

Money-laundering bill before House

by Nicholas F. Benton

Back on June 13, Attorney-General Edwin Meese announced administration sponsorship of legislation to make "money laundering"—the process of concealing and disguising the illegal source of drug or other crime-related money—a crime for the first time. Meese motivated the legislation as a matter of utmost urgency, describing it as "one of the biggest problems presently facing law enforcement."

This was underscored less than a week later, when John Walker of the Treasury Department announced major fines against four large, New York money-center banks found guilty of billions of dollars of unreported cash transactions showing all the signs of "laundering."

Now, almost half a year later, Meese's initiative finally found its way into a hearing in Congress. Still a long way from becoming law, and confronted by powerful overt as well as covert opposition from the banking community—especially the major dope-linked banks—Senate Bill 1335, introduced by Sen. Strom Thurmond (R-S.C.), was given its first hearing Oct. 29 before the Senate Judiciary Committee.

Principal witnesses were Meese's assistant, Stephen Trott, head of the DOJ Criminal Division, and James D. Harmon, Jr., executive director of the President's Commission on Organized Crime. The two sounded quite different chords, however.

Trott's main polemic was against the banks and other "respectable" institutions, which he said are involved in the over \$150 billion annually generated in the United States by "drugs, gambling, and vice in general." (Forget about cutting the defense budget or Medicare: This waste is the size of the entire federal deficit by itself!)

Trott attacked in particular "the increasing willingness of professional persons, such as lawyers, accountants, and bankers, at all levels from tellers to senior officials, to become active participants in money laundering."

This was a major departure from the remarks by Harmon. He, who once eloquently attacked money-laundering banks as having the blood of dead youth on their hands, this time intimated that the banks were merely the victims of customers who try to use their institutions for laundering purposes. That notion, a cover-up device, is exemplary of pressures and even blackmail being brought against the administration.

Trott attacked two "alternative" bills that have been introduced—S.572 and S.1385—which were written to appear similar to the administration-backed bill, but in fact exclude financial institutions from liability for laundering. "This," Trott exclaimed, "is unacceptable. Events of the past few years have vividly illustrated that banks should be clearly covered by any new money laundering offense." In an egregious effort to protect dope banks, the "alternative" S.572 and S.1385 bills also sought to exempt money laundering through bank wire transfers!

Needless to say, the otherwise prestigious American Bankers Association is officially on record against the administration bill. Why, it "would virtually repeal all the protections established by Congress in 1978 when it approved the Bank Secrecy Act," the bankers howl.

But Trott was working off the major cases of large-bank involvement in laundering of drug money exposed by the Treasury Department earlier in the year. Following the scandalous revelations against Chase Manhattan, Manufacturers Hanover, Irving Trust, and Chemical Bank in June, Crocker National of San Francisco, the nation's 10th largest, was found guilty of failing to report over \$4 billion in cash transactions—mostly with Honk Kong—in just a five-year period. That was the case which provoked Treasury official Walker to publicly accuse the bank of laundering billions in heroin proceeds.

In his testimony, Trott cited an exemplary case of such "dirty money" laundering, the so-called "Pizza Connection." In October, he noted, "three men were convicted and jailed for laundering \$47 million obtained from heroin sales in U.S. pizza parlors. The scheme involved some 500 people in Switzerland, New York, Italy, and Turkey, who sold \$1.65 billion worth of heroin through the so-called pizza connection." But, despite the magnitude of this case, it is only a tiny fraction of the totals, annually, that are laundered from drugs, gambling, and vice activities in the United States, not only financing criminal and terrorist networks here and abroad, but destroying the minds of virtually an entire generation of our nation's youth.

The administration's bill calls for imprisonment for up to 20 years and a fine of up to the greater of \$250,000 or twice the amount of money involved in the offense. It would find a party guilty "provided that the government can show either of the following: first, that the person acted with the intent to promote, manage, establish, carry on, or facilitate an unlawful activity [defined as a state or federal felony], or, second, that the person knew or acted in reckless disregard of the fact that the monetary instruments or funds represent the proceeds of or are derived from the proceeds of an unlawful activity."

These definitions fit the profile of many "citizens above suspicion" among the U.S. financial elite, whose only hope is that the American public won't notice how hard they are working to prevent this legislation from becoming law, and to cripple the administration's ability to enforce it if it does become law.