

# The dirty politics of 'bankergate'

Remember the original Watergate? The sudden "conscience-stricken" revelations by insiders, the exposé articles in the *Washington Post*, the pyramiding of official investigations? Precisely the same scenario is enjoying a rerun, and under the same direction, but this time the target is not the American presidency, but the U.S. banking system.

A former Citibank specialist in "offshore" currency manipulation, one David Edwards, is taking Citibank to court on charges of illegal activities. His case, with a hefty boost from the *Washington Post*, is acting as a spur for a broad attack on all the major New York commercial banks, engendering no less than three federal and four congressional probes into the country's seven largest banks.

"Bankergate" went into high gear Nov. 1 when the *Washington Post* printed a sensational front-page article by Edwards's Washington duenna, Larry Kramer, announcing a broad Justice Department-Securities Exchange Commission investigation into all seven banks' foreign currency activities.

In interviews last week both Kramer and Edwards agreed that the ultimate aim of the scandal is to fulfill

the plan, laid out by the Governor of the Bank of England this summer, to impose full International Monetary Fund surveillance over U.S. banks in particular and international finance in general. "We hope for some kind of IMF ruling on this entire Euromarket question," Kramer commented. "We're just sorry we couldn't break the story in time for the September IMF annual meeting."

The original London plan surfaced when Sir Gordon Richardson, the Bank of England Governor, and U.S. Federal Reserve Chairman G. William Miller made identical speeches at the beginning of June, complaining about (in Miller's words) "the unsettling effects of the excess liquidity in the international monetary system" caused by the presence of the \$600 billion Eurodollar market. Their solution was circulated more privately, in a not-for-publication Bank of England memo which urged the imposition of reserve requirements on the Eurodollar market, a scaling down of the market itself, and mandatory surveillance of all Eurodollar loans by the London-dominated IMF. (The intensive excerpts of the secret memo were published in the *Executive Intelligence*

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## Edwards: 'Somebody has to clean out the U.S. banks'

*This interview with former Citibank Assistant Vice-President David Edwards was made available to this news service by British financial sources.*

**Edwards:** For the past four years or more I have been appalled at what the total lack of regulation has meant to the ability of the banks to carry on extensive illegal activities on the offshore markets, and now I simply believe that somebody has to clean out the banks.

**Q:** *I gather you hope your case will be used as a spur to Congress to resurrect the proposals of Proxmire and Reuss for reserve*

*requirements and other controls on the Eurodollar markets. Of course this would curtail British banking's banking competitors' international activities.*

**A:** Exactly. Chairman Proxmire asked me just that: "How can your case be used to help pass legislation forcing reserve requirements on the Eurodollar markets?" And Reuss said something similar.

Even better was Representative (Joseph) Minish (D-N.J.), the head of the House Banking Committee Oversight Subcommittee, who is against the banks because he's the former head of New Jersey COPE (the AFL-CIO's Committee on Political Education — ed.) and of the Essex County AFL-CIO. And John Conyers, Chairman of the House Judiciary Crime subcommittee, told me: "You're out there all alone against the long arms of the banks, out in the cold, but we're gonna bring you in, boy."

He's really out to get the banks.

**Q:** *Who introduced you around Washington?*

**A:** Oh, Larry Kramer and the *Washington Post* staff told everyone all about me, and I've been getting invitations right and left since.

**'I set it up myself'**

**Q:** *How do you know that Citibank hasn't cleaned up its act already?*

**A:** Look, I set up the whole Nassau offshore Caribbean operation; I took over the Nassau desk in 1972 and set up the whole thing, under the auspices of ....., the ..... (a top official whose name is being withheld by this news service — ed.) of Citibank UK. Then he began misusing it. He even had the nerve, when word of my complaints began to get around, to call New York and tell senior management that under UK banking law, they, not he, were responsible ....

*Review's June issue.)*

In practice, this would jerk up the cost of Eurodollar business to U.S. banks by over 3 percent to pay for reserves, and would at the very least force a major retrenchment of their foreign operations, say banking industry sources. At worst, it could mean what one European press source called "a crash of intolerable consequences," a crash that would collapse the core of U.S. banking.

A second, not insignificant aspect is the attempt to halt exposure of British banking's role in the international narcotics trade, and particularly to squelch a suit now pending at the Washington Federal Reserve brought by the U.S. Labor Party exposing the RIIA-controlled Bank of Hong Kong and Shanghai's financing of illegal drug-running into the U.S. The heads of major American banks, such as Citibank's Walter Wriston and Chase Manhattan's David Rockefeller, are being blackmailed by British collaborators inside their own banks to side with Britain against the USLP probe. If they do not, word will go out in Washington that, as Kramer put it, "it is the U.S. banks, not the much smaller British, who run the drug trade."

But the prospects for banks that knuckle under are not bright. Take the case of Bankers Trust. The nation's seventh largest bank announced Nov. 9 that it is selling off 89 New York City branches — its entire retail business — to the Bank of Montreal, run by

Canada's leading RIIA representatives, the Bronfman family. (For details of the Canadian side of the bank takeover, see below.)

### How to run a Watergate

Britain's "bankergate" began last spring when David Edwards was booted out of his position at Citibank's Paris office and filed a \$14 million suit against the U.S.'s No. 2 bank. Edwards charged that his dismissal resulted from his valiant efforts to expose Citibank's illegal foreign currency transactions.

Edwards was trained at the London School of Economics, and passed on to Citibank in 1972 by the London merchant bank Samuel Montagu and Co. During 1972-74 he worked under the direction of a top official of Citibank London to set up Citibank's entire Nassau-Caribbean offshore operations. Edwards personally designed those operations to be used for tax evasion, foreign currency speculation, and all manner of dirty-money laundering.

The top London officials then arranged to dump Edwards, who conveniently began complaining to the management in New York about the dirty Nassau operation. Convenient, because the London official promptly pointed out to Citibank Chairman Walter Wriston that under British bank law, Wriston was responsible for the entire mess — by then billions of dollars' worth. Today,

*Q: You mean Walter Wriston?*

*A: Yes. But now ..... is the (top officer) of Citibank world headquarters in New York, and I'm out in the cold.*

## 'Nothing to do with profitability'

*From an interview with a prominent New York commercial banker:*

*Q: What are you doing about the Edwards charges?*

*A: We're going to have to open up; we plan to let him inside the bank, tour him around, and try to trip him up — prove that there's nothing to what he is saying. . . .*

*Q: You think that will stop the Justice Department and SEC probe?*

*A: No, but what choice do we have? We're taking the position that his charges are ridiculous because he's crying foul at everyday banking practices.*

*Q: But the point is that he's got a full Justice Department and congressional investigation of those everyday practices in order to shove reserve requirements through on the Euromarkets.*

*A: But the big U.S. banks would never allow it. . . .*

*Q: What they allow is not at issue.*

*A: But they can't do that to Walt Wriston; that would collapse the entire credit of the U.S. banking community. My god, I can't believe they have anything on Wriston. He's the pillar of the community.*

*Q: The British would rather not use their information — they want him to play ball. What do you think*

*got the Bank of Montreal into Bankers Trust?*

*A: You may be right. We don't see room for more than three retail banking businesses in New York City five years out — Citibank, Chase, and maybe Manny Hanny (Manufacturers Hanover).*

*Q: But why does Montreal want to move into a dying industry — to lose money?*

*A: It has nothing to do with profitability of retail banking; it's political. You're right about the British and Canadians wanting a slice of the U.S. market, no matter what the cost. The question is, will the Federal Reserve allow it? We're watching the HongShang takeover of Marine Midland, hoping they'll stop it.*

president in Citibank's New York headquarters, courtesy of this blackmail.

By Feb. 9, 1978, Edwards had been fired for his exposé campaign; on July 24 he filed suit. By August 1, the Justice Department and the SEC had launched offshore practice probes of unnamed "New York foreign exchange brokers," according to the *Wall Street Journal*. The entire episode followed close on the heels of U.S. President Carter's acceptance of the Schmidt-Giscard European Monetary System package at the late July Bonn economic summit of heads of state.

Edwards has revealed (in the accompanying interview) that it was in fact *Washington Post* cub reporter Larry Kramer, under direct orders from *Post* publisher Katherine Graham, daughter of Lazard Freres's founder Eugene Meyer, who brought underdog Edwards to Washington and toured him around the Justice Department, the SEC, and Congress.

As Edwards also says, Senator William Proxmire, chairman of the Senate Banking Committee, specifically asked Edwards if his case couldn't be used to help legislation forcing reserve requirements on the Eurodollar market — the Bank of England program — along with a number of other legislators.

Soon the story of the big bank investigation was making headlines not only in the *Washington Post*, but the European financial press. The French financial daily *Les Echos* publicized the story in a prominent column titled "Crash," accusing the American "top Fortune classification banks . . . these 'four sisters' " — Bank America, Citibank, Chase, and Manufacturers Hanover — of making "most of their profits from the constant movement of capital they manage." The article continues, "The volume of (their) volatile dollars is out of control . . . The entire world is at the mercy of a crash of incalculable consequences that would make Black Friday 1929 look like a mishap."

Miller associate John Heimann, U.S. Controller of the Currency, announced the same day the formation of a special department of "multinational banking surveillance" to widen the Edwards-instigated probes.

### Will Wriston clean house?

The real dirty laundry of these banks is that most of Edwards's accusations are in fact true — as far as they go. U.S. banks, together with British banks, are engaging in all manner of illegalities. As Undersecretary of the Treasury Bette Anderson accurately stated in an August speech, New York branches of many banks such as Chemical Bank have laundered millions of dollars in small change for the illegal narcotics trade.

The people running these dirty operations from inside the American banks — like the top Citibank official blackmailing Walter Wriston — are the same

individuals, according to information in the hands of the U.S. Labor Party who have committed grand larceny to the tune of over \$1 million syphoned out of the bank accounts of several organizations associated with Lyndon LaRouche, in cooperation with the Canadian Bank of Nova Scotia and the Canadian Imperial Bank.

It is clear that Wriston and Rockefeller must clean up their banks, but how, and at what cost? Attempts to cover up past sins will be met with further scandal; but a clean sweep of the blackmailers and British agents would end up in the asset column of the banks' books.

—Kathy Burdman

## What's behind the Canada-U.S. bank deal

"It has nothing to do with the profitability of retail banking," a New York commercial banker told *Executive Intelligence Review* this week in reference to the Bank of Montreal's recently announced move to snap up 90 percent of the retail operations of the nation's eighth largest bank. "It's political," he stated flatly.

Indeed, the decision of Canada's third largest bank to take on Bankers Trust's 89 branch banks, long since unanimously judged a pack of financial albatrosses, appears to be the latest episode in what has shaped up over the months as a politically motivated, high-powered, high-profile British banking invasion.

### Hardly economical

There is little question that the deal represents any kind of dollars-and-cents economic gain for the Bank of Montreal. The Bankers Trust retail operations, with a billion dollars in assets, barely holds a sliver of the New York retail market otherwise overwhelmingly dominated by Citibank, Chase Manhattan, Chemical Bank, and Manufacturers Hanover, each with far more than 200 branches, many of which are automated and offer 24-hour service. It is not exactly the type of operation that would look attractive to a \$30 billion Canadian bank reputed to be painstakingly working its own business out of the doldrums.

But if the economics of the deal don't add up, the politics do. As the Canadian press has noted, the Bank of Montreal-Bankers Trust deal is running interference for final passage of the new Canadian Banking Act, which would formally open Canada for U.S. branch banking in exchange for deposit-taking operations in the U.S. — a carte blanche for wholesale merger of Canadian and American banking systems. What Bank of Montreal risks in dollars and cents, it secures in establishing a political-financial beachhead *inside* the American banking system.