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FBI knew BCCI financed Iran-Contra deal, bank official says

By TERESA SIMONS ROBINSON



WASHINGTON -- The scandal-ridden Bank of Credit and Commerce International financed the Reagan administration's secret sale of arms to Iran for a profit, but government investigators later covered up the bank's role, a former bank official testified Tuesday.

Abdur Sakhia told a Senate subcommittee that when he was in charge of U.S. operations for BCCI in 1987, FBI investigators asked him for bank records about the arms deal. Upon their delivery, he said, the investigators promised that they would keep the Pakistani-run bank's role 'out of the press.'

Sakhia said he was shown documents indicating that Reagan administration operatives paid the manager of BCCI's Monte Carlo office a \$100,000 bribe to arrange a \$10 million loan for the weapon purchases, executed by arms dealer Adnian Khashoggi. Sakhia said BCCI apparently approved the deal because it would not fire or suspend the Monte Carlo manager.

The Reagan administration used profits from the arms sales to secretly aid the Nicaraguan Contra rebels after Congress refused to authorize assistance.

Testimony from the government's subsequent Iran-Contra investigation also alluded to the \$10 million loan. That testimony revealed Iran was to pay \$11 million for the arms, and an undisclosed portion of the \$1 million in profit was to go to BCCI.

An FBI spokesman said the agency would have no comment.

BCCI was seized last July by regulators in seven countries after the Bank of England uncovered evidence of fraud, drug trafficking and money laundering. The victims potentially include as many as 1.2 million depositors in the 73 countries where BCCI operated. The accounts of depositors were frozen when the bank was seized.

Sakhia is cooperating with U.S. prosecutors investigating BCCI's secret ownership of the National Bank of Georgia and First American Bankshares in Washington, D.C., which until recently was chaired by longtime Democratic presidential adviser Clark Clifford.

Testifying before the Senate Subcommittee on Terrorism, Narcotics and International Operations, Sakhia:

--Submitted records indicating that BCCI lent Price Waterhouse's Barbados branch \$200,000 even though the office audited some of the bank's books for the firm's United Kingdom branch. Those audits have been severely criticized for not revealing the rogue bank's weak financial conditions and its secret and illegal ownership of U.S. banks.

A Price Waterhouse spokeswoman said there was nothing improper about the loan because it was made a couple of years before the audit and was paid back on normal terms.

--Said BCCI officers were jailed for foreign exchange violations in India, Kenya and Sudan but were then released and never prosecuted. He said the bank had paid off the Indira Gandhi

family of India, as well as leaders in Pakistan, Bangladesh and a number of African countries, including Kenya, Zimbabwe and Nigeria.

'In some cases cash was given. In some cases their relatives were hired. ... It (the payoff) took many forms,' he said, declining to name the recipients.

--Denied assertions by Clifford and First American's former president, Robert Altman, that they were not informed about BCCI's illegal ownership of their bank holding company. He said Altman even advised BCCI on how it could also secretly acquire a Florida bank. To illustrate the banks' close relationship, Sakhia noted that BCCI founder Agha Hassan Abedi decided which office space should be rented for First American's New York office, and personally hired its top executive.

--Said former Sen. Paula Hawkins, R-Fla., informed him in 1984 of reports that his bank was laundering money, but Justice Department officials told him the bank was not the subject of an investigation.

Sen. John Kerry, D-Mass., who chaired Tuesday's hearing, noted that by that time, the CIA had written a summary of BCCI's illegal operations.

'So the only ones who didn't know were the United States Congress and the United States people,' Kerry said.

A lawyer for Lloyd's of London told the Senate panel last week that the Justice Department since late 1989 ignored the insurer's documented evidence that BCCI was involved in a criminal conspiracy in Florida to launder money and evade taxes and arms-trading regulations.

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