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*United States Senate*

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**

***Committee on Homeland Security and Governmental Affairs***

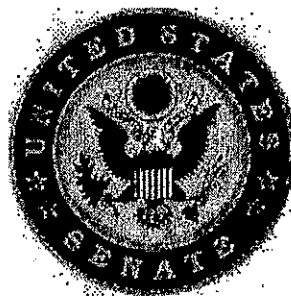
*Norm Coleman, Chairman*

*Carl Levin, Ranking Minority Member*

**MONEY LAUNDERING AND FOREIGN CORRUPTION:  
ENFORCEMENT AND EFFECTIVENESS  
OF THE PATRIOT ACT**

**SUPPLEMENTAL STAFF REPORT  
ON  
U.S. ACCOUNTS USED BY AUGUSTO PINOCHET**

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**



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**I. INTRODUCTION**

From 1999 to 2001, the U.S. Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, at the request of Senator Carl Levin, Ranking Minority Member, conducted a detailed investigation into money laundering activities in the U.S. financial services sector, including in-depth examinations of money laundering activities in private banking, correspondent banking, and the securities industry. Two Minority staff reports were issued, and Subcommittee hearings were held in November 1999 and March 2001.<sup>1</sup> This investigative work provided the foundation for many of the anti-money laundering provisions in Title III of the USA Patriot Act enacted in October 2001. Among other key provisions, the Patriot Act obligated U.S. financial institutions to exercise due diligence when opening and administering accounts for foreign political figures, and established corrupt acts by foreign officials as an allowable basis for U.S. money laundering prosecutions.

In February 2003, at Senator Levin's request and with the support of Subcommittee Chairman Norm Coleman, the Subcommittee initiated a bipartisan followup investigation to evaluate the enforcement and effectiveness of key anti-money laundering provisions in the Patriot Act, using Riggs Bank as a case history. During the course of this investigation, the Subcommittee issued numerous subpoenas and document requests. The Subcommittee staff reviewed over 100 boxes, folders, and electronic compact disks containing hundreds of thousands of pages of documents, including bank statements, account opening materials, wire transfers, correspondence, electronic mail, contracts, board minutes, materials related to specific bank accounts and transactions, bank examination materials, audit reports, legislative materials, and legal pleadings. The Subcommittee staff also conducted numerous interviews with representatives from financial institutions, the Office of the Comptroller of the Currency (OCC), the Federal Reserve, oil companies, various experts, and other persons with relevant information.

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<sup>1</sup> See "Private Banking and Money Laundering: A Case Study of Opportunities and Vulnerabilities," S. Hrg. 106-428 (November 9 and 10, 1999), and Minority Staff Report reprinted in the hearing record beginning at 872 (hereinafter "1999 Subcommittee Private Banking Hearings"); "Role of U.S. Correspondent Banking in International Money Laundering," S. Hrg. 107-84 (March 1, 2, and 6, 2001), and Minority Staff Report reprinted in the hearing record beginning at 273.

The investigation culminated in a Subcommittee hearing on July 15, 2004, and the issuance of a Minority Staff Report in conjunction with the hearing.<sup>2</sup> The hearing and report presented evidence showing systematic failures by Riggs Bank to uphold its anti-money laundering (AML) obligations and by federal regulators charged with ensuring bank compliance. To illustrate the problems, the 2004 hearing and report focused in detail on two sets of Riggs accounts, one involving former Chilean President Augusto Pinochet and the other involving the West African nation Equatorial Guinea.

Among other matters, the Subcommittee investigation determined that Riggs had served as a long-standing personal banker for Mr. Pinochet and deliberately assisted him in the concealment and movement of his funds while he was under investigation and the subject of a Spanish court order directing a worldwide freeze of his assets. Riggs opened multiple accounts for Mr. Pinochet with the knowledge and support of the Bank's leadership; accepted millions of dollars in deposits from him with no serious inquiry into the source of his wealth; set up offshore shell corporations and opened accounts in the names of those corporations to disguise Mr. Pinochet's ownership of the account funds; altered the names of his personal account to disguise his ownership; transferred \$1.6 million from London to the United States while Mr. Pinochet was in detention in the United Kingdom and under a Spanish court order freezing his assets; conducted transactions through Riggs's own administrative accounts to hide Mr. Pinochet's involvement in some cash transactions; and delivered over \$1.9 million in four batches of cashiers checks to Mr. Pinochet in Chile to enable him to obtain substantial cash payments in that country. The Subcommittee investigation also determined that Riggs Bank had concealed the existence of the Pinochet accounts from OCC bank examiners for two years, resisted OCC requests for information, failed to identify or report suspicious account activity, and closed the Pinochet accounts only after a detailed OCC examination in 2002.<sup>3</sup>

Shortly after the July 2004 Subcommittee hearing, representatives of Riggs Bank informed the Subcommittee that an internal inquiry by its Security & Investigations Group, which the bank first established in the summer of 2003, was beginning to identify additional Pinochet-related accounts in Washington, Miami, and London that should have been, but were not, identified in response to Subcommittee subpoenas. These additional accounts were controlled by Mr. Pinochet, members of his immediate family, or third parties whose accounts served as conduits for Pinochet funds. In addition, the Riggs office had located documents that should have been, but were not, produced in response to earlier Subcommittee subpoenas. Over the ensuing months, the Riggs Security & Investigations Group conducted a detailed review of these accounts and documents. The Subcommittee reviewed the new documentation, analyzed the information, and met with bank representatives.

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<sup>2</sup> See "Money Laundering and Foreign Corruption: Enforcement and Effectiveness of the Patriot Act, Case Study Involving Riggs Bank," S. Hrg.108-633 (July 15, 2004) (hereinafter "2004 Hearing Record") and Minority Staff Report which is reprinted in the 2004 Hearing Record beginning at 126.

<sup>3</sup> See 2004 Hearing Record at 140.

In addition, the Subcommittee's ongoing investigation determined that Riggs Bank was not alone in the United States in helping Mr. Pinochet gain access to the U.S. financial system. Beginning with transactions detailed in Riggs account records, the Subcommittee identified numerous accounts and transactions at other financial institutions involving Pinochet funds. The Subcommittee obtained and reviewed about 15 additional boxes of documents from other financial institutions, including bank statements, account opening materials, wire transfers, correspondence, checks, electronic mail, contracts, and other materials. The Subcommittee met with numerous representatives of financial institutions about the materials. This new information produced substantial evidence of additional, hidden bank and securities accounts that had been used by Mr. Pinochet in the United States.

During this phase of the Subcommittee's investigation, additional civil and criminal proceedings related to the Pinochet accounts were initiated. In January 2005, Riggs Bank pled guilty to one U.S. felony count for failing to report suspicious activity to law enforcement, and paid a criminal fine of \$16 million.<sup>4</sup> In February 2005, to settle civil and criminal charges filed by Spanish authorities for the alleged violation of the 1998 Spanish court order directing financial institutions to freeze Pinochet assets, Riggs Bank, Joseph Allbritton, and Robert Allbritton paid about \$1 million in court costs and legal expenses and another \$8 million to a foundation established to assist victims of the Pinochet regime. In return, the Spanish court dismissed the pending criminal and civil actions against officers and directors of Riggs Bank.<sup>5</sup>

## II. EXECUTIVE SUMMARY

This supplemental Report describes the additional information obtained by the Subcommittee related to Pinochet accounts administered by Riggs and other financial institutions operating in the United States.

Newly identified Riggs documents and accounts establish that the relationship between Riggs Bank and Augusto Pinochet was more extensive than had been described to the Subcommittee prior to its 2004 hearing and Minority Staff Report. Instead of maintaining 9 accounts and certificates of deposit (CDs), as indicated to the Subcommittee earlier, Riggs actually had 28 Pinochet-related accounts and CDs. And instead of an 8-year relationship from 1994 to 2002, as earlier indicated, Riggs actually had a 25-year relationship with Mr. Pinochet and his family, from 1979 to 2004.

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<sup>4</sup>See United States v. Riggs Bank N.A., Case No. Cr. 05-35(RMU) (D. D.C., filed 2005), Plea Agreement and Statement of Offense (1/27/05).

<sup>5</sup> See court order issued by Magistrate-Judge Baltasar Garzon Real, Investigating Court No. 5 (Madrid), Case No. 28079-27-2-1996-0007036-78300 (2/25/05); "Allbrittons, Riggs to Pay Victims of Pinochet," Washington Post, 2/26/05.

The newly identified Riggs accounts include 7 personal accounts for Mr. Pinochet, 4 of which were opened under a disguised variant of his name, and 3 of which were opened under an alias. Three additional accounts had been opened for members of Mr. Pinochet's immediate family. Nine accounts had been opened in the name of third parties, all but one of whom were Chilean military officers. Bank records show that these military officer accounts were used at times as conduits to transfer Pinochet funds. One 1996 Riggs trip report described a Chilean military officer accountholder as "one of several front-men of General Pinochet."<sup>6</sup>

The newly identified documents also demonstrate that Riggs senior officials played a more significant role in the Pinochet relationship than was made known to the Subcommittee prior to its 2004 hearing. For example, prior to the hearing, Riggs personnel disagreed over how many times Riggs personnel had traveled to Chile, who went on specific trips, who met with Mr. Pinochet, and who actually asked him to open a Riggs account in Washington.<sup>7</sup> In interviews, Riggs personnel consistently downplayed or could not recall the extent of personal interactions that took place between Riggs senior officials and Mr. Pinochet. The newly produced documents, which are contemporaneous with the events described, provide more information. They show, for example, that Riggs senior officials began visiting Chile as early as 1986, and met with Chilean military and government leaders on at least 7 occasions in 1986, 1994, 1996, 1997, 1999, 2000, and 2002. On at least 5 of these trips, Riggs senior officials met with Mr. Pinochet in Chile, participated with him in social as well as business events, corresponded with him from Washington, and presented him with gifts on behalf of Riggs Bank.

Riggs documents also show that the efforts of Riggs senior officials to solicit business from Mr. Pinochet were part of a wider bank strategy to develop and strengthen the bank's relationship with the Chilean military during the 1990s. Riggs had enjoyed a profitable relationship with the Chilean military during the 1960s and 1970s. In 1979, however, according to a memorandum written by Mr. Pinochet's private banker at Riggs, the Chilean Military Mission closed most of its official accounts at Riggs and moved them to the Bank of Nova Scotia in Canada, in response to the 1976 assassination of Chilean Ambassador Orlando Letelier in Washington, D.C.<sup>8</sup> During the 1990s, Riggs officials decided to try to restore the earlier relationship. In 1994, Riggs senior officials traveled to Chile, met with senior military and government officials, including Mr. Pinochet who was then Commander-in Chief of the Army, and were successful in convincing the Chilean military to return many of their accounts to Riggs Bank in Washington, where they remained until 2004.

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<sup>6</sup> Riggs document, "Extract From Trip Report," undated, Bates RNB033416, describing a Riggs business trip to Chile from 8/24/96 to 9/1/96.

<sup>7</sup> See, e.g., 2004 Hearing Record at 142.

<sup>8</sup> Riggs "Call Memorandum" from Carol Thompson to File, 11/3/94, Bates RNB035426. See also "Documents Link Chile's Pinochet to Letelier Murder," Washington Post (11/14/2000).

Recently obtained material shows that Riggs was not the only U.S. financial institution that gave Mr. Pinochet access to the U.S. financial system. The evidence shows that, over the past 25 years, due to inadequate due diligence and, at times, actual facilitation of unusual transactions, U.S. financial institutions enabled Mr. Pinochet to construct an extensive and largely hidden network of U.S. bank and securities accounts, involving millions of dollars, which he used to move funds and transact business. Three financial institutions examined by the Subcommittee, Citigroup, Banco de Chile-United States,<sup>9</sup> and Espirito Santo Bank in Florida, maintained years-long U.S. relationships with and provided multiple financial accounts and services to Mr. Pinochet. Other financial institutions also helped Mr. Pinochet and his family move funds and transact business in the United States, including Banco Atlantico which is now part of Banco de Sabadell; Bank of America; Coutts & Co. (USA) International which is now part of Banco Santander; Ocean Bank in Miami; and PineBank N.A. in Miami. Evidence exists of still additional U.S. accounts related to Mr. Pinochet, but limited Subcommittee resources prevent an exhaustive analysis of all of the U.S. accounts used to assist Mr. Pinochet.

In addition to the 28 Riggs accounts and CDs, the Subcommittee has now identified nearly 100 U.S. financial accounts and CDs benefitting Mr. Pinochet or his immediate family over the past 25 years, several of which were only recently closed. For example, in response to Subcommittee inquiries, Citigroup has identified 63 U.S. accounts and CDs that it maintained for Mr. Pinochet and his family at various times from 1981 to 2005. All of the Citigroup personal accounts for Mr. Pinochet were opened under disguised variants of his name, such as Jose P. Ugarte or J. Ramon Ugarte, and were closed during the mid-1990s. Accounts and CDs were also opened in the name of Mr. Pinochet's son, Marco Antonio Pinochet Hiriart; his daughters, Ines Lucia and Maria Veronica Pinochet; and offshore entities that Marco or Ines Lucia Pinochet controlled, including Meritor Investments, Trust MT-4964, and Redwing Holdings. While most of these accounts were closed in 2000 or 2001, a few closed in 2003 or 2004, and one is frozen but still open. Altogether these accounts handled millions of dollars.

The Subcommittee has also identified 24 U.S. accounts and CDs at Banco de Chile-United States benefitting Mr. Pinochet and his family from 1995 to 2004. These accounts were opened in the name of Mr. Pinochet, an immediate family member, or one of 6 offshore corporations controlled by Oscar Custodio Aitken Lavanchy, a Chilean attorney with ties to Mr. Pinochet.<sup>10</sup> These offshore corporations, each of which served at times as a conduit for Pinochet funds, maintained accounts at both Banco de Chile-United States and U.S. securities firms. Altogether, over a nine-year period, these Pinochet-related accounts received deposits totaling more than \$7 million, including \$6 million which had been transferred in 2002 from Riggs Bank,

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<sup>9</sup>Banco de Chile is headquartered in Santiago, Chile and operates primarily in that country, although it also has offices in other countries. It is the Subcommittee's understanding that the only country outside of Chile in which Banco de Chile accepts deposits is the United States. To make clear that this Report examines only Banco de Chile's operations in the United States, the Report refers to "Banco de Chile-United States."

<sup>10</sup> The 6 offshore corporations are Abanda Finance, Belview International, Sociedad de Inversiones Belview, Eastview Finance, G.L.P. Ltd., and Tasker Investments, Ltd.

after Riggs closed its Pinochet accounts, and another \$1.1 million transferred over time from accounts in Chile.

In addition, the Subcommittee has identified at least 6 U.S. accounts and CDs at Espirito Santo Bank in Florida that benefitted Mr. Pinochet and his family from 1991 to 2000. These accounts were opened in the name of Mr. Pinochet and his wife; an offshore corporation controlled by Mr. Pinochet called Trilateral International Trading Ltd.; an offshore trust controlled by Mr. Pinochet called the Santa Lucia Trust; and Mr. Pinochet's daughter, Jacqueline Pinochet, who allowed her account to be used to send funds to Mr. Pinochet's assistant, Maria Ananias Kuncar. Over an eight-year period, these Pinochet-related accounts received deposits totaling about \$3.9 million.

Due to the many transactions, accounts, and financial institutions that the Subcommittee has identified, the Subcommittee investigation has been unable to calculate the total amount of Pinochet funds that were deposited into or moved through U.S. accounts, except to say that it involves millions of dollars. At a minimum, the total exceeds the \$8 million found in Riggs accounts as of September 2001,<sup>11</sup> and the total is likely much higher. At Banco de Chile-United States, for example, records show that the Pinochet-related accounts received about \$1.1 million in deposits over time from various sources in Chile. At Espirito Santo Bank, records show another \$3.9 million in Pinochet funds deposited over time. At Citigroup, due to the many transactions and accounts involved and repeated transfers to and from other financial institutions, the Subcommittee was unable to determine the total amount of Pinochet funds held by that bank; Citigroup representatives were able to offer only a very rough estimate that at least \$5 million and perhaps millions more flowed through the accounts during the years they remained open.

This Report focuses on the 28 Pinochet-related accounts and CDs at Riggs and the nearly 100 accounts and CDs at other financial institutions in the United States. It is important to note, however, that many of the financial institutions examined by the Subcommittee also maintained one or more accounts for Mr. Pinochet and his family in countries other than the United States. These accounts were located in Argentina, the Bahamas, Cayman Islands, Chile, Gibraltar, Spain, Switzerland, and the United Kingdom. An examination of these non-U.S. accounts is beyond the scope of this Report.

Prior to 2004, it appears that U.S. regulators and law enforcement were generally unaware that Augusto Pinochet had constructed a web of largely hidden accounts in the United States and

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<sup>11</sup> See Riggs document, "Resumen," (9/20/01), Bates RNB 029982-85; 2004 Hearing Record at 147. The Subcommittee investigation determined that, from 1981 to 2000, overseas Banco Atlantico affiliates sent more than \$5.4 million to Pinochet-related accounts at Riggs, thereby contributing to the nearly \$8 million total identified in September 2001. Virtually all of that \$8 million was subsequently disbursed either to Mr. Pinochet in the form of cashiers checks or to Banco de Chile-United States by wire transfer after Riggs closed its Pinochet accounts in July 2002. The cashiers checks were issued by Riggs from August 2000 until April 2002, were cashed in Chile, and provided Mr. Pinochet with \$1.9 million from his Riggs accounts. For more information about these cashiers checks, see 2004 Hearing Record at 151-52.



was using these accounts on a regular basis to move funds and transact business. His secretive opening of multiple accounts at multiple U.S. financial institutions over the years presents a cautionary tale about the ease with which a determined individual can manipulate the U.S. financial system, and the importance of transparency, due diligence, and information sharing by financial institutions, regulators, and law enforcement to guard against possible money laundering and foreign corruption.

### III. FINDINGS AND RECOMMENDATIONS

Based upon its investigation, the Subcommittee staff makes the following findings of fact.

- (1) **More Extensive Pinochet Relationship.** The relationship between Riggs Bank and Augusto Pinochet was more extensive than previously disclosed, encompassing 28 accounts instead of 9, spanning 25 years instead of 8, including secret accounts opened under misleading names, and involving more personal, high-level contact between Riggs officials and Mr. Pinochet than previously described.
- (2) **Military Officer Accounts.** From 1981 to 2004, eight Riggs accounts, opened in the names of Chilean military officers, served as occasional conduits for Pinochet funds and, over time, transmitted more than \$1.7 million to Pinochet-related accounts.
- (3) **Web of 125 U.S. Accounts.** Over the past 25 years, multiple financial institutions operating in the United States, including Riggs Bank, Citigroup, Banco de Chile-United States, Espirito Santo Bank in Miami, and others, enabled Augusto Pinochet to construct a web of at least 125 U.S. bank and securities accounts, involving millions of dollars, which he used to move funds and transact business. In many cases, these accounts were disguised by using a variant of the Pinochet name, an alias, the name of an offshore entity, or the name of a third party willing to serve as a conduit for Pinochet funds.
- (4) **Transferring Suspect Funds.** After U.S. bank regulators raised money laundering concerns about the Pinochet funds at Riggs Bank, the bank closed the accounts and transferred the funds to another financial institution operating in the United States, without notice that the funds were suspect. The U.S. regulators failed to follow the suspect funds when they left Riggs to determine whether they went to another U.S. financial institution.

Based upon its investigation, the Subcommittee staff makes the following recommendations.