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Chancellor's Update

Drug Politics

In last month's Update, we explained how the Soviets used and still use drugs to bring down the West. In this issue, we will show how the banking sector plays an important role in laundering all this money. In the future months we will show how the Maoist doctrine and the cartels are being used to bring about the collapse of the United States. Those over fifty years of age and older may remember the expression "The Communist Conspiracy". We will attempt a quick but thorough explanation of how it works. It is not possible to summarize the book *Drug Politics* by former Ambassador David C. Jordan in two sides of one page. It is our intent to widen your knowledge of world events and be able to understand the forces at work. What we are trying to do is to show you how the words of the Mother of God, "Russia will spread her errors throughout the world" are being fulfilled. (*Drug Politics*, David C. Jordan, U. Oklahoma Press, c.1999, p 102-104)

INTERNATIONAL MONEY LAUNDERING IN THE FINANCIAL SYSTEM

An estimated \$500 billion, or 2 percent of global GDP, is illegally laundered each year. Drug traffickers are not alone in using the international financial system to launder illicit proceeds. They are joined by arms merchants, corrupt political officials, and tax evaders. The international money-laundering market has exploded in terms of volume, sophistication, and access to legitimate financial resources. The ability of authorities to respond effectively has diminished. According to the U. S. Customs Office, at the end of 1992 there were more than 6,290 active money-laundering cases under investigation.

At one time money laundering in the United States was a fairly simple process. "Launderers" would make large cash deposits openly in commercial banks. But, as laws regulating cash deposits evolved, the drug launderers moved to offshore banks located in nations with less stringent financial regulations. Among the most popular offshore bases known for their lax secrecy laws are Aruba, Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Cyprus, Gibraltar, Guernsey, Hong Kong, Isle of Man, Jersey, Liberia, Lichtenstein, Nauru, Netherlands, Netherlands Antilles, Nevis, Panama, Switzerland, Turks and Caicos, and Vanuatu. Banks in these areas offer the benefits of easy access, no questions asked, and simple withdrawal. Less widely recognized, Canadian banks have also been used by drug-running organizations to launder substantial amounts of money.

An example of the magnitude of the problem was provided by the DEA's crackdown, code-named Casablanca, on Mexican banks. On May 18, 1998, a federal grand jury in Los Angeles brought charges against three Mexican banks and more than twenty Mexican bankers. This

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indictment was the first to charge Mexican banks as institutions that were knowingly helping the drug traffickers to launder their money. The three banks indicted were Bancomer, Mexico's second largest bank, Banca Serfin, Mexico's third largest bank and Banca Confia, a top-twenty Mexican bank. Mexican authorities indicted Confia's chairman, Jorge Lanckenau, for large-scale bank fraud only a few days after Citibank purchased Confia on May 17, 1998.

The Federal Reserve Board announced civil actions against five other Mexican banks with branches in the United States. These included Banco Nacional de Mexico (Banamex), the nation's largest bank; Bital, Mexico's fourth largest bank; and Banco Santander, the nation's fifth-ranking bank. The Federal Reserve charged that these banks had "serious deficiencies in their anti-money laundering programs."

Sophisticated computer and telecommunications equipment simplifies the illegal movement of capital around the world, making these transfers difficult to detect. The money-laundering system has been further internationalized by the borderless European union, which is connected to the numerous states of the former Soviet Union. In the Pacific Basin, Hong Kong, Macao, Thailand, and Japan move illegal money among themselves as well as with China. The development of unregulated global financial markets facilitates a system where crime syndicates based in the Americas, Europe, the Middle East, Africa, the Pacific Basin, and Russia launder money throughout the world and reinvest in legitimate businesses.

Criminal Banks

Legitimate banks can be used by criminal elements to launder illegal profits as part of their normal business practices. But outlaw banks knowingly use normal business practices to launder criminal profits. One of the most famous outlaw banks was the Bank of Credit and Commerce International (BCCI); another is the Banca Nazionale del Lavoro (BNL).

Meyer Lansky, the New York mafia leader, pioneered the modern techniques of money laundering. His methods included using offshore bank accounts in the Bahamas and Switzerland and layering account records. Before Castro's rise to power in 1959, Cuba was the major offshore laundering site of the American mafia. After Fidel Castro took over Cuba and shut down U.S. mafia operations there, Meyer Lansky initiated a multistate laundering system, moving his operations to the Bahamas and continuing his practice of corrupting politicians. In the Bahamas Lansky supported Lynden Oscar Pindling, the head of the Progressive Liberal Party (PLP), who came to power in 1967 as the leader of a Caribbean black power movement. When the Bahamas achieved full independence in 1973, Pindling became the central facilitator of Lansky's offshore operations. It is indicative of the scant attention the British government gave to this problem that Pindling was knighted by Queen Elizabeth in 1983. (*Drug Politics* ISBN # is 0-8061-3174-8)

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