

Eye on Washington by Nicholas F. Benton

Bankers plot against war on drugs

Conference reveals open bank opposition to essential steps to deter money laundering.

The Bankers Association for Foreign Trade's (BAFT) Center for International Banking Studies devoted an entire session of its conference here Jan. 21-23 to drug money laundering. The purpose of the seminar was two-fold: to bring participants up to speed on the new laws which hold banks more accountable for preventing the laundering of drug and other illicit funds through their institutions; and to make it clear that the banking community, through organizations such as the BAFT, seeks to convince Congress to "lighten up" on the issue.

By mid-1990, banks will be required to keep tabs on all suspicious international wire transactions. This will be a tall order, because such transactions, known as CHIPS, total as much as \$1.2 trillion in a single day. Nonetheless, unless this is done, any effort to take the profit out of international drug trafficking by eliminating the ability of traffickers to use their ill-gotten gains will be fruitless.

According to Charles A. Intriago, editor of *Money Laundering Alert*, who was a member of the BAFT panel on the subject, the lowest U.S. government estimates are that \$80 billion in drug sales occur annually in the U.S., and \$300 billion occur annually worldwide. Experts routinely put those figures much higher.

Experts realize that unless the banks themselves are held accountable for identifying and reporting suspicious movements of money through their institutions, the problem can never be solved. Necessarily, this includes the monitoring of international

wire transfers.

Inconvenience to the banks has to be weighed against the seriousness of the problem. If the ability to launder money were stopped cold, nothing would be more devastating to the drug cartels. Given Americans' overwhelming support for winning the war on drugs, then, it is surprising that the public is not made more aware of the zealous efforts by the banking lobbies in Washington, including BAFT, to take the teeth out of tough money laundering laws.

Citibank's International Government Relations spokesman William Hawley, speaking on the BAFT panel on money laundering, made it clear he does not like the provisions the Treasury Department outlined last October, set to go into effect this summer, for monitoring international wire transfers. He told the conference that efforts were afoot by all the major bank lobbies to change the rules.

The Treasury's October 1989 ruling said that banks will have to monitor international wire transfers in seven major areas: 1) records and reports on persons, 2) third-party information, 3) a "know your customer" policy to verify legitimacy, 4) special procedures for non-account holders seeking to wire money, 5) use of a "suspicious international transfer profile," 6) getting information from other banks on targeted cases, and 7) monitoring international non-wire book transfers.

Hawley said that among these requirements, those which pertain to keeping records and reporting are

okay for the banking community, but all those areas which require an analysis of data (that is, to identify suspicious transactions) should not be part of the responsibility of banks, but should be handled solely by the government.

"We've been told we're deputized," he complained, to carry out a role for which, he insists, the banks should not be held responsible. BAFT president Benjamin Turnbull went even further. He said the Treasury's enforcement division has adopted the attitude that "if they break some glass on the way" to achieving their objective, "that's not their concern." But, he whined, the "modifications they want on the wire transfer of funds could put us out of business." He added, "All three [banking] trade associations have a similar response."

I asked drug czar William Bennett during a White House press briefing Jan. 25, "On the issue of money laundering, a number of representatives of banking associations think that too much pressure is being put on them to be accountable for putting restraints on money laundering, especially in international wire transfers. What's your response to that?"

Bennett said, "No. I would say we do need accountability there. As we said last time, we might subtitle the strategy, 'Everybody Must Do Something.' And the money goes to the banks, and that means the bankers have to be paying more attention. And we know that money is the lifeblood of these organizations, and as long as they are able to launder money easily, that's going to create a great obstacle for us. So, no, we don't think that we're placing an undue burden. We want to work with the community, obviously, in a way that doesn't distort or frustrate their usual way of doing business. But they've got to play."