8-18-1989

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LADB Latin America Data Base News & Educational Services
NotiCen
LADB Article Id: 072266
ISSN: 1089-1560

U.S. Court Orders Forfeiture Of $5 Million By Panamanian Bank For Drug Money Laundering

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Category/Department: General
Published: Friday, August 18, 1989

On Aug. 10, the US Justice Department announced that the Banco de Occidente of Panama had pleaded guilty to laundering $411 million in Colombian drug money. Later, a plea agreement was announced out under which the bank is to forfeit $5 million worth of assets, and the government is to drop a $410 million civil action suit filed against the bank. US Attorney Robert Barr (Atlanta, Ga.) said the bank's net worth was $6.7 million. Banco de Occidente in Panama is a subsidiary of a large bank by the same name headquartered in Cali, Colombia. The parent bank was also indicted, but the charges were dropped as part of the plea agreement. The prosecution followed "Operation Polar Cap," described by Attorney General Dick Thornburgh as "the largest money-laundering crackdown ever carried out by the federal government." Federal agents said the probe showed drug traffickers in Los Angeles had laundered $1.2 billion in several US cities over the past two years. Agents seized a half ton of cocaine and $45 million dollars in cash, jewels and real estate. Barr said the conviction of Banco de Occidente of Panama was "the first time we were able to identify accounts and the so-called money pipeline for the Medellin cartel." The operation, according to the New York Times, has led to more than 125 indictments in Atlanta, Los Angeles and San Jose, Calif. The laundering involved hundreds of electronic transfers of funds among banks in the US, Europe and Latin America. The case of Banco de Occidente of Panama marks the first time prosecutors used a new federal law that permitted them to seize bank assets after the drug proceeds had been passed along to Colombia. It is also the first time that a foreign bank with no operations in the US has been convicted of money laundering. According to the Times, prosecutors prefer to use the forfeiture statutes rather than to seek fines because forfeited assets go directly toward law enforcement and prison construction rather than to the Treasury. Next, forfeited assets, but not fines, may also be shared with foreign governments involved in an investigation. In this case, for the first time known to federal authorities, $1 million will go to Swiss authorities and another million will go to the Canadian government. Before reaching the plea agreement, Colombian officials, including President Virgilio Barco and Finance Minister Luis Fernando Alarcon, lobbied on behalf of the parent bank to senior US officials. William Richey, one of the bank's US lawyers, was cited by the Times as saying that Barco, while in Washington earlier this year, told President Bush that the bank was not under the control of Colombian drug lords and should not be punished. The Times reported that lawyers for Banco de Occidente said the parent company has assets of about $150 million, half of which were frozen after the indictment. (Basic data from New York Times, 08/15/89; AFP, 08/11/89)

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