

# Scandal over U.S. bank buy-ups

## *Investigations chart British financial war vs. adversaries*

Generating considerable controversy these days is the rapid step-up in the bids to take over American banks coming from British and Canadian bank holding corporations. By all indications, a scandal of untold proportions is just beginning to brew.

For instance, the U.S. Labor Party charges that the Hongkong and Shanghai Banking Corporation is deeply involved in financing worldwide drug trafficking, terrorism, and runs on the U.S. dollar, causing the U.S. Federal Reserve Board of Governors to delay their approval of HongShang's acquisition of the Marine Midland Bank of New York pending their review of the HongShang's international activities.

An even more shocking scandal is building around the U.S. Labor Party's contention that certain foreign and foreign-affiliated banks are currently operating in both the British colonial outpost of Canada and in the United States as the vehicles for financial warfare against targeted political enemies.

The Labor Party and the National Caucus of Labor Committees, an association involved in political education, have documented five years of financial warfare against their respective organizations. The organizations' investigators are now in the process of tracing these operations back to British-influenced political intelligence institutions that have made financial warfare

their specialty since at least World War II. At that time, the British government established, both in Britain and in other British colonies, a Ministry of Economic Warfare which engaged in financial warfare against Germany and against any individual or organization the British felt were not sympathetic with their political policy for waging that war. The Ministry of Economic Warfare was dismantled, but its graduates may now be found among the directors of every major British and Canadian financial institution. The case of the Bank of Nova Scotia is exemplary (see below).

### **Bank War against the Labor Party and NCLC**

The financial warfare documentation released by the NCLC and USLP shows that almost \$1 million has appeared on the two organizations' bank statements at various times only to be subsequently claimed by other banks as "wire transfer errors" (see Table 3). The evidentiary grids presenting the incidents indicate that in each case the claimed "error" was not discovered until one of the organizations attempted to rely upon the funds (see Table 1). Therefore, the amounts involved were undisputed for up to seven weeks!

Each of the incidents, if gridded against political events

## **Table 1.**

### **Unlikely coincidences involving banks suspect in financial warfare**

#### **1. Chase Manhattan**

- a) Appearance of two equivalent "errors" in space of four banking days.
- b) Second "erroneous" transfer occurs on same day NCLC withdraws funds and first "error" is corrected — thus covering tracks.
- c) Bank claims that \$300 wire transfer transformed, in error, to \$60,000 at remitting National Bank of Maryland. Same error oddly repeated identically on telephone and on later written transfer order.

#### **2. Citibank**

- a) Appearance of two "errors" within a month and a half of each other, duplicating Chase pattern less than a month earlier.
- b) Appearance of credit memos at branch bank identifying proper wire transfers into NCLC account without corresponding ledger entries crediting the account itself. Bank officer conducting investigation to locate source of constant "errors" is transferred with no notice to another branch.

#### **3. Bank of Nova Scotia**

- a) Delay in discovering "error" was two and a half weeks, although BNS possesses documents indicating they were aware of transfer three days after it took place.
- b) Citibank acquiescing to BNS request to freeze account of NCLC vendor Campaigner Publications, Inc. in effort to seize NCLC funds.

involving the U.S. Labor Party or the NCLC, also show a remarkable coincidence on a time line (see Table 2). For example, the first such incident, involving two transfers into the NCLC's Chase Manhattan Bank account, of \$60,000 and \$65,000 respectively, occurred at the time when the collapse of the Herstatt Bank in West Germany, and the Swiss-controlled offshore Banque Credite Internationale (a major known institution for drug and terrorist financing), had placed intense financial pressure on Chase Manhattan — the New York correspondent bank for Banque Credite Internationale. Chase was also under investigation by the FBI for alleged overvaluation of its bond portfolio and for falsification of records.

At the same time, United Auto Worker officials were proliferating a rumor that the NCLC was financed by the Rockefeller brothers — a rumor which is still being circulated by Ralph Nader.

Within two weeks of all these events, the first \$60,000 appeared in the NCLC account at Chase. The bank's abrupt withdrawal of the funds was followed within days by a lawsuit filed by the UAW which the union's internal memoranda described as designed "to bankrupt" the NCLC.

### Canada's part in the war

The Bank of Nova Scotia incident in 1976 followed a similar pattern. The U.S. Labor Party backed Lyndon H. LaRouche, Jr. as its presidential candidate in the 1976 elections and, on election eve, purchased one half hour of national prime time television for an address to the nation by its candidate. Although major efforts were made to prevent the sale of time, the Federal Communications Commission ordered NBC to air the telecast. Within a few weeks, the Carter national campaign committee complained to the Federal Elections Commission concerning the financing of that broadcast. The FEC entered into consultation with various intelligence agencies and, at the end of December, issued an order for an extensive campaign against USLP supporters and vendors.

Within days, the Bank of Nova Scotia transferred \$89,000 into the NCLC's Marine Midland Bank account — an amount almost precisely that which published fund-raising appeals had stated was required by that organization in the December-January period. Despite bank documents indicating they were aware of the transfer by Jan. 4, 1977, the NCLC was repeatedly assured that the funds were theirs. At the time of the incident, Marine Midland was involved in takeover negotiations with the Hongkong and Shanghai Banking Corporation, as a result of internal financial weaknesses of the Marine Midland Bank.

The introduction of foreign banking practices into the United States through the takeover of U.S.-based banks has its consequences for American business unless stopped: the insinuation of drug and terrorist related practices into day-to-day business, a shift away from the research and development, and financing of advanced technologies and toward wholesale looting of corporate assets, and the collapse of the U.S. dollar.

Each of the incidents in the following documentation, including that involving the Canadian Imperial Bank of Commerce (see below), indicates that the banks in question were either complicit in financial warfare — apparently an acceptable business practice for banks chartered in the British Empire — or were placed under severe pressure by British-affiliated banks.

## Table 2. Political background to financial warfare — a chronology

### Period I: July-Dec. 1974

#### I. International credit and liquidity crisis

- Failure of Herstatt Bank, Franklin National Bank, additional banks in Michigan, Italy, Switzerland, West Germany.
- Chase Manhattan "watergated" for alleged over-valuation of bond portfolio; senior vice president resigns; FBI moves in to Chase to investigate alleged falsification of records.
- Cayman Island subsidiary of Banque Credite Internationale (BCI) — a Tibor Rosenbaum-Permindex-Resorts International banking entity closely connected with organized crime — collapses, jeopardizing New York correspondent banks Chase Manhattan and Bank of Virginia.
- London bank crisis averted by forced First National City bailout of collapsing British Bank of Commerce.
- Mass layoffs of American workers.
- President Ford calls for oil import cuts; other austerity measures implemented worldwide.

#### II. Operations against

#### Labor Committees and U.S. Labor Party

- Increased United Auto Workers (UAW) harassment of Labor Party organizers and supporters.
- NCLC under "full" FBI investigation at instigation of then National Security Advisor Henry Kissinger and others including monitoring bank accounts and internal finances; FBI exchange of such information with British intelligence.
- Sequential events preceding disruption of NCLC accounts:
  - (a) Oct. 4: FBI occupies Chase (see above);
  - (b) Oct. 18: UAW official spreads rumor that NCLC is funded by Rockefeller;
  - (c) Oct. 28: \$60,000 appears in NCLC account at Chase, to be withdrawn on Nov. 1 when an additional \$65,000 appears, itself withdrawn later. Amounts withdrawn are comparable to anticipated solicited contributions.
- UAW files \$30 million "trademark" lawsuit against NCLC (November); notes in internal memoranda that all efforts should be directed to "bankrupt" NCLC.
- Carlos de Hoyos, leader of Mexican Labor Party, kidnapped by Mexican Interior Ministry as part of Kissinger-inspired destabilization of Mexican government.
- Terrorist "Red Hornet" group in North Carolina fraudulently obtains ballot status as "U.S. Labor Party"; suggests other groups follow its example.
- Delays in posting NCLC deposits to First National City account, causing overdrafts and subsequent termination of NCLC account by bank (Feb.-April).

**Period II: 1976 election to present**  
**Financial warfare declared**

**Nov. 1, 1976:** U.S. Labor Party purchases half hour election eve television time for presidential campaign address by party candidate LaRouche.

**December 1976:** Carter election committee complains to Federal Election Commission (FEC) about USLP television appearance, initiating Brzezinski-National Security Council controlled financial warfare effort to bankrupt USLP.

**December 1976:** Bank of Nova Scotia (BNS) wires \$89,000 into NCLC bank account in Buffalo then three weeks later, claims "bank error."

**February 1977:** FEC refuses to pay LaRouche presidential campaign the more than \$110,000 owed in campaign matching funds and begins "investigative visits" (some at 7 a.m.) to LaRouche contributors at home and at work.

**June 1977:** FEC attempts to subpoena ten Labor Party members, including LaRouche, for questioning and also begins to contact USLP vendors, warning them they may be in violation of campaign laws if they extend credit to USLP.

**May 1978:** West German Chancellor Schmidt and Soviet President Brezhnev sign 25 year trade and economic cooperation agreement that paves way for East West cooperation and European monetary stabilization.

**July 1978:** Bremen, West Germany meeting of European heads of state announces plans for new European Monetary System, based on ideas developed and circulated by USLP Chairman LaRouche.

**August 1978:** First San Jose Bank transfers \$28,000 into NCLC account, later claiming "bank error."

**September 1978:** Bank of Nova Scotia granted summary judgement against NCLC for \$89,000.

**October 1978:** USLP announces culmination of its longstanding investigation of British and Canadian connected bank laundering and financing operations underpinning drug trafficking and terrorism, demands that Federal Reserve prohibit Hongkong and Shanghai Banking Corporation takeover of Marine Midland Bank.

## The Bank of Nova Scotia's British intelligence pedigree

*In an effort to make good their claim that the \$89,000 shown on the National Caucus of Labor Committees' account at Marine Midland Bank in Buffalo, N.Y. at the end of 1976 was the result of a "bank error," the Bank of Nova Scotia filed suit against the NCLC in June of 1978. In September, the Bank of Nova Scotia was granted a summary judgment against the NCLC for the full \$89,000. The following is a selection from the arguments in the NCLC's motion to reconsider the summary judgment.*

### **Affidavit of NCLC executive Warren Hamerman in support of motion for reargument**

... NCLC believes that the assumption of standard banking relationships and the disinterestedness of the plaintiff is an incorrect assumption on a motion for summary judgment. In point of fact, the management of plaintiff BNS is comprised of longtime bitter political adversaries of NCLC whose skill in waging financial warfare against their opponents dates back to World War II ... Walter Lockhart Gordon (the bank's auditor) is not merely a major political opponent of the NCLC. He is an expert in financial warfare, having worked in the Canadian Finance Ministry during World War II intimately with Sir William Stephenson and Lord Beaverbrook ... Mr. Gordon's close connection to BNS through his accounting firm ... is strengthened through his close association to the five leading Canadian Institute of International Affairs members who are also on the Board of Directors of BNS (John Aird, Henry R. Jackman, Sir Kenneth Keith, N.A.M. MacKenzie and R.M. McIntosh). Sir Kenneth Keith, as director of political intelligence for the British Foreign Office in World War II, and N.A.M. MacKenzie, as chairman of the Wartime Information Board in World War II, both worked directly with Mr. Gordon in Mr. Stephenson's SOE operation.

### **Reply of Bank of Nova Scotia, through its attorneys Shearman and Sterling**

... These exhibits to the Hamerman affidavit are so obviously irrelevant to this litigation that more need not be said. Defendant's efforts to draw some connection among the clandestine operations of British Intelligence and the OSS in World War II, Walter Gordon's directorship of Torstar (Toronto Star newspaper), the Bank's auditors and the mistaken overpayment of approximately \$89,000 is the stuff that solacious (sic) paperbacks are made of, not motion papers for the consideration of this court.

### **Reply of NCLC**

... This limited investigation, as described in the Hamerman affidavit, unearthed the direct connection between plaintiff Bank of Nova Scotia and a long-time political adversary of defendant. This connection was not and could not be refuted by plaintiff in his submission in opposition ... In defense of the original motion for summary judgment, defendant raised the possibility of an anonymous donation or of perpetration of fraud by bank personnel ... After investigation, a third probability, direct financial warfare by plaintiff against defendant appears even more likely...

# The case of the Canadian Imperial Bank of Commerce

*At the end of October 1978, the Canadian Bank of Commerce claimed a "bank error" to deduct \$25,000 from the bank account of the National Caucus of Labor Committees. The amount had been credited to the account more than a month before and was "found" when an NCLC official in Seattle requested that the money be transferred to a New Jersey bank. Then, on Nov. 15, Canadian Imperial abruptly closed the NCLC's account. For the last three months, NCLC officials have been demanding from Canadian Imperial an explanation of the alleged bank error and the account closing, before pursuing legal action. The following are excerpts of correspondence from Marianna Wertz of the Seattle NCLC to Mr. M.C. Edwards, Supervisor of Banking, State of Washington.*

... The Canadian Imperial Bank teller who arranged this transaction was Dawn Erickson. On Nov. 1, 1978 (two days later) I received a telephone call from a Mr. Williamson of Canadian Imperial Bank who informed me that the \$25,000 did not belong to NCLC but belonged to White Pass and Yukon Route, a Cana-

dian company who had informed him that they were missing \$25,000 in a wire transfer that morning. Initially, however, Mr. Williamson informed me that he had been looking for "that money" for a long time. Earlier that morning when I attempted to check on the wire transfer, I was told by Dawn Erickson that the money had been sent through Seattle First for transfer to New Jersey but that for some reason Seattle First had made an "error" and had not sent the money out. Ms. Erickson informed me that Seattle First would send it right away and the money would be good for payments made by NCLC to its vendors on Oct. 30 in case NCLC had written any checks against it. ... There were several contradictions in Canadian Imperial's explication of the delay ... so I decided to take this up with the bank on Nov. 2. I also checked our statement from Canadian Imperial and found an additional \$10,000 ... which no one affiliated with NCLC had deposited. ...

I asked Mr. Williamson to explain how the error was made. He said it was a clerical error, that the machine which encodes the account number and the amount had a button down that should not have been down ... Persons familiar with these types of machines in New York City with whom the NCLC has conferred find this to be a highly unlikely sequence of events. ...

The other pertinent fact is that without explanation, on Nov. 15, 1978, Canadian Imperial Bank of Commerce closed the NCLC's account ... it would appear NCLC was being punished by the bank for its own "error."

**Table 3. Bank "errors" disrupting National Caucus of Labor Committees accounts**

These events occurred during two distinct periods within the Labor Committees' approximately five year banking history, dating from 1974 when Labor Committee financial activities reached the \$500,000 per year level.

Date	Amount	Banks involved
<b>Period I</b>		
1974 Oct. 28	\$60,000	National Bank of Maryland (Baltimore) Chase Manhattan Bank (New York)
Nov. 1	65,000	National Bank of Hartford (Connecticut) Chase Manhattan Bank
Dec. 4	65,000	Bank of Virginia (Richmond) First National City Bank
1975 Jan.	663,000	First National Bank of Boston First National City Bank
Feb.- March	account disruptions	First National City Bank various banks
<b>Period II</b>		
1976 Dec. 31	89,000	Bank of Nova Scotia (Toronto-NY) Marine Midland Bank (Buffalo)
1978 June 26	28,000	First San Jose Bank (California) Chemical Bank (NY)
Sept. 21	25,000	Canadian Imperial Bank of Commerce (Vancouver, B.C. and Seattle, Washington)
<b>TOTAL</b>	<b>\$995,000</b>	

Delays in posting credits to account of up to three weeks beyond normal processing times in wire transfers resulting in cash flow disruption.