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HEARINGS ON BANK OF CREDIT AND COMMERCE INTERNATIONAL
SUBCOMMITTEE ON TERRORISM, NARCOTICS, AND INTERNATIONAL
OPERATIONS

SENATE COMMITTEE ON FOREIGN RELATIONS

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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, GOOD MORNING.

THANK YOU FOR ASKING ME TO TESTIFY BEFORE THE SUBCOMMITTEE ABOUT THE BANK OF COMMERCE AND CREDIT INTERNATIONAL, OR BCCI, AS I WILL REFER TO IT IN MY TESTIMONY TODAY. I HAVE PREPARED A STATEMENT THAT WILL SET OUT IN UNCLASSIFIED FORM THE CIA'S FOREIGN INTELLIGENCE COLLECTION PROGRAM REGARDING BCCI. MR. CHAIRMAN, I HAVE TRIED TO BE AS FORTHRIGHT AS POSSIBLE, BUT AS WE HAVE DISCUSSED THERE ARE CERTAIN THINGS I CANNOT DISCUSS IN AN OPEN FORUM WHILE STILL PROTECTING SOURCES AND METHODS.

AS AN INTRODUCTION, LET ME STATE THAT THE CIA CONDUCTED A THOROUGH INTERNAL REVIEW OF ALL AGENCY ACTIVITIES REGARDING BCCI AND FOUND THAT THIS IS A CASE OF AN INTELLIGENCE SUCCESS, NOT A STORY OF ANY CIA WRONGDOING. THESE CONCLUSIONS WERE SUPPORTED BY A SUBSEQUENT INDEPENDENT INVESTIGATION CONDUCTED BY THE AGENCY'S STATUTORY INSPECTOR GENERAL. THE RESULTS OF THE INVESTIGATION WERE PROVIDED TO THE SENATE AND HOUSE INTELLIGENCE OVERSIGHT COMMITTEES. THE SENATE INTELLIGENCE COMMITTEE HAS CONDUCTED ITS OWN INDEPENDENT INVESTIGATION OF CIA'S INVOLVEMENT WITH BCCI, WITH THE FULL COOPERATION OF THE AGENCY. WE EXPECT THEIR REPORT WILL SUPPORT OUR FINDINGS ON THIS ISSUE.

RECENTLY, THERE HAVE BEEN A NUMBER OF OUTRAGEOUS AND UNFOUNDED ALLEGATIONS OF ILLEGAL OR IMPROPER RELATIONSHIPS BETWEEN CIA AND BCCI THAT HAVE BEEN MADE IN THE PRESS. I WANT TO RESPOND TO SEVERAL OF THOSE ALLEGATIONS, BUT FIRST I WOULD LIKE TO PROVIDE THE COMMITTEE WITH A PERSPECTIVE ON THE AGENCY'S FOREIGN INTELLIGENCE COLLECTION PROGRAM AGAINST BCCI.

-- CIA FOREIGN INTELLIGENCE COLLECTION FOCUS ON BCCI BEGAN IN THE MID-1980S DUE TO THEIR SUSPECTED INVOLVEMENT IN NARCODOLLAR MONEY LAUNDERING. AS A RESULT OF AN INITIAL SUCCESSFUL INTELLIGENCE COLLECTION OPERATION, A LARGER OPERATIONAL PROGRAM WAS DEVELOPED IN 1986-1990. THIS OPERATION FOCUSED ON THE PEOPLE, MECHANISMS, AND MODUS OPERANDI USED BY BCCI FOR NARCOTICS MONEY LAUNDERING.

-- AS A BYPRODUCT OF OUR EFFORTS AGAINST BCCI MONEY LAUNDERING ACTIVITY, THE CIA COLLECTED LIMITED INTELLIGENCE ON SUCH THINGS AS THE MANIPULATION OF FINANCIAL MARKETS, WEAPONS PROLIFERATION, AND TERRORISM. THE CIA REPORTED IN EARLY 1985 THAT BCCI SUCCEEDED IN GAINING CONTROL OF FINANCIAL GENERAL BANKSHARES IN LATE 1981.

-- DURING THE PERIOD 1979-1991, SEVERAL HUNDRED REPORTS WERE PRODUCED BY THE AGENCY'S DIRECTORATE OF OPERATIONS WHICH DISCUSSED BCCI ACTIVITIES. BCCI WAS ALSO DISCUSSED IN A NUMBER OF DIRECTORATE OF INTELLIGENCE FINISHED STUDIES.

-- THE CIA'S INTELLIGENCE ON BCCI WAS DISSEMINATED TO A NUMBER OF U.S. GOVERNMENT INTELLIGENCE CONSUMERS, INCLUDING TREASURY, CUSTOMS, COMMERCE, DEA, NSA, DIA, FEDERAL RESERVE BOARD, DEPARTMENT OF ENERGY, U.S. TRADE REPRESENTATIVE, THE DEPARTMENT OF STATE AND THE FBI.

AS FOR ALLEGATIONS IN THE MEDIA OF CIA ILLEGAL OR IMPROPER RELATIONSHIPS WITH BCCI, LET ME STATE THE FOLLOWING:

-- CIA DID NOT ASSIST OR ENCOURAGE, EITHER BY ACTION OR INFERENCE, ANY WRONGDOING ON THE PART OF BCCI OR ITS EMPLOYEES.

-- CIA TOOK NO ACTION, INCLUDING WITHHOLDING INFORMATION, TO INFLUENCE OR IMPEDE ANY EXISTING OR POTENTIAL CIVIL OR CRIMINAL INVESTIGATION OR PROSECUTION OF BCCI. IN ADDITION TO PROVIDING INFORMATION CONCERNING BCCI

ACTIVITIES TO LAW ENFORCEMENT AGENCIES, CIA REGISTERED NO OBJECTIONS WHEN IT WAS CONSULTED BY LAW ENFORCEMENT AGENCIES REGARDING WHETHER ANY CIA EQUITIES MIGHT BE IMPERILED BY AN INVESTIGATION OR PROSECUTION. TO THE CONTRARY, IN ALL INSTANCES WHERE THE AGENCY WAS CONSULTED, CIA RESPONDED THAT LAW ENFORCEMENT ACTION WOULD NOT IMPACT ON AGENCY INTERESTS.

-- THE AGENCY DID NOT ACQUIRE INTELLIGENCE ON THE DECISIONS MADE BY, OR THE ROLE PLAYED BY MAJOR FOREIGN SHAREHOLDERS IN THE OPERATION OF BCCI, INCLUDING KAMAL ADHAM AND ADNAN KHASHOGHI.

-- WITH REGARD TO BCCI ACTIVITIES IN PANAMA THE AGENCY COLLECTED INTELLIGENCE ON THE USE OF BCCI PANAMA BY MAJOR NARCOTICS TRAFFICKERS.

-- WITH REGARD TO THE PLANS AND INTENTIONS OF CHAIRMAN ABEDI AND SENIOR BCCI MANAGEMENT, THE AGENCY COLLECTED AND DISSEMINATED INTELLIGENCE ON THEIR OVERALL CORPORATE STRATEGY OF ILLICIT ACTIVITY IN INTERNATIONAL FINANCIAL MARKETS. THE ALLEGATIONS THAT THE AGENCY PLACED ABEDI ON A WATCHLIST, HAD A DIRECT OR INDIRECT RELATIONSHIP WITH HIM, OR RECRUITED HIM FOR CIA ACTIVITIES ARE BASELESS.

-- CIA WAS NOT INVOLVED IN ANY ALLEGED "BCCI BLACK NETWORK OF THUGS AND ASSASSINS," AS DESCRIBED IN THE PRESS.

-- THE CIA WAS NOT INVOLVED NOR DID IT HAVE KNOWLEDGE OF ANY USE OF BCCI FOR THE SALE OF ARMS TO IRAN OR THE DIVERSION OF FUNDS FOR THE NICARAGUAN CONTRAS, IN CONNECTION WITH THE IRAN-CONTRA AFFAIR.

-- BCCI WAS NOT A MAJOR BANKING MECHANISM USED BY THE AGENCY FOR SUPPORT OF COVERT FOREIGN INTELLIGENCE OPERATIONS. IT WAS USED ON AN EXTREMELY LIMITED BASIS FOR LEGAL BANKING TRANSACTIONS. ACCOUNTS WERE ALSO OPENED WITH THE BANK TO FACILITATE ACQUISITION OF INFORMATION CONCERNING THE BANK'S ILLEGAL ACTIVITIES. BCCI MANAGEMENT WAS NOT WITTING OF AGENCY INVOLVEMENT IN THESE ACTIVITIES.

IN SUMMARY, CIA DID ITS JOB AND DID IT WELL. THE AGENCY COLLECTED AND DISSEMINATED STRATEGIC FOREIGN INTELLIGENCE ON BCCI'S ILLICIT FOREIGN FINANCIAL ACTIVITIES TO POLICYMAKERS BEGINNING SEVERAL YEARS AGO. CIA DISSEMINATED THAT FOREIGN INTELLIGENCE THROUGH APPROPRIATE CHANNELS TO THE INTELLIGENCE AND LAW ENFORCEMENT COMMUNITIES. CIA CONDUCTED A DETAILED AND

THOROUGH INVESTIGATION OF CIA'S ACTIVITIES REGARDING BCCI. NO EVIDENCE WAS FOUND INDICATING ANY IMPROPER OR ILLEGAL ACTIVITY BY CIA. WE FEEL CONFIDENT THAT THE SENATE INTELLIGENCE COMMITTEE'S INVESTIGATION WILL REACH CONCLUSIONS SIMILAR TO THOSE OF THE CIA SENIOR MANAGEMENT, AND WE HAVE ASKED THE SSCI TO BRIEF THE CHAIRMAN AND OTHER MEMBERS OF THIS SUBCOMMITTEE ON ITS FINDINGS.

I WOULD BE GLAD TO EXPAND ON MY UNCLASSIFIED COMMENTS TODAY WITH FURTHER CLASSIFIED TESTIMONY, IF THE SUBCOMMITTEE WOULD LIKE TO DO SO IN A CLOSED AND SECURE SESSION.

THANK YOU.

Q: TO WHAT EXTENT AND WHY DID CIA HAVE ACCOUNTS WITH BCCI?

A: THE CIA INSPECTOR GENERAL DETERMINED THAT A FEW CIA OPERATIONAL ACTIVITIES USED A RELATIVELY SMALL NUMBER OF AGENCY-CONTROLLED ACCOUNTS WITH BCCI BETWEEN 1985 and 1990. (U)

ALL OF THE ACCOUNTS WERE USED IN CONNECTION WITH LAWFULLY AUTHORIZED INTELLIGENCE ACTIVITIES APPROVED BY THE PRESIDENT AND BRIEFED TO THE CONGRESSIONAL INTELLIGENCE COMMITTEES AND COLLECTION ACTIVITIES DIRECTED AT MONEY LAUNDERING, NARCOTRAFFICKING AND OTHER LEGITIMATE FOREIGN INTELLIGENCE TARGETS. NO EVIDENCE HAS BEEN FOUND THAT THESE ACCOUNTS WERE USED OR IMPLICATED IN ANY WAY IN UNLAWFUL OR IMPROPER BCCI OR AGENCY ACTIVITIES, INCLUDING THOSE DESCRIBED IN RECENT CONGRESSIONAL AND MEDIA COMMENTS. (U)

ACTIVITY IN THESE ACCOUNTS AMOUNTED TO A FEW MILLION DOLLARS OVER A PERIOD OF ABOUT FIVE YEARS, ONLY A VERY SMALL AMOUNT IN COMPARISON WITH THE TOTAL AMOUNT IN BCCI ACCOUNTS WORLDWIDE AND WITH CIA OPERATIONAL FUNDS TRANSACTIONS DURING THIS PERIOD. (U)

CIA NO LONGER MAINTAINS ANY ACCOUNTS WITH BCCI. (U)

Q: WHY DID CIA OPEN ACCOUNTS WITH BCCI? WHY WERE THEY NOT CLOSED WHEN IT BECAME CLEAR THAT BCCI WAS INVOLVED IN UNLAWFUL ACTIVITIES?

A: THE PRINCIPAL REASON FOR OPENING THE CIA-CONTROLLED ACCOUNTS WAS TO PROVIDE A SOURCE OF FUNDING FOR LEGITIMATE INTELLIGENCE COLLECTION ACTIVITIES. IN SOME CASES, BCCI WAS CHOSEN BECAUSE IT WAS READILY AVAILABLE. IN OTHERS, THE BCCI ACCOUNTS FACILITATED ACCESS TO SOURCES OF FOREIGN INTELLIGENCE IN FURTHERANCE OF CIA INTELLIGENCE COLLECTION ACTIVITIES, INCLUDING SEVERAL DIRECTED AT BCCI. (U)

SOME COMPONENTS WITHIN THE CIA THAT CONDUCTED BUSINESS WITH BCCI FOR REASONS NOT RELATED TO COLLECTION ACTIVITIES DIRECTED AT BCCI WERE UNAWARE THAT THERE WAS SUBSTANTIAL EVIDENCE AVAILABLE TO OTHER AGENCY COMPONENTS THAT BCCI WAS ENGAGED IN ILLICIT ACTIVITIES. THE PRIMARY REASON FOR THIS LACK OF INFORMATION SHARING APPEARS TO HAVE BEEN THE STRICT COMPARTMENTATION OF PROJECTS CIA PRACTICES IN ORDER TO PROTECT INTELLIGENCE SOURCES AND METHODS. TO A LESSER EXTENT, THIS LACK OF COORDINATION CAN BE TRACED TO THE ABSENCE OF A CENTRALIZED MECHANISM THAT IS RESPONSIBLE FOR FULLY EXPLOITING AND SHARING DEROGATORY INFORMATION ON A FINANCIAL INSTITUTION THAT MIGHT AFFECT CIA ACTIVITIES. (U)

Q: DID CIA PARTICIPATE WITH OR ASSIST BCCI IN CONDUCTING OR ENCOURAGING ANY UNLAWFUL ACTIVITIES?

A: ALTHOUGH CIA LEARNED BCCI WAS ENGAGED IN UNLAWFUL ACTIVITIES, THE IG FOUND NO EVIDENCE THAT CIA ASSISTED OR ENCOURAGED, EITHER BY ACTION OR INFERENCE, ANY WRONGDOING ON THE PART OF BCCI OR ITS EMPLOYEES. ON THE CONTRARY, THERE IS AMPLE EVIDENCE THAT A LARGE AMOUNT OF INFORMATION REGARDING BCCI ACTIVITIES, INCLUDING INDICATIONS OF ILLEGAL OR IMPROPER ACTIVITIES, WAS COLLECTED BY CIA AND FORWARDED IN A TIMELY MANNER TO A NUMBER OF OTHER DEPARTMENTS AND AGENCIES, INCLUDING APPROPRIATE LAW ENFORCEMENT AGENCIES. (U)

more explaining in text

Q: DID CIA TAKE ANY ACTION TO INFLUENCE OR IMPEDE ANY LAW ENFORCEMENT INVESTIGATIONS OR PROSECUTIONS IN ORDER TO PROTECT ANY OF ITS OPERATIONAL ACTIVITIES?

A: NO EVIDENCE WAS FOUND TO INDICATE THAT CIA TOOK ANY ACTION, INCLUDING THE WITHHOLDING OF INFORMATION, TO OBSTRUCT ANY EXISTING OR POTENTIAL CIVIL OR CRIMINAL INVESTIGATION OR PROSECUTION OF BCCI. IN ADDITION TO PROVIDING INFORMATION CONCERNING BCCI ACTIVITIES TO LAW ENFORCEMENT AGENCIES, CIA REGISTERED NO OBJECTIONS WHEN IT WAS CONSULTED BY LAW ENFORCEMENT AGENCIES REGARDING WHETHER ANY CIA EQUITIES MIGHT BE IMPERILED BY AN INVESTIGATION OR PROSECUTION. ON THE CONTRARY, IN ALL INSTANCES WHERE THE AGENCY WAS CONSULTED, INCLUDING MR. VON RAAB'S INQUIRY TO MR. GATES IN 1988, CIA RESPONDED THAT LAW ENFORCEMENT ACTION WOULD NOT IMPACT ON AGENCY INTERESTS. THE BCCI, MIAMI, TRANSACTIONS REFERRED TO BY MR. VON RAAB IN HIS STATEMENTS WERE SUCCESSFULLY PROSECUTED. (U)

Q: DID CIA USE BCCI AS COVER FOR RELATIONSHIPS WITH GENERAL NORIEGA?

A: NO EVIDENCE WAS FOUND THAT THE AGENCY MADE ANY PAYMENTS TO PANAMANIAN GENERAL NORIEGA THROUGH BCCI ACCOUNTS OR USED SUCH ACCOUNTS IN ANY MANNER IN HIS BEHALF OR INTEREST. THE AGENCY KNEW THAT GENERAL NORIEGA SERVICED HIS PERSONAL ACCOUNTS IN CERTAIN BCCI BRANCHES. THOSE ACCOUNTS WERE TARGETED FOR INTELLIGENCE COLLECTION PURPOSES BY CIA. (U)

Q: WAS CIA INVOLVED IN AN ALLEGED "BLACK NETWORK OF THUGS AND ASSASSINS" OPERATED BY BCCI?

A: NO EVIDENCE WAS FOUND IN CIA FILES REGARDING ANY BCCI "BLACK NETWORK OF THUGS AND ASSASSINS." (U)

Q: DID CIA USE BCCI ACCOUNTS IN SUPPORT OF THE AFGHANISTAN INSURGENTS TO MAKE PAYMENTS IN PAKISTAN THAT FINANCED DRUGS FOR ARMS DEALS?

A: NO EVIDENCE WAS FOUND OF ANY CIA-CONTROLLED BCCI ACCOUNTS IN PAKISTAN. SOME PAYMENTS FOR ORDNANCE DESTINED FOR AFGHANISTAN WERE MADE FOR A BRIEF PERIOD TO BCCI ACCOUNTS ESTABLISHED BY THOSE PERSONS TO WHOM SUCH PAYMENTS WERE DUE. THE IG DID NOT IDENTIFY ANY CIA-CONTROLLED BCCI ACCOUNTS RELATED TO THAT PROGRAM. THE AUDIT STAFF OF THE IG HAS MADE THREE AUDITS OF THE AAFGHAN PROGRAM SINCE EARLY 1985. IN THE COURSE OF THIS INVESTIGATION, NO EVIDENCE WAS FOUND RELATING TO THE ALLEGED SHIPMENT OF DRUGS FROM COLOMBIA THROUGH KARACHI AND CZECHOSLOVAKIA TO THE UNITED STATES UNDER THE ALLEGED SUPERVISION OF A PURPORTED CIA AGENT IDENTIFIED AS "STEVE STEPHENSEN." NO INDICATION WAS FOUND IN CIA RECORDS OF ANY EMPLOYEE OF THAT NAME OR USE OF THAT NAME BY ANY CIA EMPLOYEE OR ASSET AS A COVER IDENTITY. (U)

Q: IS THERE ANY CONNECTION BETWEEN BCCI AND THE DIVERSION OF ARMS SALE PROCEEDS IN THE IRAN-CONTRA AFFAIR?

A: MEDIA SOURCES HAVE ALLEGED A CIA CONNECTION BETWEEN BCCI OPERATIONS AND THE DIVERSION TO THE NICARAGUAN CONTRAS OF PROFITS FROM THE SALE OF WEAPONRY TO IRAN. THESE SOURCES HAVE ALLEGED THAT AN ARMS DEALER, MANUCHER GHORBANIFAR, HAD TWO BCCI ACCOUNTS IN MONACO RELATED TO FUNDING OF THE CONTRAS. AN EXTENSIVE SEARCH OF CIA FILES AND CABLE TRAFFIC REVEALED NO EVIDENCE THAT CIA WAS INVOLVED IN OR HAD ANY KNOWLEDGE OF ANY USE OF BCCI FOR THE SALE OF ARMS TO IRAN OR THE DIVERSION OF FUNDS FOR THE NICARAGUAN CONTRAS. IN FACT, NO CIA RECORD WAS FOUND REGARDING ANY MEANS BY WHICH PROFITS FROM IRANIAN ARMS SALES MIGHT HAVE BEEN TRANSFERRED TO SUPPORT THE CONTRAS. (U)

Q: WHY WAS BCCI OF OPERATIONAL OR INTELLIGENCE INTEREST TO CIA?

A: IN THE EARLY 1980'S, BCCI WAS ONLY A SUBJECT OF INCIDENTAL INTEREST TO THE CIA. WHEN THE CIA BEGAN ACTIVELY PURSUING INTELLIGENCE REGARDING MONEY LAUNDERING IN EUROPE IN 1983 AND 1984, IT SOON BECAME APPARENT THAT BCCI AND ITS WORLDWIDE OPERATIONS WOULD BE AN EXCELLENT SOURCE OF SUCH INTELLIGENCE AND INTELLIGENCE RELATING TO OTHER TOPICS OF INTEREST TO THE US GOVERNMENT. SOME OF THIS INTELLIGENCE WOULD RELATE TO BCCI OPERATIONS AND SOME TO ACTIVITIES OF OTHER PERSONS AND ENTITIES. (U)

IN LATE 1984 AND EARLY 1985, CIA OBTAINED INFORMATION REGARDING SOME ASPECTS OF BCCI'S UNETHICAL BUSINESS PRACTICES, INCLUDING BRIBERY, AND THE TAKEOVER OF FINANCIAL GENERAL. BY 1986, CIA HAD DETERMINED THAT BCCI WAS A CONDUIT FOR NARCOTICS-RELATED MONEY LAUNDERING AND WAS BEING USED IN SUPPORT OF INTERNATIONAL TERRORIST ACTIVITIES. AS A RESULT OF FOCUSING ITS COLLECTION EFFORTS AGAINST BCCI, THE AGENCY WAS SUCCESSFUL IN PRODUCING SIGNIFICANT FOREIGN INTELLIGENCE REPORTING. THE INTELLIGENCE GATHERED FROM THESE COLLECTION EFFORTS RECEIVED WIDE DISSEMINATION THROUGHOUT THE INTELLIGENCE COMMUNITY AND WAS THE BASIS FOR A NUMBER OF FINISHED INTELLIGENCE PUBLICATIONS AND THREE WORKING PAPERS RELATING TO BCCI. (U)

Q: WHAT WAS THE NATURE, EXTENT, AND PURPOSE OF CIA COLLECTION EFFORTS INVOLVING BCCI?

A: FROM 1984 ONWARD, CIA VIEWED BCCI AS A VALID FOREIGN INTELLIGENCE COLLECTION TARGET TO BE PURSUED AGGRESSIVELY. ALTHOUGH EVIDENCE EXISTED THAT BCCI USED UNETHICAL BUSINESS PRACTICES, CIA POSSESSED LITTLE DEFINITIVE INFORMATION IN THIS REGARD BEFORE 1984. PRIOR TO THAT TIME, REPORTING ON BCCI WAS ESSENTIALLY A COLLECTION OF UNCORROBORATED BITS OF INFORMATION GLEANED FROM A VARIETY OF SOURCES, USUALLY AS PART OF ACTIVITIES DIRECTED AGAINST OTHER COLLECTION TARGETS. BY 1986, CIA COLLECTION EFFORTS HAD PROVIDED A MOSAIC OF DETAILS INDICATING THAT BCCI WAS INVOLVED IN SIGNIFICANT NARCOTICS-RELATED MONEY LAUNDERING, WAS BEING USED IN SUPPORT OF AN INTERNATIONAL TERRORIST ORGANIZATION, AND WAS ENGAGED IN OTHER UNETHICAL BUSINESS PRACTICES. (U)

IN 1987, THE CIA SENT A MESSAGE TO A LARGE NUMBER OF STATIONS AND BASES THAT PROVIDED BACKGROUND INFORMATION CONCERNING BCCI'S INVOLVEMENT WITH DRUG TRAFFICKERS AND TERRORISTS. THE MESSAGE OUTLINED BCCI'S ROLE IN MONEY LAUNDERING AND STATED THAT CIA WAS DEVELOPING A CONCERTED EFFORT TO OBTAIN INFORMATION, INCLUDING BANK RECORDS, ON BCCI. ADDITIONALLY, THE MESSAGE REQUESTED THAT ANY INFORMATION DEVELOPED ON BCCI, PARTICULARLY INFORMATION INDICATING INVOLVEMENT IN QUESTIONABLE ACTIVITIES OR RELATING TO BCCI OFFICERS, SHOULD BE REPORTED. (U)

Q: HOW MANY REPORTS WERE PRODUCED AND WHEN AND TO WHOM WERE THEY DISSEMINATED?

A: THE EXACT NUMBERS ARE STILL CLASSIFIED, AND I WOULD BE GLAD TO DISCUSS THEM IN CLOSED SESSION. (SEE PARA. 60, P. 18, OF IG REPT.) I CAN SAY THAT HUNDREDS OF DO REPORTS WERE PRODUCED FROM 1978 TO MID 1991 AND APPROXIMATELY ONE-HALF OF THEM WERE DISTRIBUTED TO OTHER GOVERNMENT AGENCIES. (U)

THE MOST SIGNIFICANT REPORTS COVER A WIDE RANGE OF SUBJECTS OF FOREIGN INTELLIGENCE INTEREST REGARDING BCCI BANKING OPERATIONS, ITS MAJOR SHAREHOLDERS AND CLIENTS, ITS BRANCH LOCATIONS, ITS REORGANIZATION STRATEGIES, ITS INVOLVEMENT IN NARCOTICS AND MONEY LAUNDERING, ITS USE IN GRAY-MARKET ARMS TRANSACTIONS, ITS USE FOR FUNDING OF TERRORIST OPERATIONS, AND OTHER MATTERS INVOLVING BCCI OPERATIONS. (SEE TAB G OF IG REPT. FOR INDIVIDUAL DESCRIPTIONS OF THESE REPORTS.) EACH OF THESE REPORTS WERE DISSEMINATED TO ONE OR MORE RECIPIENTS, INCLUDING THE WHITE HOUSE, THE DEPARTMENTS OF TREASURY, STATE, COMMERCE, JUSTICE AND ENERGY, US CUSTOMS SERVICE, FEDERAL RESERVE BOARD, DIA, DEFENSE ATTACHE OFFICES, US TRADE REPRESENTATIVE, AND VARIOUS MILITARY COMMANDS. (U)

THE DI ALSO PRODUCED TEN FINISHED PUBLICATIONS OF VARIOUS TYPES THAT INVOLVED BCCI'S ACTIVITIES. THESE REPORTS COVERED SUCH TOPICS AS RECENT TRENDS IN ARAB BANKING, THE FINANCING OF LIBYAN TERRORISM, CARIBBEAN DRUG MONEY LAUNDERING, PANAMA'S CONTINUING ROLE IN THE DRUG TRADE, AND USE OF BCCI IN THE ARMS TRADE. (SEE TAB I OF IG REPT. FOR A DESCRIPTION OF THESE REPORTS.) THE DI ALSO PRODUCED SEVERAL NATIONAL INTELLIGENCE DAILY (NID) REPORTS ON BCCI. (SEE TAB J OF IG REPT. FOR A LISTING OF THESE REPORTS). THESE DI FINISHED INTELLIGENCE AND NID REPORTS WERE PROVIDED TO A LARGE NUMBER OF DEPARTMENTS AND AGENCIES.

Q: WHAT ARE CIA'S PROCEDURES AND OBLIGATIONS FOR REPORTING INTELLIGENCE TO LAW ENFORCEMENT CONSUMERS?

A: CIA IS REQUIRED BY LAW, EXECUTIVE ORDER, AND AGENCY PROCEDURES APPROVED BY THE ATTORNEY GENERAL TO REPORT FORMALLY TO THE DEPARTMENT OF JUSTICE CERTAIN INFORMATION CONCERNING POSSIBLE VIOLATIONS OF US LAW. HOWEVER, THERE ARE NO OBLIGATIONS IN THOSE PROCEDURES TO REPORT VIOLATIONS OF FOREIGN LAWS. (U)

APART FROM FORMAL REPORTS UNDER THESE PROCEDURES, CIA DISSEMINATES LARGE VOLUMES OF FOREIGN INTELLIGENCE, INCLUDING INTELLIGENCE RELATED TO ILLEGAL BANKING PRACTICES, TO A WIDE RANGE OF INTELLIGENCE CONSUMERS SUCH AS THE DEPARTMENT OF TREASURY, US CUSTOMS SERVICE, THE FBI, AND THE FEDERAL RESERVE BOARD IN RESPONSE TO REQUIREMENTS DEVELOPED IN CONJUNCTION WITH THOSE ENTITIES OR WHEN CIA DETERMINES THAT THOSE CONSUMERS SHOULD RECEIVE SPECIFIC INTELLIGENCE. IN ADDITION TO INFORMATION OF FOREIGN INTELLIGENCE VALUE, CIA IS AUTHORIZED BY EXECUTIVE ORDER AND ATTORNEY GENERAL-APPROVED PROCEDURES TO DISSEMINATE INFORMATION THAT INVOLVES AMERICANS AND US ORGANIZATIONS IF THAT INFORMATION MAY INDICATE INVOLVEMENT IN ACTIVITIES THAT MAY VIOLATE FEDERAL, STATE, LOCAL, OR FOREIGN LAWS. (U)

Q: WHAT INTELLIGENCE OF POTENTIAL INTEREST TO LAW ENFORCEMENT AND REGULATORY ENTITIES REGARDING BCCI WAS ACQUIRED BY CIA?

A: MUCH OF THE INFORMATION THE CIA DEVELOPED REGARDING BCCI'S ACTIVITIES WAS OF INTEREST TO LAW ENFORCEMENT AND REGULATORY AGENCIES. THE MAJORITY OF CIA'S REPORTING FOCUSED ON BCCI'S INVOLVEMENT IN NARCOTICS AND MONEY LAUNDERING. IT ALSO INCLUDED INFORMATION REGARDING THE USE OF BCCI BRANCHES BY TERRORIST ORGANIZATIONS TO LAUNDER MONEY, THE USE OF BRIBERY BY BCCI TO MANIPULATE FINANCIAL MARKETS AND ACQUIRE NEW ACCOUNTS, AND BCCI ACQUISITIONS THAT INCLUDED INVOLVEMENT IN THE ACQUISITION OF FINANCIAL GENERAL. IN ADDITION, CIA PROVIDED A NUMBER OF REPORTS WITH TIME-PERISHABLE SPECIFIC LEAD INFORMATION REGARDING SUSPECTED ILLEGAL ACTIVITIES BY BCCI TO DEA, CUSTOMS, AND THE FBI. (SEE TAB K OF IG REPT. FOR REPRESENTATIVE EXAMPLES.) (U)

Q: DID MR. GATES OR OTHER AGENCY OFFICIALS CONSPIRE WITH OTHER EXECUTIVE BRANCH OFFICIALS TO AVOID PROSECUTING BCCI OFFICIALS IN ORDER TO PROTECT AGENCY EQUITIES?

A: NO EVIDENCE WAS FOUND BY THE IG THAT MR. GATES OR ANY CIA OFFICIALS CONSPIRED TO PREVENT PROSECUTION OF BCCI OFFICIALS. IN MARCH 1988, THE US CUSTOMS SERVICE CONSULTED WITH CIA REGARDING A CONTEMPLATED PROSECUTION IN FLORIDA AND WAS ADVISED THAT CIA HAD NO OPERATIONAL EQUITIES THAT WOULD HAVE BEEN ADVERSELY AFFECTED BY THE PROSECUTION. THE PROSECUTION DID GO FORWARD AND RESULTED IN CONVICTIONS. WHEN INTERVIEWED BY THE IG, MR. GATES CATEGORICALLY DENIED TAKING ANY ACTION WHATSOEVER TO INFLUENCE THE CUSTOMS INVESTIGATION AND SUBSEQUENT PROSECUTION OF BCCI. ADDITIONALLY, HE SAID THAT HE HAD NO KNOWLEDGE OF ANY OTHER CIA EMPLOYEES, EITHER AT HIS REQUEST OR INDEPENDENTLY, TAKING ANY ACTIONS TO INFLUENCE THE EVENTS. FINALLY, SENIOR JUSTICE DEPARTMENT OFFICIALS HAVE STATED PUBLICLY THAT CIA HAS NEVER ATTEMPTED TO INFLUENCE LAW ENFORCEMENT ACTIONS RELATING TO BCCI IN ANY WAY. (U)

Q: WHAT WAS THE ROLE OF AGHA HASSAN ABEDI IN THE FORMATION AND OPERATION OF BCCI? WHAT WERE HIS RELATIONS WITH THE U. S. GOVERNMENT?

A: BCCI was founded in 1972 by Pakistani banker Agha Hasan Abedi, ostensibly to further the development of Third World countries. Abedi resigned as BCCI's President for health reasons in 1990, and Abu Dhabi's ruling Sheik Zayid al-Nahayan, along with his family and the Abu Dhabi Investment Authority, became the principal owners of BCCI. Nearly all management positions continue to be held by Pakistani nationals. Swaleh M. Naqvi, head of BCCI London, was chief operating official and was regarded as the bank's most powerful individual because of his control over world-wide banking operations. (U)

In 1977 and 1978, Abedi, Bert Lance and others unsuccessfully attempted to purchase Financial General Bankshares, a Washington, D.C.-based bank holding company that

later became First American Bankshares. That acquisition was stopped, however, by the Securities and Exchange Commission because of BCCI involvement. In 1978, Saudi financier Ghaith Pharoen purchased the National Bank of Georgia from Bert Lance with loans from BCCI. In 1982, Arab investors linked to BCCI, including former Saudi intelligence chief Kamal Adham and Kuwaiti businessman Faisal Saud Fulaij, bought Financial General and assured US Government regulators that they were not controlled by BCCI. BCCI gained control of the bank holding company when these investors, who were shareholders in BCCI and a BCCI subsidiary (Credit and Commerce American Holdings, based in the Netherlands Antilles), defaulted on loans from BCCI that were secured by their shares in the holding company (U)

(NOTE: ALL OF THE ABOVE CAN BE ATTRIBUTED TO PRESS ACCOUNTS AND OTHER OPEN SOURCES, ACCORDING TO THE IG REPORT)