jimmy Carter. Clifford was the attorney for BCCI and became a director of First American Bankshares after its takeover by the Luxembourg-headquarterd bank. Carter's Global 2000 Fund is co-chaired by BCCI founder Agha Hasan Abedi, and the former President has allegedly received millions of dollars from the bank.

According to a source intimately familiar with the various BCCI probes, the scandal is by no means limited to Democratic Party bigwigs. Clark Clifford's law partner and the president of First American Bank is Robert Altman, a prominent Republican Party financier. And through Saudi Arabian financier Ghaith Pharaon, the BCCI scandal has been linked to the collapse of a large Florida S&L, Centrust, which was reportedly a covert conduit of funds to major Republican political campaign chests, including those of former Florida governor and current White House drug czar Bob Martinez, and President Bush. Pharaon is now implicated in an Argentine drug money-laundering scheme which may implicate that country's President Carlos Menem.

All of these details are fascinating, but fail to explain the disproportionate effort directed at painting BCCI as the most dastardly money-laundering and ponzi scheme ever conceived. The answer to that question may lie outside of the specifics of the BCCI affair altogether. They may have more to do with efforts by the British and American central bankers to exert greater multinational control over world finance.

One person who may know more is Sen. John Kerry (D-Mass.), cosponsor of S. 1019, the "Foreign Bank Supervision Enhancement Act of 1991" and an early prober of the BCCI scandal. The Kerry legislation, introduced on May 9, is cosponsored by Don Riegel (D-Mich.) and Jake Garn (R-Utah). Under the guise of closing loopholes in the banking regulations that allowed BCCI to avert effective supervision, the Kerry bill would give much greater central authority to the Federal Reserve Board.

Giving the Fed greater control is the domestic corollary to present moves through the Group of Ten central bankers' club to establish global banking controls through the Bank for International Settlements. At a meeting in Basel, Switzerland at the BIS headquarters on July 10, New York Federal Reserve Board chairman and former Chase Manhattan Bank executive Gerald Corrigan was appointed to head a special review panel that will come up with new central bank regulations for patrolling international banks.

According to several sources familiar with these machinations, the move to give the BIS more dictatorial control over international banking practices is aimed at weakening national and regional banking operations, especially those at odds with the Bank of England and the U.S. Fed. High on this list are the big German banks, the European Monetary System, and any Arab and Third World banks that might be rethinking their historically close ties to the City of London and Wall Street in the wake of the Gulf War fiasco. These analysts say that the trashing of BCCI is a strong warning.