

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED

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18 June 1954

2003

MEMORANDUM FOR: Chief, WH

SUBJECT : Guatemalan Cloaked Financial Transactions

REFERENCE : Case K-10602

1. Attached is an analysis of a complex and successful Guatemalan transaction for almost \$5,000,000 which were transferred from New York to Zurich and so cloaked as to arouse no suspicion among the US banks involved.

2. A continuing watch has been placed on specific individual accounts of Guatemalan nationals held in US banks as well as the Bank of Guatemala accounts and other Guatemalan Banks.

3. An item of considerable interest which will bear watching is that the Hibernia National Bank of New Orleans has on deposit to the credit of the Banco de Guatemala a \$250,000 time certificate of a deposit dated 8 March 1954. In other words, the Bank of Guatemala has on deposit in the Hibernia National Bank \$250,000 in excess of its current checking account. This deposit is of interest if only for its size and the date on which it was made, 8 March 1954, the same time that the \$5,000,000 cloaked deal reported above took place. Because it is a time deposit it cannot be withdrawn without some due notice, customarily 30 days, and we may expect notification of any action to be taken.

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Chief, RQM/OIS

Attachment:

As mentioned above

RQM/OIS [] pgb
Distribution:

Orig & 1 - Addressee
1 - ECD
1 - RI/AN
4 - RQM/OIS

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Transfer from N.Y. Federal to the
Account of Government of Guatemala
on or about March 5.

Transfer to the Account of
Union Bank of Switzerland
10 - 11 March.

	<u>Amount in Thousands</u>	<u>Amount in Thousands</u>
Bankers Trust	479	480
Chase	1,000	1,030
Guaranty	400	300
Irving	470	480
Manufacturers	390	400
National City	328 300 300	*
Bank of London and South America	480	**
Hibernian National Bank (New Orleans)	320	330
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	84,467	

* The National City Bank has reported no transfers on this trans-
action.

** The Bank of London and South America is a foreign bank which
precludes direct access to their records.

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Unusual Guatemalan Financial Transactions Probably
Relating to Arms Purchases

During March 1954 Guatemala completed a most unusual, complicated and successful transaction in which about \$4,467,000 was transferred out of the Bank of Guatemalan account in the Federal Reserve Bank of New York and probably remitted to the account of the Czechoslovakia National Bank in Switzerland.

- It was unusual because the foreign exchange involved in this transaction alone was about five times the normal monthly foreign exchange sales by Guatemala.

- It was complicated in that the transaction was split up and funnelled through seven New York banks and one New Orleans bank with several separate steps undertaken in order to allay suspicion of any unusual transaction.

- It was successful in that the cloaking attempts succeeded in hiding the true size and nature of the transaction.

On 5 March 1954 the Bank of Guatemala instructed the Federal Reserve Bank of New York to transfer \$4,467,000 dollars from the Bank of Guatemala account there to the Bank of Guatemala accounts with various New York Banks and one New Orleans Bank (see attached list). Five days later on 10-11 March 1954 these banks were in turn instructed to transfer to the account of the Union Banque de Suisse maintained in those banks approximately equivalent amounts. A subsequent report from Switzerland states that "in late February" Guatemala transferred the equivalent in dollars of 20 million Swiss francs (\$4,666,766). In late March 1954, Guatemala informed the Union Banque de Suisse that Guatemala had drawn two checks on this amount. Although no such two checks are known to have been presented at the Union Banque, on 9 April 1954 two checks totalling almost 2 million Swiss francs were presented by the Czechoslovak National Bank (probably the Statni banka ceskoslovenska, The Czech State Bank).

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