Banking by Our Special Correspondent

Money laundering probed in Europe

Several major scandals are about to explode in the wake of the U.S. crackdown on BCCI.

Following October's crackdown on the money-laundering activities of the Bank of Credit and Commerce International of Agha Hassan Abedi, several major scandals are about to explode. One may involve the BCCI branch in Nigeria. Investigations to prove that the BCCI branches in Africa were also used for drug money laundering, have been ongoing since last spring under the sponsorship of a U.S. Senate subcommittee.

According to the Paris-based *Lettre du Continent* newsletter, the DEA, the Department of Justice, and the New York U.S. Attorney are looking at all drug cases involving Nigeria, suspected of being a transit point for Pakistani-produced heroin into Europe and the United States. Evidence is also emerging on links between the local Nigerian mafia and the Medellín Cartel. On Nov. 23, two Nigerian Airlines stewardesses were caught carrying cocaine.

BCCI, which has become one of Nigeria's main banks since the Biafra War, and recently extended a $1 billion credit to Nigeria at a point when the country was in strained negotiations with the International Monetary Fund, is suspected of having played a role there, too, says the newsletter. BCCI's executive manager, Nazir Chinoy was arrested in Paris in October. From Paris, Chinoy managed the European and African accounts for BCCI's Cayman Islands subsidiary.

On Nov. 4, indictments for laundering up to $1 billion in drug money were issued against a set of Swiss-based companies. At the center of the scandal was the Zurich trading company of Mohammed Shakarchi, dealing in gold and precious metals. It had reportedly received money from drug sales in the Mideast and laundered it into the Swiss banking system through a Sofia-Zurich axis. The money often found its way back into the region in the shape of gold or other precious metals.

According to reports, the American, Italian, and Swiss investigators who had originally dismantled the Pizza Connection, collaborated in this crackdown. On Sept. 16, 1987, law-enforcement teams from the three countries met in Bellinzona, a Swiss border town and key financial center of the Pizza Connection. A few months later, U.S. Customs officers in Los Angeles arrested two Lebanese brothers, Jean and Barkev Magharian, caught with $30 million in a suitcase. Further work led to the Shakarchi nexus.

The Swiss political establishment was reportedly shocked to discover that one of Shakarchi's board members was Dr. Hans Kopp, husband of the justice minister, Elisabeth Kopp. He had resigned from the board more than a month before.

The scandal erupted while Elisabeth Kopp was sponsoring a new law to criminalize money laundering, a law denounced as ineffective by Switzerland's leading bankers. The chairmen of Crédit Suisse, Union Bank of Switzerland, and Swiss Banking Corporation, whose banks were used by the smugglers, went on national television to complain that they could not be equated with crooks. While commenting that they could not oppose the new law, they all stressed that it would be "impractical" for any banker to check the origins of his deposits!

In France, much attention has been given to U.S. Customs' decision to subpoena the records of the New York-based Republic National Bank of Edmond Safra, alleged to be holding a $450,000 bank account originating from drug sales. The U.S. Customs move could not have come at a worse time for Safra. Less than a month earlier, he hit the front pages of the European financial press by announcing the creation of his London-based new bank "only for the super-rich," as the *Financial Times* described it. Safra outlined that his banking strategy aimed at making the most of the Single European 1992 Act.

Safra's name surfaced at the end of October as a shareholder in the "Marceau Investment" company managed by financier George Pébereau. It coincided with the decision of Pébereau, clearly backed by the French Socialist government and its finance minister, Pierre Bérégovoy, to launch an hostile bid for control of one of France's largest de-nationalized banks, Société Générale.

By using Pébereau and a few associates, the French Socialists want to de facto re-nationalize the bank by taking a majority control of its shares. Though Safra—decorated a few months ago with the French Légion d'Honneur at the behest of President Mitterrand—is still a shareholder of Pébereau, he is no longer mentioned as one of Pébereau's associates in the bid, which is still provoking a major upheaval in France.

Several French magazines have publicized the U.S. Customs move and began asking questions about Safra's financial resources. The right-wing weekly *Minute* obviously went too far as it began linking Safra to BCCI directly and numerous other affairs. Safra is now suing for libel.