

## Probe Don Regan for drug money-laundering ties

by Kathleen Klenetsky

A new scandal is about to be visited on the Reagan administration, putting into the shade the previous affairs which led to the dismissals of National Security Adviser Richard Allen, Labor Secretary Ray Donovan, and other high-ranking administration officials. The target of the brewing scandal is none other than the man whom the international press has been calling "Acting President," White House Chief of Staff and former Treasury Secretary Donald Regan.

Preliminary investigations suggest that the former Chairman of the Board and Chief Executive Officer of Merrill Lynch is implicated in a pattern of illegal drug-laundering schemes and other "funny money" operations that would have already put less well-protected mortals behind bars.

The possibility that Regan may be linked to the banking side of the international narcotics traffic is of particular significance, given that both President Reagan and Mrs. Reagan have repeatedly stressed that a war on drugs, aimed at eliminating the Soviet-backed drug plague from the United States, is one of their foremost priorities. It is hardly credible that the President or the First Lady would tolerate someone as tainted by the global dope trade as Don Regan appears to be. Washington insiders believe that if the Regan "dirt" does capture public attention, Don Regan will soon find himself out on the street, as Richard Allen did in the first Reagan administration after it was discovered he had a watch allegedly given him by a Japanese dignitary.

If Regan is forced out of the White House, it will not be a minute too soon. From the moment he entered the administration as Treasury Secretary, through his recent arrogation of presidential functions during the President's convalescence, Regan has functioned on behalf of the interests of that small, international financial elite which not only runs the global drug trade, but which wants to destroy the United States.

Regan has placed himself in direct opposition to funda-

mental U.S. interests on a score of issues. Not least of these is his loud insistence that America be forced to submit to International Monetary Fund surveillance, and his successful battle to force deep cuts in defense spending. Since becoming White House Chief of Staff, Regan has placed a nearly impenetrable screen around the President, preventing him from receiving vital national security and economic intelligence. Regan's exploitation of the President's illness to consolidate his own position as Acting President has been so obscene, that even the liberal media have cautioned him to adopt a lower profile.

### Will Don Regan go to jail?

*EIR's* investigations have thus far established that Regan and/or Merrill Lynch is implicated in the following money-laundering and related sleazy operations:

- **Baldwin United Securities:** Merrill Lynch is the main defendant in a lawsuit brought by the State of Georgia, under Georgia's Racketeer Influenced and Corrupt Organization (RICO) statutes, in the case relating to Baldwin United Securities, a multibillion-dollar securities firm, which collapsed in 1983, triggered in part by the failure of Tennessee banker Jake Butcher's United American Bank. Baldwin United was a massive securities scam and money-laundering front for financing Democratic Party campaigns during the Carter years.

In the late 1970s and early 1980s, Baldwin United's head, a wheeler-dealer named Morley Thompson, acquired an annuities firm named MGIC (often called "MAGIC"); owned by Milwaukee-based mobster Max Karl. Karl was a front for the financial concerns of top mafiosi like Michigan's Max Fisher and Ohio's Carl Lindner, the two "Mr. Bigs" of the United Brands drug-trafficking empire. Financial adviser to Morley Thompson, in his buy-up of MGIC, was Don Regan's Merrill Lynch.

According to evidence prepared for Baldwin's bankruptcy proceedings on April 15, 1985 in the Southern District of Ohio, Thompson wrote to "Donald Regan, then president of Merrill Lynch," on Aug. 25, 1980, "proposing a joint venture between Baldwin United and Merrill Lynch, which would provide each company a tax saving of \$40 million a year."

In the court documents, Merrill Lynch next turned up on Dec. 18, 1981, in a letter from a Merrill Lynch official to Thompson, "confirming that Merrill Lynch will act as financial adviser to BU for the MGIC acquisition." Through the early 1980s, Merrill Lynch served as adviser to Baldwin in buying MGIC; engineered a consortium to finance the Baldwin buyup of MGIC; and promoted annuities/securities shares of Baldwin, as it went under.

The Georgia suit charges Merrill Lynch, along with a score of other New York-centered investment houses, with having defrauded Georgians of millions of dollars, by marketing Baldwin United stock, even though Merrill Lynch, et al., knew that Baldwin was bankrupt.

The state's formal complaint reads, in part: "Defendants offered for sale and sold securities . . . by means of deceptive practices, false and misleading statements and omissions . . . and with reckless disregard for the truth. . . ." The broker/dealers and insurance agency Defendants . . . participated in a 'pattern of racketeering activity'" in order to sell Baldwin United securities.

A Georgia source close to the case, asked if the investigation would touch Regan, laughed: "We assume down here that Don Regan is still working on behalf of his former employers."

- A multimillion dollar, drug-related scam involving the notorious Swiss dirty-money bank, *Crédit Suisse*. Merrill Lynch's role as a primary conduit for millions of dollars in heroin profits was publicly documented in an October 1984 report issued by the President's Commission on Organized Crime. Entitled "The Cash Connection: Organized Crime, Financial Institutions, and Money Laundering," it levels the following charges:

"In 1980, . . . couriers were observed transferring enormous amounts of cash through investment houses and banks in New York City to Italy and Switzerland. Tens of millions of dollars derived from heroin sales in this country were transferred overseas in this fashion. . . ."

"One of the couriers for this laundering operation was Franco Della Torre, a Swiss resident. In March 1982, Della Torre deposited slightly more than \$1 million in \$5, \$10, and \$20 bills in the 'Traex' account at the Manhattan office of the brokerage firm Merrill Lynch Pierce Fenner & Smith. Thereafter, Della Torre made four additional cash deposits totaling \$3.9 million in the 'Traex' account. . . ."

Merrill Lynch also helped arrange security for the transfers: "In making large cash deposits at Merrill Lynch, Della Torre's practice was to request that security personnel accompany him from his hotel to Merrill Lynch offices. After several such deposits . . . arrangements were made to escort

the money from Della Torre's hotel directly to Bankers Trust, where Merrill Lynch maintained accounts."

According to federal indictments of Della Torre and others in this heroin ring, Merrill Lynch moved the funds directly to Switzerland, where one of the major depositories was *Crédit Suisse*.

- *Crédit Suisse* figures in another major scandal involving Merrill Lynch: the Bank of Boston case.

Earlier this year, drug-money laundering became the biggest issue in international law enforcement when U.S. Attorney for Massachusetts William Weld cut a deal with the First National Bank of Boston, and arranged a fine of a mere \$500,000 for felonies committed by the Bank in laundering over \$1.22 billion in drug money to *Crédit Suisse* and other secret bank accounts in Switzerland.

First National had systematically violated federal law by failing to report large cash deposits that were being funneled by organized crime through the bank to Switzerland. Federal laws requiring the reporting of cash transactions over \$10,000 were passed explicitly to prevent drug-money laundering and other illicit proceeds.

Within weeks of Weld's deal, *EIR* discovered why Weld imposed only minimal penalties on the bank: The Weld family, through *Crédit Suisse*, White Weld securities, and Merrill Lynch, were indirect business partners of both the Bank of Boston and *Crédit Suisse*.

Although the Justice Department launched an investigation into Weld's conflict of interest, sources in Washington say Weld is confident the scandal will blow over. Weld's confidence that the presidential war on drugs will not target him, could well be due to the protection of Don Regan, who was chairman of Merrill Lynch when White, Weld securities became inextricably entwined with *Crédit Suisse* and Merrill Lynch.

During the spring and summer of 1978, a sequence of transactions took place between White Weld, *Crédit Suisse*, Merrill Lynch, and First Boston, Inc., which led to the creation of a new entity, *Crédit Suisse First Boston* (formerly *Crédit Suisse White Weld*). The actual outcome of these transactions remains something of a mystery. Initially, Merrill Lynch appeared to have bought White Weld for the sum of \$50 million, but subsequently, *Crédit Suisse* purchased White Weld's stockholders' "stake" from Merrill Lynch for \$25 million—resulting in the formation of *Crédit Suisse First Boston*. White Weld securities remained listed on Merrill Lynch's organizational chart until 1983. Don Regan, then chairman and CEO of Merrill Lynch, oversaw the side of the transactions that ended in the marriage of the drug-linked *Crédit Suisse* to the Weld family.

- In March 1984, then-Treasury Secretary Regan was grilled by Congress on his dismantling of an "air interdiction" anti-drug program to have been administered by Treasury. Regan looted more than \$18 million in Treasury funds from the anti-drug program and put them into an administrative fund to remodel his office.