

Bank with close ties to Bush administration engulfed in scandal

By Joseph Kay
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The Justice Department announced on Friday that it is launching a criminal investigation into Riggs Bank. In recent months, the Washington-based bank has become engulfed in a scandal related to charges of money-laundering, corruption and terrorist financing.

Riggs, which touts itself as “the most important bank in the most important city in the world,” has been known for decades as the bank of the Washington elite, including politicians, foreign ambassadors and the wealthy. It has held presidential accounts stretching back to the time of the Civil War, and is a prominent fixture in the political and social establishment of the nation’s capital.

Or rather, it *was* a prominent fixture. In July, PNL Financial Services agreed to buy Riggs for \$779 million. The sale will become final by early next year.

The bank’s prominent embassy and international operations will be shut down in an attempt to bury a scandal that has the potential of becoming much larger. That an institution like Riggs could so quickly disintegrate is an indication of the extent of the corruption that has overtaken American finance and government.

There are three separate activities for which Riggs has come under investigation: (1) its relationship with the Saudi royal family and the potential financing of two of the September 11 hijackers through an account owned by the wife of the Saudi ambassador; (2) its relationship with the corrupt and dictatorial regime of the oil-rich West African country of Equatorial Guinea; and (3) its banking business with the former military dictator of Chile, Augusto Pinochet.

The public revelations concerning the bank’s relationship with Saudi Arabia came mainly through the publication of a *Newsweek* article on December 2, 2002 (“The Saudi Money Trail”). The news magazine reported that in January 2000, two of the hijackers who were on the plane that crashed into the Pentagon—Nawaf Alhazmi and Khalid Almihdhar—received monetary aid and other assistance from Omar al-Bayoumi.

Alhazmi and Almihdhar are at the center of suspicions of US government complicity in the 9/11 attacks—and for good reason. The CIA had identified the two as early as January 2000 as Al Qaeda operatives, and the *Washington Post* reported in June 2002 that the FBI also knew of the two from January of 2000. Yet they were allowed to enter the US and live openly in San Diego for 18 months prior to the terrorist attacks on New York and Washington. *Newsweek* reported in September 2002 that the roommate of Alhazmi and Almihdhar in San Diego was an FBI informant!

According to the December 2002 *Newsweek* article on Riggs Bank, al-Bayoumi “apparently did work for Dallah Avco, an aviation-services company with extensive contracts with the Saudi Ministry of Defense and Aviation, headed by Prince Sultan, the father of the Saudi ambassador to the United States, Prince Bandar. According to informed sources, some federal investigators suspect that al-Bayoumi could have been an advance man for the 9/11 hijackers, sent by Al Qaeda to assist the plot that

ultimately claimed 3,000 lives.”

Al-Bayoumi may have been receiving assistance in his activities from sections of the Saudi royal family. The *Newsweek* article states: “About two months after al-Bayoumi began aiding Alhazmi and Almihdhar, *Newsweek* has learned, al-Bayoumi’s wife began receiving regular stipends, often monthly and usually around \$2,000 and totaling tens of thousands of dollars. The money came in the form of cashier’s checks, purchased from Washington’s Riggs Bank by Princess Haifa bin Faisal, the daughter of the late King Faisal and wife of Prince Bandar, the Saudi envoy who is a prominent Washington figure and personal friend of the Bush family. The checks were sent to a woman named Majeda Ibrahim Dweikat, who in turn signed over many of them to al-Bayoumi’s wife...”

Dweikat’s husband, Osama Basnan, is reported to be a sympathizer of Al Qaeda and is known to have had friendly relations with the two hijackers, Alhazmi and Almihdhar.

Al-Bayoumi apparently came under suspicion shortly after the attacks of September 11. He was picked up by British intelligence, which found evidence that he had made two phone calls to diplomats at the Saudi Embassy in Washington. However, he was released and is reported to be in Saudi Arabia.

Further, according to *Newsweek*: “Osama Basnan showed up in Houston last April [2001] while Saudi Crown Prince Abdullah came to town with a vast entourage en route to President George W. Bush’s ranch. According to informed sources, Basnan met with a high Saudi prince who has responsibilities for intelligence matters and is known to bring suitcases full of cash into the United States.”

There are suspicions that Basnan may have been a member of Saudi intelligence, suggesting that Saudi intelligence was closely monitoring, if not aiding, the activity of the September 11 hijackers through its accounts at Riggs.

Newsweek noted that the FBI, as of December 2002, still had an investigation open into the transactions. In July 2003, the FBI accused Riggs Bank of failing to abide by anti-money-laundering (AML) regulations.

Prior to and after the attacks of September 11, it was not unusual for Saudi clients to transfers of millions of dollars in and out of the bank with no questions asked. This was in violation of AML regulations, which require the reporting of all transaction involving such large sums of money.

The bank was eventually fined \$25 million in May 2004 for violating these regulations. However, the FBI has issued a statement saying it found no evidence of terrorist financing. The Bush administration has refused to release the intelligence behind the investigation, citing “national security concerns.”

Even after the FBI’s accusations in July 2003, the bank continued to allow massive cash transfers by the Saudi ambassador. Under pressure, the bank announced this past March that it was closing all Saudi accounts.

On July 14, 2004, the Minority Staff of the US Senate Permanent

Subcommittee on Investigations, at the request of Democrat Carl Levin, the ranking minority member of the subcommittee, issued a report that dealt mainly with the bank's accounts for Equatorial Guinea and Augusto Pinochet.

The report found that "the evidence reviewed by the Subcommittee staff establishes that, since at least 1997, Riggs has disregarded its anti-money laundering (AML) obligations, maintained a dysfunctional AML program despite frequent warnings from OCC [Office of the Comptroller of the Currency] regulators, and allowed or, at times, actively facilitated suspicious financial activity." The OCC, a branch of the Treasury Department, is responsible for regulating nationally chartered banks.

Equatorial Guinea was Riggs' largest client. It held over 60 accounts at the bank, with varied holdings of \$300-700 million. Its ruler, Teodoro Obiang Nguema Mbasogo, came to power in a military coup in 1979 and is infamous for his corruption and brutality. Relations with the United States became strained in the mid-1990s, when the Clinton administration broke off diplomatic ties. However, these were restored by the Bush administration in 2003. The country holds interest for the United States because of its large oil reserves.

Riggs appears to have held both Equatorial Guinea government treasury accounts and the personal accounts of Obiang, his family members, and ministers in his government.

According to the subcommittee report, Riggs "serviced the EG [Equatorial Guinean] accounts with little or no attention to the bank's anti-money laundering obligations..." For example, "Riggs opened multiple personal accounts for the President of Equatorial Guinea, his wife, and other relatives; helped establish shell offshore corporations for the EG President and his sons; and over a three-year period, from 2000 to 2002, facilitated nearly \$13 million in cash deposits into Riggs accounts controlled by the EG President and his wife."

Riggs also opened an account that received large sums of money from oil companies that did business with Equatorial Guinea, including Exxon Mobil, Amerada Hess, Marathon Oil and ChevronTexaco. Riggs allowed the wire transfer of over \$35 million from the account to two unknown companies. "The Subcommittee has reason to believe that at least one of these recipient companies is controlled in whole or in part by the EG President."

Riggs appears to have acted as a conduit for large-scale bribes or other corrupt machinations between the giant oil corporations and the dictator of a country with which they were eager to do business. The report also noted that these oil companies made a number of large payments (sometimes valued at over \$1 million) to individual officials or family members for a variety of services.

The manager of Riggs' accounts for Equatorial Guinea was Simon P. Kareri, who was eventually fired by the bank in January 2004. According to a bank employee, on more than one occasion Kareri visited the Equatorial Guinean embassy and returned with a suitcase full of \$3 million in cash, which was deposited in the bank with no reports to financial regulators.

According to the subcommittee report, "The bank leadership permitted [Kareri] ...to become closely involved with EG officials and business activities, including advising the EG government on financial matters and becoming the sole signatory on an EG account holding substantial funds. The bank exercised such lax oversight of the account manager's activities that, among other misconduct, the account manager was able to wire transfer more than \$1 million from the EG oil account at Riggs to another bank for an account opened in the name of Jadini Holdings, an offshore corporation controlled by the account manager's wife."

In addition to its dealings with the Saudi royal family and Equatorial Guinea's dictator, Riggs had a close relationship with the former dictator of Chile, Augusto Pinochet. Pinochet held numerous active accounts at Riggs between 1994 and 2002, even while he was under house arrest in

Britain and his assets were supposedly frozen.

According to the subcommittee report, "The aggregate deposits in the Pinochet accounts at Riggs ranged from \$4 to \$8 million at a time.... Riggs account managers took actions consistent with helping Mr. Pinochet to evade legal proceedings seeking to discover and attach his bank accounts.... Riggs opened multiple accounts and accepted millions of dollars in deposits from Mr. Pinochet with no serious inquiry into questions regarding the source of his wealth; helped him set up offshore shell corporations and open accounts in the names of those corporations to disguise his control of the accounts; altered the names of his personal accounts to disguise their ownership; transferred \$1.6 million from London to the United States while Mr. Pinochet was in detention and the subject of a court order to attach his bank accounts; conducted transactions through Riggs' own accounts to hide Mr. Pinochet's involvement in some cash transactions; and delivered over \$1.9 million in cashiers checks to Mr. Pinochet in Chile to enable him to obtain substantial cash payments from banks in that country."

The scope of the corruption, money-laundering and other suspicious activities is indeed astonishing. While it was engaged in these activities, the bank operated under the not-so-watchful eye of the Office of the Comptroller of the Currency. In spite of clear indications of regulatory violations at least as early as 1997, the OCC took no actions.

Particularly closely involved with the OCC's investigation into the Pinochet accounts was the comptroller's examiner-in-charge, R. Ashley Lee, who worked at the OCC from 1998 to October 2002. According to the subcommittee report, "In 2001, [Lee]...advised more senior OCC personnel against taking a formal enforcement action against Riggs, because the bank had promised to correct identified AML deficiencies. In 2002, he ordered examiners not to include a memorandum or work papers on the Pinochet examination to the OCC's electronic database."

Lee went to work for Riggs two weeks later, quickly becoming an executive vice president and the chief risk officer. The subcommittee report states: "During his next 18-months at the bank, he attended a number of meetings with OCC personnel related to Riggs' AML problems," despite regulations prohibiting former OCC employees from attending meetings on OCC-related matters.

The revelations of the activities at Riggs Bank demonstrate how commonplace and extensive criminal activity has become within the American financial and political establishment. Not coincidentally, the bank's activity has a great deal in common with certain features prominent in the Bush administration: the heavy influence of oil interests, the close ties with the Saudi ruling elite, the funding and support given to dictators and former dictators, including General Pinochet.

The relationship of Riggs to the Bush administration is more than tangential. Riggs owns a money management firm, J. Bush & Co., operated by Jonathan Bush, the brother of George H.W. Bush and the current president's uncle.

Jonathan Bush played a very important role in helping find investors for the various failed oil businesses that George W. Bush ran before he began his career in politics. Jonathan Bush also helped raise money for George H.W. Bush and is a former chair of the New York Republican State Finance Committee. In 2000, he was briefly named president and CEO of Riggs Investment Management Company (RIMCO), a wholly owned subsidiary of Riggs Bank.

While Jonathan Bush appears not to have been directly involved in the Saudi, Pinochet or Equatorial Guinean accounts, his position at Riggs is an indication of the close ties between the bank and the Bush family.

Moreover, Riggs is owned by the Allbritton family, a Texas family with close ties to the Republican establishment. Joe Allbritton, the former head of Riggs who bought the bank in the mid-1970s, is a friend of the Bush family. His son, Robert Allbritton, is the current chairman and CEO.

The Allbritton family is known among the Washington elite for the

party it traditionally holds after the annual Alfalfa Club dinner, hosted to mark the birthday of Robert E. Lee, the southern general in the Civil War. The *New York Times* ("A Washington Bank, A Global Mess," April 11, 2004) notes, "The Alfalfa roster includes presidents, politicians, diplomats and business impresarios, all bound together by being either formidably influential or fabulously rich. Attendees have included luminaries like Prince Bandar bin Sultan, Saudi Arabia's ambassador to the United States; Jack Valenti, the president of the Motion Picture Association of America; and others with surnames like Greenspan, Kissinger and Rehnquist. President Bush and Vice President Dick Cheney made their first joint public appearance after the Sept. 11 terrorist attacks at the Alfalfa gathering in 2002."

Valenti, who, like Allbritton and Bush, is a former Texas businessman, is also on the board of directors of Riggs Bank.

A television station also owned by Allbritton was in the news earlier this year after it refused to air an ad critical of the Bush administration's policy in Iraq.

Perhaps even more than the Enron scandal, the Riggs scandal is a deeply *political* scandal. No doubt, much of what went on at Riggs remains to be uncovered. With the announced sale of Riggs to PNL, which will be completed by early next year, the owners of the bank are clearly attempting to contain the scandal's fallout.

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