

## **Costa Rican President Backs Governing Party's Findings on Bank Scandal**

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The congressional investigation of the 1994 collapse of the country's oldest bank, Bank Anglo Costarricense (BAC), yielded three conflicting and highly politicized reports. The executive branch accepted the report submitted by committee members from the governing Partido de Liberacion Nacional (PLN) and issued a lengthy set of recommendations that critics say usurps the prerogatives of the judicial system, which is considering criminal charges against several bank officials and others linked to the scandal.

In July 1994, the government took over operations of the BAC after discovering questionable lending practices and heavy losses from the purchase of Venezuelan government bonds. Eventually, government auditors found that the bank had lost more than US\$100 million. In September 1994, the government closed the BAC and charged top BAC officials, including former general manager Carlos Robles, with fraud, mismanagement, and embezzlement. Also charged were two Chilean businessmen, Jose and Mariano Lopez. Among their business holdings is Ariana Trading and Finance (ATF), which sold the Venezuelan bonds to the bank, supposedly acting as sales agent for the Nederland Bank. Jose Lopez also owns Bolsa de Cafe, a business that received money drawn on BAC accounts (see NotiSur, 10/12/95).

Later in September, the Legislative Assembly set up a committee to investigate the causes of the BAC collapse and to make recommendations for reforms in the state banking system. Of the committee's seven members, three are from the PLN, three are from the Partido Unidad Social Cristiana (PUSC), and one is from the Fuerza Democratica. Thus, all three reports are minority reports. Nearing the end of its 20-month mandate, it became clear that the committee had politicized the investigation and that it might be unable to come up with a single report based on consensus.

The PLN's position going into the investigation was that former president Rafael Calderon (1990-1994) of the PUSC was responsible for the scandal because he had appointed the BAC's officers, including Robles. In testimony before the committee, Calderon said he was not aware of the bank's precarious financial condition while he was president and that he had intervened in bank affairs only to the extent of asking the bank to review loan applications for unnamed individuals. The PUSC's view of the scandal is that the bank's real problems were caused by its closing, and this became the central tenant among the party's members on the committee. The closing, said PUSC leaders, cost more than the bank's faulty operations had.

In late May, just as the committee was supposed to finish its investigation, new evidence came to light indicating that the bonds supposedly purchased by the BAC remained in the hands of ATF and were never under the bank's control. Profits earned by liquidation of the bonds were never sent to the bank. Documents requested by Judge Ewald Acuna Blanco from the US Department of Justice showed that some of the BAC funds ended up in US bank accounts. Discrepancies also appeared

between the amounts and dates of BAC investments that the bank reported and what the Justice Department documents showed. Furthermore, contradicting a written statement by the Lopez brothers, the Nederland Bank denied that ATF had ever acted as its agent in the sale of Venezuelan bonds. The revelations set off demands for new criminal charges against the Lopez brothers, bank officials, and others connected to the BAC. In particular, PLN members on the committee wanted to investigate Juan Antonio Robles, former director of the Central Bank and a cousin of former BAC general manager Carlos Robles.

The Justice Department documents showed that Juan Antonio Robles had received US\$1.8 million in checks written on ATF accounts, though he had earlier testified to the committee that he had no dealings with ATF. Furthermore, much of the money originally disbursed by BAC was transferred to banks in the US by businesses linked to ATF and to the Lopez brothers, according to the government's bank oversight agency Superintendencia General de Entidades Financieras (SUGEF). The SUGEF investigation also suggested that the BAC's US\$38 million portfolio of Costa Rican government bonds was liquidated in 1993 and that US\$15.9 million of that amount ended up in a variety of Costa Rica businesses and other properties. According to the report, the whereabouts of some of this money is known.

The PLN committee members asked for an extension of the June 3 deadline for filing their final report to review the case in light of the new information. The committee agreed to a two-week extension, but the request and subsequent delay in finishing the PLN report raised further charges by the PUSC that the governing party was trying to use the committee to tar former president Calderon and the PUSC. All possibility of a single committee report disappeared when the PLN members missed the new deadline of June 10. PUSC members submitted their report on time as did Fuerza Democratico member Gerardo Trejos. Among the PUSC recommendations was that the management of the bank by Rodrigo Bolanos, who took over as the government's receiver in 1994, be investigated for irregularities.

The PLN members called the report "superficial, weak, timid, and negligent," for concentrating on the closing of the bank rather than on the scandal itself. "What interests them is who signed the bank's death certificate," said PLN committee member Luis Gerardo Villanueva. "We are interested in finding out who killed it. Moreover, no one has explained to me how the PUSC could deliver its report on Monday [June 10] when Juan Antonio Robles had until today [June 12] to present his statement, which in the end, he did not do." In his report, Trejos blamed the failure of the committee to reach consensus on the PLN members. "They did not deliver their report and now there is no time to search for agreement," he said. He echoed the PUSC view that the government erred in taking the bank over and called the takeover "precipitous" and "political" a clear reference to the administration's attempt to blame the scandal on Calderon. Neither report attempted to fix blame for the scandal on individuals.

The breakdown of the committee along party lines and the three reports have not pleased all sectors. Jose Luis Desanti, president of the Industrial Chamber (Camara de Industrias) said that the reports undermine the committee's credibility. "Who are we going to believe?" asked Desanti. Albino Vargas, secretary general of the Asociacion Nacional de Empleados Publicos, said that all three reports were an attempt to cover up personal responsibility for the scandal. "This shows how the

political class defends itself from itself," said Vargas. "The politicians wash their hands of it by throwing the blame on this group and that, until finally everyone gets confused and nothing is resolved."

On June 24, the Council of Government (Consejo de Gobierno), made up of cabinet members and the vice presidents, formally endorsed the PLN report and most of its recommendations. In its own report, the Consejo de Gobierno recommended the formation of a blue-ribbon committee to develop proposals for reforms that would, among other things, remove the appointment of state bank directors from political influence. It also called for the resignation of five state- bank directors accused of conflict of interest in dealings with the BAC, the deportation of the Lopez brothers once they have served out any sentence imposed by the court, and the removal of political rights from former government officials implicated in the scandal, such as Rolando Lacle, an influential minister during the Calderon administration suspected of influence peddling.

The Council's support of the PLN minority report further politicized the BAC investigation. Since none of those whom the Council singled out for punishment has yet been convicted of a crime in connection with the bank debacle, the administration is being accused of trying to exercise judicial powers by determining guilt. Critics also charge that the administration short-circuited the legislative process by accepting the report of an Assembly committee before it had gone to the Assembly for consideration. [Sources: La Republica (Costa Rica), 04/17/96, 04/19/96, 05/28/96, 06/01/96, 06/10/96, 06/12/96, 06/13/96, 06/25/96; La Nacion (Costa Rica), 04/28/96, 05/28/96, 05/31/96, 06/05/96, 06/11/96, 06/12/96, 06/25/96, 06/26/96; Agence France-Presse, 07/25/96]

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