

BCCI scandal a 'coup' for the Basel bankers

by EIR Economics Staff

Federal Reserve General Counsel J. Virgil Mattingly, Jr. and Fed Bank Supervision Director William Taylor told the Senate on Aug. 1 that the complex scandal over the Bank of Credit and Commerce International (BCCI) should and shall result in a vast increase of power for the supranational Bank for International Settlements in Basel, Switzerland—the central bankers' central bank. The U.S. Federal Reserve, they made clear, and not the elected U.S. government, will be the American enforcer for the BIS.

The Fed officials told Sen. John Kerry's (D-Mass.) Senate Foreign Relations Subcommittee on Narcotics that Congress must rapidly pass the Fed's "Foreign Bank Supervision Enhancement Act" (S. 1019), or face a world banking crash. The Fed's "BCCI bill," also called "Garn-Kerry," would turn the \$20 billion BCCI bankruptcy into a gain of wildly unconstitutional powers for the Fed and the BIS over the U.S. economy.

In addition to the bill, the Fed officials demanded more regulatory power for "the Basel Committee of the BIS, which is setting up the exchange that is needed," in Mattingly's words. All BIS central banks plan to "change their country's laws to conform with the decisions of the Basel Committee," he announced.

The Fed should know. Taylor has been U.S. delegate to the BIS Committee on Bank Supervision, called the "Basel" or "Cooke Committee," for years. The Cooke Committee was run from 1975-88 by Bank of England official Peter Cooke, who then moved to the Price Waterhouse accounting firm. It was he who wrote the June 1991 Price Waterhouse accounting report on BCCI, which resulted in the seizure by the Bank of England and other central banks of BCCI offices in 69 countries on July 5.

Since then, the BIS grip over the U.S. government has increased. Three days after seizing BCCI, the BIS appointed New York Federal Reserve President E. Gerald Corrigan as

the new chairman of the "Cooke Committee."

On Aug. 6, President George Bush confirmed the appointment of the Fed's other BIS representative, William Taylor, to head the Federal Deposit Insurance Corp. The Fed and Bush forced out retiring FDIC chief William Seidman, and have put the bank insurance, and hence the savings, of the American people in the hands of the BIS.

'Not even a ripple'

Cooke Committee officials in London, New York, and Washington bragged in interviews with *EIR* that their paramilitary operation on five continents to close BCCI was a "coup for the BIS."

"The whole point of the BCCI affair is that . . . we were able to close a huge international bank without even a ripple in the international markets," a spokesman for New York Fed's President Corrigan said Aug. 2. "This is our first major coup. . . . The BIS system works!"

"The BCCI events are a success for the BIS Cooke Committee," said Robert Bench, now a Washington director of Price Waterhouse, former U.S. Comptroller of the Currency, and as such a Cooke Committee member for many years. "It was the cooperation and coordination among the BIS Cooke Committee, that led to the BCCI exposures," he said (see interview, below).

The BIS executed the maneuver, he said, "to demonstrate that our coordination and control gets results. We have shown that we can have a \$20 billion bank go belly up—and not even a ripple!"

The BIS's perfect performance in the BCCI affair gives the central banks license to become a one-world government, Cooke members conclude. Every BIS central bank is presently going to its country's elected government and demanding a rewrite of national laws, along the following lines:

- "There are too many banks in the world," as one offi-

cial said, and every country must reduce the number of banks.

- There is too much lending going on, and that must be reduced.
- There is too much control generally over *national economies by national governments*; more control must be given to the BIS central bankers.

A deliberate time-bomb

On-the-record testimony by BIS and Fed officials demonstrates that BCCI's operations, as well as the bursting of the BCCI bubble, were managed by the BIS for almost 20 years as a time-bomb. The BIS deliberately detonated the crisis to provide the occasion for the Basel bankers to reorganize world finances.

Lyndon H. LaRouche and the editors of *EIR* predicted the entire mess, in the 1978 book *Dope, Inc.* There, we reported that the Bank of England, BIS, and the Fed were writing bank rules to let the drug-running Hongkong and Shanghai Banking Corp. (the HongShang) into the United States. We warned that such deregulation would allow in trillions of dollars of illegal foreign bank operations, just such as those that were subsequently conducted by the BCCI.

The purpose of the Anglo-Swiss dope bank invasion was described by LaRouche as an "organized crime" operation: first to devalue the U.S. banking and industrial system, using deregulation, interest rate hikes, and speculation, and then to buy it up cheap, a nickel on the dollar, by slapping on BIS-controlled re-regulation.

In effect, the BIS deliberately gave the U.S. "financial AIDS," and now wants euthanasia for the U.S. banks.

The deregulation phase

The *deregulation* phase continued from 1972, right after the Aug. 15, 1971 decoupling of the dollar from gold, through 1987. The Federal Reserve and the BIS central banks were aware that BCCI was a dirty bank as early as 1972, the Fed's Virgil Mattingly told the Senate Foreign Relations Committee on Aug. 1.

In 1975, the BIS set up the Committee on Bank Supervision—the Cooke Committee—as the basis of a supranational financial dictatorship. *Every piece of U.S. bank deregulation legislation was written or authorized by that BIS Committee:*

- The 1978 International Banking Act, written by Peter Cooke and John Heimann—Jimmy Carter's Comptroller of the Currency, formerly of Salomon Brothers merchant bank—allowed Hongshang, BCCI, Banco Ambrosiano, Banca Nazionale del Lavoro, and others, into the United States.
- Heimann, Felix Rohatyn (Lazard Frères), Robert Hormats (Goldman, Sachs), Donald Regan (Merrill Lynch), and other merchant bankers became U.S. government officials and members of the Cooke Committee.
- These very men drafted the savings and loan deregulation bills in 1980-82, the usury deregulation bills in 1980-83, and the International Bank Facilities (IBFs), which

brought the Eurodollar market into the U.S.

- Pushing it all through the Senate was Jake Garn (R-Utah), author of the 1981 Garn-St Germain omnibus bank deregulation act.

BIS-controlled re-regulation

The *re-regulation* phase started in 1987, when Peter Cooke set up a "BIS College on BCCI," a committee of central bankers to run BCCI, hands-on. The group consisted of the central banks of England, Switzerland, Spain, Hong Kong, Luxembourg, and the Cayman Islands. They told the Fed how to handle BCCI in the U.S., as Cooke himself, and Robert Bench, report proudly.

The same individuals who had written all the deregulation legislation then proceeded to cry "scandal" about BCCI, and to demand re-regulation of U.S. banking. John Heimann, who had moved to Merrill Lynch, led the charge, testifying frequently against BCCI.

In early 1988, the New York Fed, according to President Corrigan, began investigation of BCCI, along with New York District Attorney Robert Morgenthau. They brought the scandal before the Congress via Senator Kerry.

The press outlets pumping the scandal since 1990 have been those owned by British merchant banks, starting with Lazard Frères' *Washington Post*.

Finally, Senator Garn author of the Garn-St Germain deregulation act, on May 9 introduced the Fed's BCCI bill into Congress. According to the testimony of Taylor and Mattingly on Aug. 1, the bill has the following provisions:

- "The Fed has asked for responsibility to monitor all foreign banks," Mattingly said. This would put in law for the first time that the Fed, never the elected national government, has this power. (Currently the Fed shares that power with the states.)
- The bill gives the Fed the power to say that "no foreign bank may open a branch in the U.S. unless it can show proper home country supervision." This allows more HongShang and BCCI banks into the U.S., but it bars Third World, Japanese, or other banks from countries with quasi-national banking systems.
- No U.S. judge will be able to overturn decisions made by the Fed regarding foreign banks.
- Under Section 6, "Cooperation with Foreign Supervisors," the bill states that the Fed "may disclose information obtained in the course of supervision or examination to *any foreign bank authority*" without asking the U.S. government. This means that anything the Fed finds out about any U.S. bank or company, as well as foreign banks, could and will be disclosed to the BIS.

There is only one proper response to the BCCI affair: Nationalize the Federal Reserve, and implement LaRouche's 1981 Federal Reserve Reform Act, which would create a Third National Bank for the United States, run by the government, and not private foreign bankers.