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BCCI could face probes after US plea bargain deal

Drug case bank may face wider checks

Mark Milner and
Lisa Buckingham

THE Luxembourg-based Bank of Credit and Commerce International is likely to face a searching examination by international regulators in the wake of its plea-bargaining deal with the US authorities over the alleged laundering of drug money.

Part of the US deal is the bank's acceptance of strict compliance procedures. Other regulators are likely to want to ensure that similar standards are in place.

Because BCCI is based in Luxembourg, primary regulatory responsibility rests with the authorities there.

But they are thought to have discussed the issue with a number of countries where BCCI has operations, including the UK, Hong Kong and the Cayman Islands. This group is also thought to have been in touch with the US.

The spread of BCCI's operations means that individual regulators are unlikely to want to take unilateral action and are expected to want to co-ordinate their approach.

The government of Luxembourg has already issued a statement saying it has asked US authorities to forward evidence alleging that BCCI and some of its former employees laundered money for Columbian drug barons.

And the country, whose banking secrecy laws are legendary, pledged it would take tough action against proven drug money laundering.

Under the BCCI plea-bargaining deal, the international bank agreed to provide information, forfeit $14 million and accept five years' probation. In return, it avoided trial on charges of laundering more than $32 million.

US prosecutors have also agreed to drop many of the criminal charges against BCCI and one of its subsidiaries. No further penalties will be sought.

The court settlement has still to be approved by the judge in the Tampa, Florida court. But Kim Gagne, attorney for the bank, said yesterday that agreement to abide by US regulations would be no hardship.

The potential terms of the settlement have, however, stirred political controversy in the US, where many feel a plea bargain should not have been permitted.

If BCCI — the first major international bank to be indicted on US money laundering charges — had been convicted on all charges, it would have faced up to $40 million in fines.

It said yesterday it was prohibited from commenting on the terms of the settlement. But Mr Gagne stated: "BCC is committed to following the laws in every country and to be required to follow the laws would be simply to reiterate our general corporate strategy." He declined to comment on whether the bank had been urged to tighten its compliance procedures by other banking regulators.

But he did admit that BCCI had been "redoubling its efforts" to meet with all regulatory requirements over the past few years. "The only answer is that the bank is absolutely committed to be in full compliance with the laws in every country in which it operates."

BCCI, founded in 1972 by Pakistani national Agha Hasan Abedi, now has operations in 73 countries and employs roughly 14,000 people. Although the company — which ranks as the fifth largest private bank in the world — is registered in Luxembourg, its headquarters operations are in London.

The bank, with assets put at around $20 billion, has always maintained it was never knowingly involved in the laundering of funds connected with drug trafficking.

BCCI is understood to have plunged into the red in 1988 with after-tax losses of $27 million, compared with a profit of $55.4 million the year before, because of a decision to double provisions against bad debts.