What are International Banking Facilities?

International Banking Facilities (IBFs), free banking zones, were first proposed by the New York Clearing House Association, the trade organization of the top 12 New York commercial banks, led by Citibank and Chase Manhattan. In a July 14, 1978 submission to the Federal Reserve entitled "International Banking Facilities in the U.S.," the New York banks called for three basic new conditions to establish free banking:

1) The removal of reserve requirements on all deposits in IBFs, exempting the banks from safety reserves against bad loans, which would allow the IBFs to greatly multiply credit expansion.

This requires lifting Fed Regulation D, which mandate reserve requirements.

2) The removal of all interest rate ceilings and time deposit requirements for IBFs, to allow interest rates to float up with international rates.

This requires lifting Fed Regulation Q, mandating interest rate ceilings.

3) The freedom of IBF profits and deposits from federal and state taxes, the same as offshore dollar deposits which are already totally tax-free.

In practice this requires no federal legislation, simply an agreement by Congress not to impose taxes on the new IBFs. The Fed has already obtained this.

State legislatures are being encouraged by the New York banks to remove their state tax laws, with promises that new IBFs will bring new jobs into states that do. New York's Gov. Hugh Carey in July 1978 moved immediately to rewrite the New York tax laws as asked by the New York Clearing House the same month.

IBFs are supposed to handle only international deposits and loans, that is, only engage in business now done offshore, so as not to compete with domestic U.S. banks for the economy's shrinking loan business. In practice, they will do large amounts of loans to domestic companies, using the fiction of U.S. corporations' foreign subsidiaries' books.

Since these three conditions require no congressional action, IBFs can be imposed unilaterally by the Federal Reserve.

down, what with the pressure to keep down the costs of operations. You just can't check into every transaction.

"There are certain sorts of accounts," the executive said, "which are virtually foolproof means of moving illicit funds. The most reliable is the type of account maintained by someone dealing in the financial market, buying and selling large amounts of securities every day. Tens of millions could go through the account every day, even if the balance at the end of the day is only a few thousand dollars. No one would notice an extra million dollars passing through."

In fact, it is the huge New York computer owned by the New York Clearing House Association, the trade association of the top 12 New York banks, which now utilizes EFT to clear funds, out into the Eurodollar markets, EFT experts have told *EIR*. The New York Clearing House computer, owned by Citibank, Chase, and their partners, called the Clearing House International Payments System (CHIPS), is a Burroughs large-scale dual processor B-6700 located at the New York Clearing House in lower Manhattan.

As the name baldly implies, CHIPS is already at the center of a rather large international crap game. CHIPS is the EFT mechanism which now links the New York banks to their Eurodollar branches and to all banks in the world's offshore markets, such that it virtually makes the New York banks part of the offshore market already.

Worse, according to EFT expert Robert Morris at AT&T's Bell Laboratories, the only possible way the over $100 billion in drug money that leaves the U.S. annually could do so is through such a system. An owner of illegal funds such as that cited by the banking executive above, builds up a certain transaction balance at a CHIPS-member New York bank, but if the account were to grow too large, the bank would have to notify the IRS, which would audit the source of funds.

The excess funds, then, instead of being built up, are transferred out through the "red area" of the bank's computer department which is on line with CHIPS. All that is required is one member of the bank computer department to be witting in the activities related to one, or a series, of such high-volume accounts at the bank.

The narcotics executive orders a wire transfer made from his account, say, at Chase Manhattan in New York, to an IRS-proof and unregulated offshore bank account at, perhaps, Standard Chartered Bank in Nassau. In the Chase computer room, the witting computer operator adds one more message unit to the regular string of messages from Chase to Standard Chartered.

The ostensible value of the wire transfer ordered is $10,000; the computer operator adds another $1 million extra message unit. Simultaneously, the narcotics executive deposits another $1 million of illegal money to be