

Crocker Bank linked to Hong Kong dope

by Marilyn Kay

The U.S. Treasury Department on Aug. 27 announced the imposition of a \$2.25 million fine on the Crocker National Bank of San Francisco, for failure to report cash transactions totaling nearly \$4 billion over a four-year period. The transactions may be linked to the Hong Kong heroin trade, Treasury officials believe.

The fine is the largest ever imposed by the federal government against a financial institution for violating the Bank Secrecy Act of 1980, which requires a report be filed for all currency transactions greater than \$10,000. Between 1980 and October 1984, Crocker failed to report 7,877 separate transactions, totaling \$3.98 billion, about \$3.88 billion of which involved shipment of U.S. currency from overseas banks.

In a press conference announcing the fine, John M. Walker, Jr., Assistant Treasury Secretary for Enforcement and Operations, said that Crocker Bank had perpetrated a "systematic and pervasive" failure to comply with the law and did not voluntarily come forward with the violations, which involved 29 branches. Rather, the violations were discovered by the Comptroller of the Currency and only then did the bank "cooperate with Treasury in developing the scope of the bank's liability." Walker said the record penalty imposed on Crocker was because of the "extremely serious nature of Crocker's violations," which "warranted a substantially more severe penalty than in prior cases."

Earlier cases this year involved Bank Secrecy Act violations by First National Bank of Boston, fined \$500,000 by Treasury for failing to report \$1.22 billion; Chase Manhattan, Manufacturers Hanover Trust, Chemical Bank, and Irving Trust, which were hit with fines ranging from \$210,000 to \$360,000 for not reporting \$1.33 billion in cash transactions. There are 60 other banks that have voluntarily reported Bank Secrecy Act violations to the Treasury Department and civil penalties are expected. Overall, more than 100 financial institutions are currently under investigation by the Treasury Department.

Of the 7,877 transactions not reported by Crocker Bank, federal investigators have focused on those, totaling \$3.43 billion, involving six Hong Kong banks which shipped large amounts of cash in small denominations to Crocker's central cash vault in San Francisco. These transactions "appeared to be evidence of large-scale money laundering by international

heroin traffickers," Treasury officials said. According to Art Siddon of the Treasury Department, "Hong Kong is a major banking center and is also known as a major center of drug money. We're assuming that some of that money is laundered drug money."

Investigators are also concerned about the unreported cash transactions that went to two of the bank's branches in Calexico and Tijuana, Mexico—\$12.4 million and \$18.6 million respectively—involving an American foreign currency dealer. "I have no doubt that the individuals at Calexico and Tijuana knew or had a substantial reason to know that what was occurring were suspicious transactions," said Walker. He also noted the strong degree of Mexican involvement in the drug trade, and that large volumes of Southeast Asian heroin that come into the United States "are financed out of Hong Kong." Walker said that in both cases it was "highly likely" that the currency deposits were from drug transactions. While acknowledging that there was no evidence to date that Crocker Bank had engaged in money laundering, Walker noted that its failure to volunteer the violations had "deprived the Treasury of potentially important law enforcement leads that could have been useful in drug, tax, money laundering and other investigations."

Hong Kong is the "Wall Street" of the Southeast Asian heroin trade, and one of the six banks involved in sending large shipments of small-denomination currency—the Hongkong and Shanghai Banking Corp., one of the largest and dirtiest banks in the Far East—is the parent company of Crocker Bank. Since May, Crocker has been a wholly owned subsidiary of the London-based Midland Bank, which had previously owned 57% of the bank.

In 1979, *EIR* warned, on the basis of book *Dope, Inc.* commissioned by Lyndon LaRouche, that granting permission to such unregulated "off-shore" British-controlled banks to takeover U.S. banks would invite money-laundering for the drug trade on-shore. In a celebrated such case, the HongShang Bank bought New York's Marine Midland Bank, in a controversial end-run maneuver that bypassed New York State approval. New York State Superintendent of Banking Muriel Siebert complained to Treasury officials that it was impossible to make heads or tails of the HongShang books. Federal Reserve Board chief Paul Volcker had no problem with the HongShang's cooked books.

Harold P. Reichwald, general counsel for the Crocker Bank, insists that its violations were an "honest mistake." He claimed that when the Bank Secrecy Act was changed in 1980, the management failed to notice the new regulations. Reichwald suggested that the Hong Kong currency shipments were made by nervous investors, who "were fearful they would be caught [when the Chinese take over Hong Kong] and would be prevented from getting their dollars out," the *Washington Post* reported on Aug. 28. Another Crocker spokesman, Dave Sanson, chalked up the large volume of small-denomination dollar transactions to U.S. tourists leaving all their money behind in Hong Kong.