Congress drafts bills vs. money laundering

by Michele Steinberg

On Nov. 4, when Director of the Office of National Drug Control Policy Gen. Barry McCaffrey (ret.) was asked about the problem of money laundering at a press conference in Washington, he named New York, Miami, and Los Angeles, along with Bogotá, Colombia, as locations that are "high-risk money-laundering areas." Like illegal drug cultivation and processing, money laundering is no "foreign affair."

Since August 1999, when news of the investigation into the Bank of New York's illegal handling of accounts for Russian bigwigs—from top "reformers" like the International Monetary Fund and London Mont Pelerin Society favorite Konstantin Kagalovsky, to mafia thugs like Semyon Mogilevich—broke into the press, the U.S. Congress has devoted weeks of hearings to the ins and outs of money laundering. But after years of investigations, and hundreds of hours of testimony in Congress, the Bank of New York investigation is bogged down, with indictments only of low-level operatives. Some Washington observers report that the simmering backlash against the bankers' privileged role in avoiding prosecution has never been so intense.

One thing is clear: There has *never* been adequate legislation to prosecute bankers for money laundering. And where there has been clear legislation, such as the penalties provided under the Bank Secrecy Act passed in the 1970s, which requires banks to report cash deposits of $10,000 or more, the Justice Department has historically *refused* to prosecute banks that failed to fulfill that reporting requirement.

In 1985, when leading U.S. banks, including Bank of America, Citibank, Chase Manhattan, the Bank of New England, and the Bank of Boston, were found to have systematically *ignored* Federal law regarding the reporting of cash deposits of $10,000 or more, a general "amnesty" was arranged, and these banks only had to pay a small fine. Each of the banks named admitted having violated the law more than 1,000 times, and some of them, on 2,000 separate occasions. Word was out: Money laundering is not considered a crime in the United States.

Is the party over?

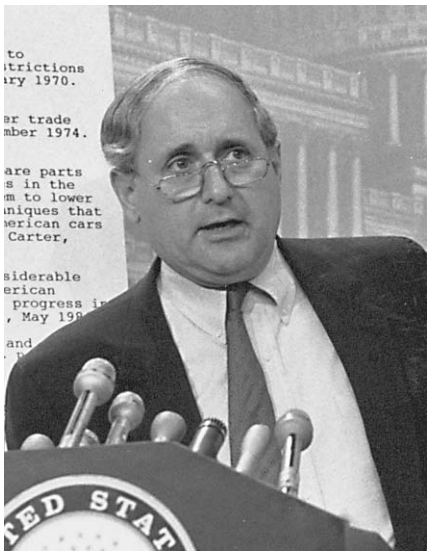
But, on Nov. 9 and 10, an unprecedented record of willful involvement by top bankers in America's largest bank, Citibank, was put before the public in hearings held by the Senate Permanent Investigations Subcommittee (SPIS) (see article, p. 66). Immediately afterward, on Nov. 12, U.S. Rep. Maxine Waters (D-Calif.) challenged Attorney General Janet Reno, on whether the Justice Department would, this time, prosecute bankers.

The SPIS report and the hearings apparently generated significant political heat on Reno and other top administration officials. On Nov. 10, the Department of the Treasury and the Department of Justice put out a joint press release, announcing, "Administration Submits Money Laundering Act of 1999." However, as of this writing, a sponsor for the bill in Congress has yet to be identified.

This administration bill, which is still reportedly under review, is the latest in a long line of legislation that has been "kicking around" the 106th Congress since early 1999. The list includes: House Resolution 2896, entitled the "Foreign Money Laundering Deterrence and Anti-Corruption Act," commonly referred to as "the Leach bill," after Rep. James Leach (R-Iowa) who chairs the House Banking Committee; House Resolutions 1426, 1471, and, the latest version, 2905 (the "Integrity in Banking and Money Laundering Prevention Act of 1999"), known as "the Waters bills," after primary sponsor Representative Waters.

On the Senate side, there is Senate Bill 1920, the "Money Laundering Abatement Act of 1999," known as "the Levin Bill," after its main sponsor Carl Levin (D-Mich.); and Senate Bill 1663, the "Foreign Money Laundering Deterrence and Anti-corruption Act," sponsored by Charles Schumer (D-N.Y.) and Paul Coverdell (R-Ga.), which is the Senate version





Left to right: Rep. Maxine Waters (D-Calif.), Rep. Charles Shumer (D-N.Y.), and Sen. Carl Levin (D-Mich.) have all put forward bills before Congress calling for curbs on money laundering.

of the Leach bill.

There are serious measures to be found in these bills, but the good is confused by paeans to free trade and deregulation.

However, the measures described in the "Summers-Reno" press release of Nov. 10 which accompanied the administration's bill, are a joke. For example, the administration bill would make "smuggling of more than $10,000 out of the United States a crime." In the 1960s and 1970s, every gangster knew that it was a crime to smuggle $5,000 out of the country. So, the Summers-Reno bill is a retreat. Other measures described, completely leave operators like Citibank's Amy Elliot and her superior off the hook. For example, the Reno-Summers bill would "expand the list of foreign crimes that serve as a basis for money-laundering prosecution—to include fraud, official bribery, misappropriation of public funds, arms trafficking and crimes of violence." The key phrase here is "crimes that serve as the basis for money-laundering prosecution," because money laundering per se is *not* a crime in the United States. But, what guarantee is there that these new "underlying crimes" would result in prosecution of the bankers, when money laundering of proceeds proven to come from drug trafficking has not been prosecuted?

Focussing on *foreign* money laundering also smacks of the 1920s "Palmer Raids," which terrorized immigrant populations in the United States, and set a propaganda tone that "foreigners" were the cause of all crimes and ills in the United States.

Some have wised up

There are some clear signs, however, that some members of Congress have wised up, and are determined to hold the banks accountable. But a critical fight remains to get the law enacted and enforced. The following findings, excerpted (and paraphrased) from the bills now before Congress, are extremely useful observations. The measures, if enacted, would be significant political achievements and aids for law enforcement in the war against drugs:

- The money laundering amount is in excess of $500 billion a year in the United States. (H.R. 2905)
- The existence of "offshore financial centers" (nations, regions, zones, and cities that in many instances have virtually impenetrable financial secrecy laws) facilitates global money laundering, and new centers have been rapidly proliferating. (H.R. 2896)
- Money laundering by international criminal enterprises challenges the legitimate authority of national governments, endangers the financial and economic stability of nations, and routinely violates human rights. (H.R. 2905 and H.R. 2896, and S. 1663 and S. 1920)
- The high profitability, intense competition, and confidentiality make private banking vulnerable to money laundering. As private banking grows, money-laundering legislation should be extended to all financial institutions, including such entities as securities brokers and dealers. (H.R. 2905)
- There are gaps in the law that allow money laundering to flourish in the private banking system. (H.R. 2905)

The bills also have many co-sponsors, indicating that there is a serious working environment in Congress to tackle the problem. However, no single bill incorporates all of the best features mentioned above, and *none* of these measures would be effective under the existing global regime of "free trade" and the *casino mondiale* that thrives on drug money and cancerous financial speculation.

Only full-scale banking regulation, and assertion of sovereign nation-state control over banking institutions, such as the system outlined by Lyndon LaRouche's campaign for a New Bretton Woods monetary system, could actually stop the disease of money laundering.