

Panel to Focus On U.S. Bank And Deposits By Africans

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Citigroup's handling of bank accounts controlled by prominent African leaders and their relatives is expected to come under scrutiny in Congressional hearings that begin on Tuesday, according to people involved in the inquiry.

The accounts, none of which are currently active, were controlled by Gabon's president, Omar Bongo, and by two sons of the late Nigerian dictator, Gen. Sani Abacha.

Those accounts are part of a broader examination by the Senate's Permanent Subcommittee on Investigations into how Citigroup, the financial services giant, and other major banks have handled private accounts for foreign officials and their relatives.

The primary focus has been Citigroup's handling of accounts controlled by Raul Salinas de Gortari, the brother of the former Mexican president Carlos Salinas de Gortari. Raul Salinas, who used Citigroup accounts to hide millions of dollars that investigators believe came from illicit activities, is in jail.

Citigroup has not been charged with any wrongdoing, but a federal investigation of the bank and Mr. Salinas is continuing.

Concern about the role that American institutions may have played in helping corruption overseas was heightened by the investigation of Mr. Salinas, which began in late 1995. Those concerns have gained momentum because of the federal investigation of possible money laundering by Russians through the Bank of New York.

"We don't want American banks being conduits for moving dirty millions around the world," Senator Carl Levin, a Michigan Democrat who heads the Senate subcommittee, said in a telephone interview.

Citigroup officials declined to discuss any specific information about Mr. Bongo's accounts of the Abachas, citing client confidentiality.

But people close to the bank said the Salinas investigation was an embarrassment that forced the bank to tighten oversight in all its operations, especially in its private-banking unit. These people said that since 1996, the bank has improved screening procedures and extended the scope of the disclosure it requires from prospective customers.

John Reed, a Citigroup co-chairman, is to testify at the hearings next week. Although there has been speculation about Mr. Reed's relationship with Raul Salinas, people close to Mr. Reed said he had never met or talked to Mr. Salinas. People familiar with Mr. Reed's planned testimony said he would acknowledge lapses in the management of the Salinas accounts and discuss the steps the bank has taken since then to stymie the movement of dirty money through its accounts. Nonetheless, the reports of problems with the Bongo and Abacha accounts suggest that the bank perhaps has not yet fully insulated itself from suspicious funds.

The amount of money in the Citigroup accounts controlled by Mr. Bongo and General Abacha's sons could not be determined. But individuals with direct knowledge of Mr. Bongo's Citigroup account said that more than \$20 million was deposited into the account prior to 1998. Swiss investigators are currently examining whether Mr. Bongo was the recipient of bribes paid by Elf Aquitaine, the French oil group.

Mr. Bongo's account, opened about 30 years ago, was reviewed by the Federal Reserve and the Comptroller of the Currency in 1997. The agencies told Citigroup there was no reason to close the account. Still, the account was closed by the bank last year, but not liquidated, after news accounts surfaced about the Swiss investigation.

The accounts controlled by General Abacha's sons were in London and New York. The New York account was closed in 1997, but the London account remained open until last year, when it was frozen by British investigators. It could not be determined why British investigators were examining the London account.

People close to the bank said the reason for inconsistencies in how the Abachas' accounts were handled resulted from a lack of uniform standards throughout the company on how accounts controlled by public officials and their relatives should be handled. These people said new steps had been taken to make sure all parts of the bank maintain the same standards.

The Federal Reserve seemed to support this view. After another examination of Citigroup's management of its private banking division in January 1999, the Federal Reserve said, "Significant progress has been made in correcting control deficiencies noted at the prior inspection."

To which Senator Levin said yesterday: "I'm glad they've taken new steps, but they've taken new policy steps before that they've been very lax in implementing. There are much more recent problems at Citigroup than Salinas. This is not something that ended with Salinas."