

Gold by Roger Moore

South Africa probes Geneva banks

For the second time in two months, Union Bancaire Privée turns up in a major organized-crime case.

South Africa's police have joined those of the United States and Israel in putting an investigative spotlight on the increasingly notorious Geneva-based Union Bancaire Privée (UBP) of Edgar de Picciotto. South African prosecutors have documented that the proceeds of a large-scale gold theft and money-laundering ring were kept in the UBP and the Banque Multi Commerciale, the small Geneva subsidiary of Banque Nationale de Paris (BNP) that seems to specialize in exotic dealings.

According to information from the Johannesburg prosecutors, in the most recent year of activity, the ring was involved in the theft of 8.5 tons of gold (of 16 tons reported stolen that year) which was coated with silver and illegally exported for resmelting and sale in London and Geneva. The proceeds amounted to upwards of \$200 million, which was deposited in the two Geneva banks for redistribution to the conspirators. The theft/money-laundering pipeline had been operating for up to eight to ten years, and thus represented perhaps a billion dollars of flight capital.

In the December 1994 Miami indictment of three UBP account officers on charges of narcotics money laundering, it came out that bank officer Jean Jacques Handali traveled repeatedly to Florida to organize a flow of money into several hot investment funds, one of which was Soros Fund Management. Hungarian-American speculator George Soros, although not officially mentioned by South African investigators, has played a prominent role in the last three years' goings-on in the world's gold markets; this might

help explain why UBP again comes up when law enforcement tries to control the frenzy of speculation-driven thieves.

UBP's De Picciotto is on the board of Soros's Quantum Fund. A June 1993 *Forbes* magazine article, on expanding gold jewelry sales, comments on "the recent stampede by George Soros, Sir James Goldsmith, and other shrewd investors into the gold market." South African police first noticed in 1992 that something was driving up the price of black market gold.

Gold is highly regulated in South Africa, where unregistered possession of gold is a presumption of illegal acquisition. Hence the black market price for gold is below the legal price, a discount for the risks involved. Somebody was moving gold out of the market (out of South Africa) in such a volume as to pull up the black market price to the legal price.

Gold, like diamonds, has always been useful to international smuggling and narcotics rings. Silver-coated gold bars have turned up on the U.S. East Coast as smuggled means of payment for drug rings. It is thus no surprise that a Miami Customs investigation into narcotics money-laundering crosses paths with a South African investigation into gold theft leading to the door of the same bank in Geneva, UBP.

UBP is the result of De Picciotto's absorption of the Edmond Safra-created Trade Development Bank in 1990. Safra's New York Republic National Bank is a major gold trading bank. In 1993 it joined the exclusive five-member London Gold Fixing club, presided over by N.M. Rothschild, which sets the price of gold twice a day.

The Banque Multi Commerciale (BMC), the second bank in the South African investigation, also has its gold lining. The administrative president of BMC is Roger Budin, who happens to be the secretary of the Geneva branch of London luxury goods and jewelry producer Asprey Plc. A matter to be investigated is Asprey's business in the Persian Gulf sheikhdoms, particularly Dubai, a major gold-trading center and base of operations for gold smuggling into India.

BMC's vice president Gabriel Safdie, like Edmond Safra, is of Brazilian nationality and also spends his time in New York City. Gabriel's brother, Albert Safdie, shares a corporate seat at Swiss Banque Pallas with French banker Pierre Moussa. Moussa walked off with the Geneva assets of France's Paribas Bank in the early 1980s, when the French government nationalized many banks. Moussa was backed in this by a Swiss shell company, Pargesa, run by Gerald Eskenazi, the man who brought us the felonious "junk bond king" Michael Milken through his controlling interest in Drexel Burnham Lambert!

There is clearly a lot of hot money at risk in the South African investigation into the deposits at UBP and BMC. Unlike the Miami indictments, where UBP claimed it was a victim of those indicted, in the South Africa case, UBP and BMC are jointly appealing to block Swiss legal assistance cooperation with the South African police. Their strategy is to make the Swiss banking community nervous that the South Africa charges of theft and money laundering of criminal proceeds, which merit legal assistance, are a matter of flight capital which is not prosecutable under Swiss law, and thus do not merit legal assistance in giving bank account information to the South Africans. Much is at stake in these criss-crossing investigations.