

# Financial Fraud, The Laundering of Drug Money and the CIA

A Full-Service, Bank: Stanford International Bank (SIB)

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Last year, when a federal court in Texas handed down [indictments](#) charging Stanford International Bank (SIB) and its officers with “orchestrating a fraudulent, multibillion dollar investment scheme,” I wondered: was there more to the story?

Indeed there was.

Once described by fawning media as a “flamboyant Texan” and “philanthropist,” Stanford was founder and sole shareholder of a global banking empire once conservatively valued at \$50 billion.

According to the federal indictment, “Sir Allen,” (R. Allen Stanford) as he was dubbed by a corrupt former minister of Antigua, ran a massive Ponzi scheme camouflaged as a bank that sold some \$7 billion in self-styled “certificates of deposit” and \$1.2 billion in mutual funds.

Operated from behind a façade of well-appointed offices and with a jet-set lifestyle to match, the SIB grift may have been impressive but it was a scam from the get-go. Lured by “high rates that exceed those available through true certificates of deposits offered by traditional banks,” thousands lost their shirts.

Those high rates were a lie and the bank’s “unique investment strategy” about as legitimate as a penny-stock fraud or advance fee scam on the internet. Of the \$8 billion hoovered up by the banker and his cronies, only about \$500 million have been recovered.

Facing the prospect of years in prison, [The Miami Herald](#) reported that SIB’s chief financial officer James Davis, once Stanford’s college roommate and originally charged in the indictment, copped a plea to save his own neck.

Davis told the Justice Department that “his boss had been stealing from investors for decades while paying bribes to regulators and even performing blood oaths never to reveal his secrets.”

Talk about a wise guy!

And with connections and generous [pay-outs](#) to U.S. politicians going back more than a decade, 65% of which went to Democrats including our “change” president, Allen Stanford was plugged-in.

Evidence also suggests he may have gotten an assist covering his tracks from regulators

and U.S. secret state agencies, including the CIA.

## SEC Stand Down

Allen Stanford did business the American way; he swindled depositors and then siphoned-off the proceeds into a spider's web of offshore accounts.

The indictment charges "it was part of the conspiracy that Stanford ... and others would cause the movement of millions of dollars of fraudulently obtained investors' funds from and among bank accounts located in the Southern District of Texas and elsewhere in the United States to various bank accounts located outside of the United States ... in order to exercise exclusive control over the investors' funds."

Auditors learned that funds were moved through Stanford-controlled accounts to offshore banks, including HSBC in London, Bank Julius Baer in Zurich and eight others; banks which have figured in past money laundering or tax-avoidance scandals. None have been charged with an offense in connection with the affair.

In all, 28 numbered accounts were listed by prosecutors, veritable black holes that escaped scrutiny; that is if regulators in Washington were minding the store, which they weren't.

Years earlier, SEC investigators at the commission's Ft. Worth office uncovered evidence of wrongdoing. According to an explosive report by the SEC's Office of the Inspector General, Ft. Worth examiners launched a series of probes in 1997, 1998, 2002 and 2004 exploring SIB practices but their diligence was sabotaged by high-level officials.

That [report](#), Investigation of the SEC's Response to Concerns Regarding Robert Allen Stanford's Alleged Ponzi Scheme, Case No. OIG-526, March 31, 2010, paints a damning picture of the regulatory process.

The inspector general states: "While the Fort Worth Examination group made multiple efforts after each examination to convince the Fort Worth Enforcement program ('Enforcement') to open and conduct an investigation of Stanford, no meaningful effort was made by Enforcement to investigate the potential fraud or to bring an action to attempt to stop it until late 2005."

Last month, the [Fort Worth Star-Telegram](#) reported that staff members, who spoke on condition of anonymity because they feared management retaliation, told the newspaper that higher-ups wanted "tools to do away with people who have a dissenting opinion."

Senior managers called the probes a "goat screw" and ordered them killed.

The OIG investigation "found that the former head of Enforcement in Fort Worth, who played a significant role in multiple decisions over the years to quash investigations of Stanford, sought to represent Stanford on three separate occasions after he left the Commission, and in fact represented Stanford briefly in 2006 before he was informed by the SEC Ethics Office that it was improper to do so." (emphasis added)

In Florida, [The Miami Herald](#) revealed that state regulators did the SEC one better and gave the bank carte blanche to operate secretly, moving "vast amounts of money offshore-without reporting a penny to regulators."

The arrangement between the bank and the Florida Office of Financial Regulation was so brazen, that Stanford's company "was allowed to sell hundreds of millions in bank notes without allowing regulators to check for fraud."

And once those suspect instruments were sold, the Herald reported that "employees shredded records of the trust agreements and CD purchases once the original documents were sent to Antigua, state records show."

A sweet deal if you can get it, or have powerful friends who might wish to avoid messy inquiries touching upon sensitive matters.

[The New York Times](#) reported last year that current charges "stem from an inquiry opened in October 2006," that is, nearly a decade "after a routine exam of Stanford Group, according to Stephen J. Korotash, an associate regional director of enforcement with the agency's Fort Worth office."

Korotash told the Times that the SEC "stood down" its investigation "at the request of another federal agency, which he declined to name."

According to [BusinessWeek](#), in 2006 the Bush administration "bestowed on his intelligence czar ... broad authority, in the name of national security" to excuse companies from "their normal accounting and securities-disclosure obligations" if such disclosures revealed "certain top-secret defense projects."

At the time, William McLucas, the Securities and Exchange Commission's former enforcement chief told the publication that the ability to conceal financial information from regulators under the rubric of "national security" could lead some companies "to play fast and loose with their numbers."

The former official said, "it could be that you have a bunch of books and records out there that no one knows about."

In response to media reports, congressman Dennis Kucinich (D-OH), wrote a [letter](#) to SEC Chair Mary Schapiro last year, demanding documents, and answers, why the SEC suspended investigations of the "Stanford Group under pressure from another unidentified federal agency."

The Ohio congressman said, "if this is true ... our subcommittee will demand that the SEC reveal the name of that agency which told it not to enforce federal laws which protect investors."

Neither documents nor answers were forthcoming.

Cynics might see something untoward here, but I think it's all just a coincidence, like drug planes bought with bundles of cash [laundered](#) through American banks.

### Drug Probes Killed

In 1986 during the Iran-Contra period, Allen Stanford's Guardian International Bank set up shop on the sleepy Caribbean isle of Montserrat (pop. 5,870).

It didn't take long before the bank came under scrutiny. Guardian was the subject of a joint Scotland Yard-FBI investigation "into so-called 'brass-plate' banks," [The Independent](#) disclosed.

According to reporters David Connett and Stephen Foley, the bank "was suspected of laundering drug money from the notorious Medellin and Cali drug cartels run by Pablo Escobar and the Orejuela brothers."

During the Iran-Contra scandal, congressional investigators and journalists scrutinized links between Colombian drug traffickers and the CIA's Nicaraguan Contra army.

By 1986, evidence began to emerge that top Contra officials and the Agency enjoyed cosy ties with both Escobar and the Orejuela brothers. Under pressure from the Reagan administration however, both Congress and corporate media deep-sixed the story as the affair was covered-up.

A decade later, largely as a result of outrage generated by the late Gary Webb's [Dark Alliance](#) series, a [memorandum of understanding](#) between Reagan's Justice Department and the Agency entered the public record. That 1982 memo legally freed the CIA from reporting drug smuggling by their assets.

Former FBI agent Ross Gaffney who led the Guardian probe, told Connett and Foley that "we suspected that Stanford's bank was involved in money laundering." But before that investigation could be developed, Stanford suddenly pulled up stakes and "voluntarily surrendered his Montserrat banking licence and left the island."

Gaffney said that even after Guardian closed, the FBI "continued to take an interest in Stanford and set up a second inquiry into that bank after receiving intelligence that it continued to launder money for the Medellin and Cali cartels."

The former federal agent told [The Independent](#), "We had hard intelligence about what he was doing and we began to develop it" but the investigation died or more likely, killed, by officials higher-up the food chain.

After leaving Montserrat, Stanford trained his sights on Antigua and Barbuda and developed a close relationship with former prime minister Lester Bird.

"Under the Bird family leadership" Connett and Foley reported, "the island was widely regarded as one of the most corrupt in the Caribbean, with well-documented links to arms and drug smuggling and money laundering."

According to [The Independent](#), "in 1990, Israeli automatic weapons ordered by Mr Bird's brother Vere turned up in the hands of a notorious Colombian drug trafficker."

Despite suspicions, it appears that Stanford was golden as far as the feds were concerned; just another guy with an endless supply of "get-out-of-jail-free" cards.

One reason Stanford operated with impunity, the [BBC](#) informs us, is that he "may have been a US government informer."

DEA documents seen by BBC's investigative unit Panorama, suggest that "drug money [was] originally paid in to Stanford International Bank by agents acting for a feared Mexican

drug lord known as the 'Lord of the Heavens'."

Confidential DEA sources believe that Stanford turned over "details of money-laundering from Latin American clients from Colombia, Mexico, Venezuela and Ecuador," thus "effectively guaranteeing himself a decade's worth of 'protection' from the authorities, especially the SEC."

"We were convinced that Stanford's bank attracted millions of narco-dollars," sources told Panorama, "but it was very difficult to get the evidence to nail him."

"The word is" BBC reported, "that Stanford has been a confidential informer for the DEA since '99."

Snitch or not, this raises intriguing questions.

Was Stanford's bank a black hole which U.S. intelligence agencies could exploit, in the interest of "national security" mind you, and therefore exempt from "normal disclosure obligations" as BusinessWeek averred?

If this were so, then even if Stanford were an informant he could have continued to launder drug money and profit nicely; such gentleman's agreements are not without precedent.

One need only glance at internal U.S. government [documents](#) released by the National Security Archive, documents which revealed the Cali cartel's close collaboration with corrupt Colombian police, neofascist paramilitaries and the CIA when Medellín drug lord Pablo Escobar was run to ground.

Pointedly, was Stanford's banking empire another in a long line of institutional channels that drug cartels and the CIA could both profit from?

### Banks, Drugs and Covert Operations

Across the decades, historians, investigative journalists and researchers have uncovered strong evidence that various banks have served as virtual cut-outs for CIA covert operations.

Readers need only recall illegal activities by institutions as diverse as Paul Helliwell's Castle Bank and Trust in the Bahamas, Frank Nugan and Michael Hand's Nugan Hand Bank in Sydney and the Cayman Islands, or the far-flung empire of Agha Hasan Abedi's Bank and Credit and Commerce International.

Separated in time and geography, what all three banks had in common was their close proximity to international drug trafficking networks and the CIA, particularly in areas of acute interest to U.S. policy planners. Did Stanford International Bank have a similar arrangement with the Agency?

When the scandal finally broke, the [Houston Chronicle](#) reported that authorities had been "looking for ties to organized drug cartels and money laundering, going back at least a decade."

In the late 1990s, court documents revealed that "operatives of the Juarez cartel began opening accounts at Stanford's Antigua-based bank," laundering profits amassed by the Amado Carrillo Fuentes organization, the late "Lord of the Heavens" referred to in the BBC

report.

The Chronicle notes that Fuentes' representatives "used Stanford International Bank to open 10 accounts and deposit \$3 million." We should bear in mind however, these represent only known accounts. Were there others? Federal and state investigators have said that there were.

After authorities determined the accounts were held by a notorious drug cartel, Stanford turned over the \$3 million. Yet despite hard evidence of criminal wrongdoing, federal officials told the Chronicle that "any alleged Stanford connection to drug cartels and their money could lie buried in the paperwork gathered for the Security and Exchange Commission's civil inquiry."

One might even say rather conveniently.

During the same period, Texas state securities regulators uncovered more evidence of money laundering by Stanford entities. But because it involved offshore banks, they "referred it" to the FBI and SEC.

Texas Securities Commissioner Denise Voigt Crawford told a Senate Finance Committee last year, "Why it took 10 years for the feds to move on it, I cannot answer."

Miffed by government foot-dragging, Crawford added, "We worked with the FBI and the SEC and basically gave them the case. We told them what we'd seen and they were going to run with it."

But that investigation died on the vine.

Echoing similar themes, [The Observer](#) disclosed an FBI source close to the investigation confirmed that the Bureau "was looking at links to international drug gangs as part of the huge investigation into Stanford's banking activities."

The Observer reported that Mexican authorities seized one of Stanford's private jets in connection with alleged links to the Gulf cartel and said that "cheques found inside the plane were linked to the cartel, which is one of the most violent criminal organisations in the world."

DEA sources told the London newspaper "there may well have been a trail connecting his Mexican affairs to narco-trafficking interests." However, a second DEA official told The Observer, "I think we'll find that any possible drug-related trail and SEC priorities are not all in the same frame."

A curious statement considering the billions of dollars in fraudulent activities alleged against the bank, some of which may have been derived from laundering drug money.

One would assume that evidence of serious wrongdoing would be motive enough to take a hard look at the allegations and not concoct a fairy tale that these charges lie "buried in the paperwork"!

A U.S. drug enforcement official told The Observer, "Any major US interest seeking to avoid fully disclosed investments would have to go to pretty careful lengths to avoid encountering cartel interests."

“Anyone seeking to conceal or launder money would find it in safe and lucrative hands were they to forge alliances with, rather than skirt, the cartels,” The Observer noted, and would “find them accommodating in terms of remuneration.” The official hastened to add, it’s “nothing anyone will confirm for Stanford right now.”

The question is: why?

A Full-Service Bank

One possible answer may revolve around charges that SIB’s Venezuela branch was a conduit for laundered CIA funds.

If true, then the Agency would be dead set against trial disclosures that revealed the bank had been involved in laundering drug money, particularly if narcotics syndicates are playing a role in U.S. destabilization efforts there.

Months before Stanford’s empire collapsed, Venezuela’s socialist government launched a raid on SIB offices in Caracas.

The [Daily Telegraph](#) reported that “Sir Allen Stanford, the Texan billionaire ... is now at the centre of an international spying row.”

The conservative British newspaper disclosed that “officials from Venezuelan military intelligence raided a branch of his offshore bank over claims that its employees were paid by the CIA to spy on the south American country.”

Although corporate media in the U.S. dismissed Venezuelan allegations as propaganda, questions persist.

While on a charm offensive before his arrest last year, Stanford gave an interview to CNBC’s Scott Cohn. When asked about claims that his bank may have been a cut-out for the Agency, this [curious exchange](#) took place:

Cohn: “You just by nature of your position and where you were got to know a lot of people in Latin America, in Africa, in Europe, around the world, and it strikes me that somebody in your position would be useful to the authorities in the US trying to find out what was going on there, what was going on in places like Venezuela. Can you tell me about any sort of role you played that way, were you helpful to the authorities in the US?”

Stanford: “Are you talking about the CIA?”

Cohn: “Well, you tell me.”

Stanford: “I’m not going to talk about that.”

Cohn: “Why not?”

Stanford: “I’m just not going to talk about that.”

Cohn: “Well, I mean, am I-is my premise correct that someone in your position would be helpful to those who wanted to know what was going on?”

Stanford: “I really don’t have anything to add to that that would be of any value.”

Stanford's reticence is certainly understandable, considering Frank Hand's fate 30 years ago.

During a similar scandal when the CIA-linked Nugan Hand bank collapsed amid charges of fraud and drug money laundering, the chief executive turned up dead in his Mercedes with a shot to the head.

Despite evidence uncovered by investigations going back to the 1980s, drug money laundering charges or any reference to Agency activities will not figure in the Justice Department's case when Stanford goes on trial in January.

As [ABC News](#) delicately put it, SEC action against Stanford "may have complicated the federal drug case."

Underscoring the federal government's reluctance to explore this dark corner of Allen Stanford's career, it might do well to keep in mind what one airline executive told investigative journalist Daniel Hopsicker during his probe into the 9/11 attacks.

"Sometimes when things don't make business sense, its because they do make sense...just in some other way."

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