

BIS protecting money-laundering

by Mark Burdman

Attorney General Edwin Meese was recently in Switzerland for meetings with relevant officials to "further cooperation" in investigation of drug-money laundering by banking institutions. Given the pattern of Justice Department behavior over recent months, however, one must ask outright if the "cooperation" sought is to involve stopping money-laundering, or covering it up?

Revelations that major international banks based in the United States and elsewhere are involved in "laundering" the proceeds of the narcotics trade and other illicit activities were among the more sensational developments of early 1985. New instances were being reported almost daily, and prosecutions were being launched by the Justice and Treasury departments. After a sensational case involving the First National Bank of Boston, it was learned that 104 other banks were under investigation or had admitted to large amounts of "unreported cash transactions" in violation of the Bank Secrecy Act.

But suddenly, beginning about mid-year, the pace of new revelations began to slow, to the point that, today, the issue of "dirty money laundering" has all but disappeared from public view. What happened?

Certain very high-level banking officials in Basel, Geneva, Zurich, and Berne evidently know the answer to that question. An *EIR* investigation has determined that an extraordinary intervention by the Bank for International Settlements (BIS) clamped the lid on all new disclosures, and with at least implicit agreement from Meese's Justice Department, ensured only the mildest of penalties for major banking institutions caught processing the tens, if not hundreds, of billions in drug dollars.

On Nov. 19, a London banker with experience in the capital markets of four continents told this correspondent: "Here and there, the worms are coming out of the wood on this money-laundering question. As soon as something begins to come to the surface, very quickly, the lid is put on, by the central banks, because of the great uncertainties in the international monetary system, the debt crisis and all that. The central banks are very adept at doing this kind of thing.

The central bankers are their own mafia outfit. The BIS gets together every month, and says, 'What should we do about these kinds of cases?' It's a close 'old boy' network, whose principle is not to upset stability, as they see it. . . . I'm sure they have some kind of special outfit, looking into these kinds of questions."

The "special outfit" is the so-called "Cooke Committee," named after a senior official of the Bank of England, William Peter Cooke. This "Committee on Banking Regulations and Supervisory Practices," based in Basel, was created in the mid-1970s to "regulate" the large speculative flows in and out of the "Eurodollar" market. Since that market is today estimated to be at the level of \$2.5 trillion (at least!), and since that market is in great part dependent on capital flight and laundered money, the Cooke Committee supervises the largest, and most illicit, speculative bubble in history.

"The big Eurodollar banks, love getting flight-capital money," said one source. "Of course, that is intermingled with drug money. Every time someone gets close to the truth on this, the bankers start screaming bloody murder. In particular, they don't like law-enforcement officials going public, and hurting confidence. The BIS is a club of central bankers, and their *last* priority is catching drug-traffickers. There's an implicit conflict of interest, an institutional conflict of goals: The regulators are supposed to regulate, but huge drug deposits are increasing liquidity, which makes the BIS happy. The money-laundering investigations can undermine the confidence trick of banking, so the tendency of the regulators is to quash all reports of money-laundering."

Put another way: According to informed American sources, the message has been delivered to the Reagan administration that if the money-laudries are gone after, the central bankers will crash the monetary system. Of course, this is in large part bluff, since under such conditions of declared war, the White House could be motivated to declare drug-money contraband of war. That, and related measures, would resolve some of the outstanding debt and liquidity problems in the international banking system, almost overnight.

The BIS cover-up

On page 163 of the *55th Annual Report* of the BIS, dated June 10, 1985, it is stated:

"The Committee on Banking Regulations and Supervisory Practices . . . continued to pay particular attention in 1984 to the capital adequacy of international banks. This work has three principal elements: the construction of a framework of measurement designed to facilitate broad comparisons of capital adequacy standards among different international banks; the monitoring of international efforts to strengthen banks' capital positions and their provisions against risk; and *consideration of new developments and techniques in the field of off-balance-sheet business and their appropriate treatment in assessing capital adequacy* [emphasis added]."

Currency Rates

"Off-balance-sheet business" for "capital adequacy"? The "new developments and techniques" cited, for what a normal person calls "money-laundering," were the subject of a Nov. 25-26 conference of the International Institute of Finance (IIF). Mr. Cooke, and at least five other officials of the Cooke Committee, were in Washington, D.C. to participate.

Their panel was entitled precisely: "Capital Adequacy and Off-Balance-Sheet Credit."

The IIF—comprised of 189 banks of the "creditors' cartel"—is chaired by Richard Devereux Hill, chairman of the board of the Bank of Boston through December 1984, covering the period for which that bank was convicted of \$1.2 billion in "unreported cash transactions" with nine foreign banks, including Switzerland's three largest.

Other 'coincidences'

On Nov. 21, a veteran Basel source stated: "I have heard no news of money-laundering here for weeks. The scene is very quiet, since about three months ago." He reported that, around that time, during the last days of August, there was a meeting between officials of the Swiss Federal Ministry of Justice and Ministry of Foreign Affairs, on the one side, and officials of the U.S. Justice Department, State Department, and Securities and Exchange Commission, on the other. On the Swiss side, the officials at the meetings included one Herr Krafft, from the international public law bureau of the Swiss Foreign Ministry, and Herrs Schmid and Krauskopf from the Swiss Justice Ministry. Known U.S. participants included a Mr. Lynch from the SEC, and a Mr. Olson from the criminal fraud division of the Justice Department.

"The talks were the second round of exchanges of this year, to discuss the Legal Aid Agreement (*Rechtshilfe Abkommen*) between the United States and Switzerland, according to which any investigations into bank practices here, must be done by the Swiss authorities themselves," stated the source in Basel. "This has been a cause of contention between the two countries, but the final statement said the talks were very useful, necessary, and constructive, that there had been a climate of cooperation, and not confrontation.

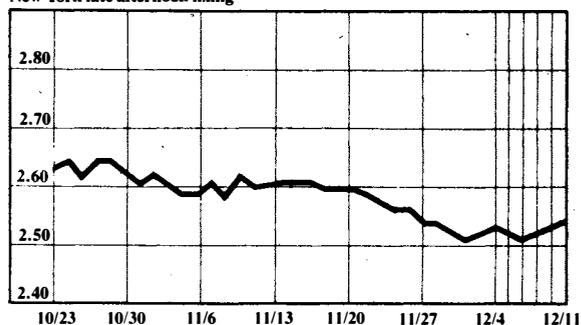
"It may be a coincidence," he concluded, "but you could date the lack of news on money-laundering here, to the same time as these meetings."

In March 1985, datelined Zurich, the *International Herald Tribune* published a feature entitled, "Tracking the Money Launderers: U.S. Officials Look to Switzerland." That piece quotes the head of the President's Commission on Organized Crime, James D. Harmon, saying: "Some international financiers may soon turn into international fugitives. In war time, Swiss neutrality may be viewed as morally admirable, but in the war against the drug trade, neutrality amounts to complicity."

One American source in Europe told this correspondent: "I thought that article would provoke all sorts of things, but instead, the issue is dying. It's very strange."

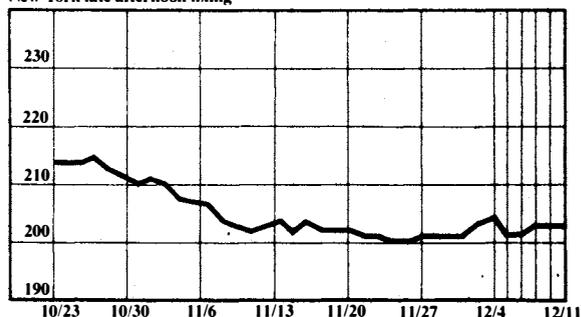
The dollar in deutschmarks

New York late afternoon fixing



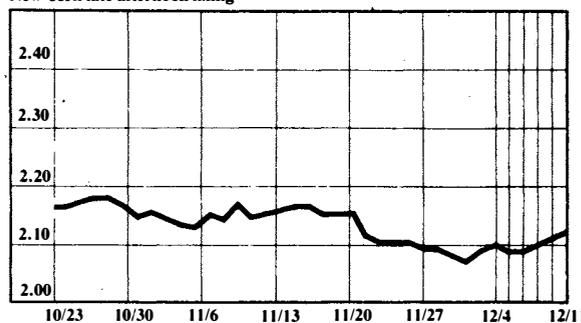
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

