

*United States Senate*

**PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**

*Committee on Homeland Security and Governmental Affairs*

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*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**



**March 16, 2005**

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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 account holder 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, Monica 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.

- (1) **Section 314(b) Warning.** A financial institution that closes or asks a client to close an account due to money laundering concerns, including a concern the account may contain the proceeds of foreign corruption, should, before transferring the funds to another financial institution, warn that financial institution under Section 314(b) of the Patriot Act that the transfer is the result of an account closure due to possible money laundering or foreign corruption concerns.
- (2) **Stopping Suspect Funds.** Once U.S. financial regulators identify a suspect account, they should take reasonable steps to prevent suspect funds from being sent to another U.S. financial institution without an appropriate warning, identify related accounts at other financial institutions operating in the United States, and, if necessary, dismantle any network of suspect U.S. accounts.
- (3) **Section 314(b) Guidance.** To increase the usefulness of Section 314(b), U.S. financial regulators should consider issuing guidance clarifying that the legal protections afforded by that section permit financial institutions to respond to requests for information, including by offering information about accounts and transactions that may help expose or prevent money laundering or terrorist activities.
- (4) **Intrabank Disclosures.** The United States should work with the European Union to enable financial institutions with U.S. and E.U. affiliates to exchange client information across international lines to safeguard against money laundering and terrorist financing.

#### **IV. SUPPLEMENTAL INFORMATION ON RIGGS RELATIONSHIP WITH AUGUSTO PINOCHET**

As explained in the 2004 report, Augusto Jose Ramon Pinochet Ugarte, former president of Chile, is a controversial political figure whose name is known world wide. After taking power in a 1973 coup, he served as President of Chile until 1990, and as Commander-in-Chief of the Chilean Army until 1998. After stepping down from the army, he became a “Senator for life.”<sup>12</sup> In court filings, press accounts, and other reports, Mr. Pinochet has been accused of involvement with human rights abuses, torture, assassinations, death squads, drug trafficking, arms sales, and corruption, but never convicted in a court of law.<sup>13</sup> Since 1996, he has been the subject of

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<sup>12</sup> See “Pinochet Extradition Case: Selected Legal Issues,” Congressional Research Service (CRS Report No. RL-30117, 3/3/00), at 1-2.

<sup>13</sup> See, e.g., “Chile: Political and Economic Conditions and U.S. Relations,” Congressional Research Service (CRS Report No. RL-300035, 8/5/03) at 2; “Crime Without Punishment: Impunity in Latin America,” Amnesty International (AMR 01/08/96) at <http://web.amnesty.org/library/index/ENGAMR010081996> (as of 1/26/05).

repeated litigation in Spain,<sup>14</sup> the United Kingdom,<sup>15</sup> Chile,<sup>16</sup> and other countries<sup>17</sup> by persons seeking to hold him accountable for crimes committed during his presidency. In each case prior to the Subcommittee's 2004 hearing, Mr. Pinochet had been found by the presiding court to be unavailable, unfit, or immune to prosecution.<sup>18</sup>

On August 26, 2004, the Chilean Supreme Court held that Mr. Pinochet was not immune to prosecution in the "Operation Condor" case, involving the disappearance of certain political figures during the mid-1970s.<sup>19</sup> On December 13, 2004, the relevant trial court found Mr. Pinochet fit for trial in that case. In addition, a Chilean Judge ordered an investigation of the funds in Mr. Pinochet's accounts at Riggs, located some of those funds, and froze them. On October 1, 2004, the Chilean Internal Tax Service filed a complaint against Mr. Pinochet for allegedly filing false tax returns.<sup>20</sup> In November 2004, the Chilean Judge located and froze another \$4 million in Pinochet assets.<sup>21</sup> Mr. Pinochet apparently offered to pay \$5 million in back taxes to free his assets, but on February 7, 2005, Chilean officials rejected the offer, apparently in part because some of the frozen assets were attached pursuant to criminal proceedings.<sup>22</sup>

Information obtained after the Subcommittee's 2004 hearing shows that the relationship between Riggs Bank and Augusto Pinochet was more extensive than was previously indicated,

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<sup>14</sup> See, e.g., complaint filed by the Union of Progressive Prosecutors before Spain's highest criminal court (7/4/96), <http://www.derechos.org/nizkor/chile/juicio/denu.html> (as of 1/26/05).

<sup>15</sup> See, e.g., *Regina v. Bartle*, (Lords of Appeal, 3/24/99), <http://www.parliament.the-stationery-office.co.uk/pa/ld199899/ldjudgmt/jd990324/pino1.htm> (as of 1/26/05); CRS Report on "Pinochet Extradition Case," at 2-12.

<sup>16</sup> For a list of the 66 criminal complaints filed against Mr. Pinochet between January 1998 and March 2000 in the Santiago Court of Appeals, see [http://www.memoriayjusticia.cl/english/en\\_home.html](http://www.memoriayjusticia.cl/english/en_home.html) (as of 1/26/05).

<sup>17</sup> Litigation against Mr. Pinochet has also been filed, for example, in Argentina, Belgium, France, and Switzerland. See CRS Report on "Pinochet Extradition Case," at footnote 2.

<sup>18</sup> See, e.g., CRS Report on "Pinochet Extradition Case," at footnote 2 and page 11; "Chilean Supreme Court Upholds Suspension of Legal Proceedings Against Pinochet," [http://www.elmostrador.cl/c\\_pais/pino\\_casacion.htm](http://www.elmostrador.cl/c_pais/pino_casacion.htm) (as of 1/26/05).

<sup>19</sup> See, e.g., "Pinochet: Latest Developments in Prosecutions for Human Rights Crimes," report prepared by the Law Library of Congress, LL File No. 2005-01585 (3/15/05) at 1. On January 4, 2005, the Chilean Supreme Court upheld Mr. Pinochet's indictment in this case. *Id.* at 2-3.

<sup>20</sup> See, e.g., "Pinochet Faces Tax Evasion Charge," BBC News (10/1/04).

<sup>21</sup> See, e.g., "Asset Freeze As Pinochet Turns 89," BBC News (11/24/04).

<sup>22</sup> See, e.g., "Pinochet: Latest Developments in Prosecutions for Human Rights Crimes," report prepared by the Law Library of Congress, LL File No. 2005-01585 (3/15/05) at 4.

encompassing a total of 28 accounts rather than 9 accounts, and spanning a total of 25 years rather than 8 years.<sup>23</sup> In addition to the 9 accounts described in the 2004 Minority Staff report,<sup>24</sup> Riggs has identified 19 more Pinochet related accounts located in its Washington, Miami, and London offices and affiliates. The oldest account was opened in Washington in July 1979, and the most recent accounts remained active in London until July 2004, when they were frozen by the bank.<sup>25</sup> Riggs senior officials also had more extensive business and personal interactions with Mr. Pinochet and his family than previously disclosed.

Riggs Bank has fully cooperated with all Subcommittee inquiries and produced all requested documentation, including documentation related to the extensive internal review of the Pinochet-related accounts conducted by the Riggs Security & Investigations Group. The Riggs Security & Investigations Group is to be commended for its thorough work and willingness to share its analysis with this Subcommittee. The information it provided was of great assistance in the Subcommittee's supplemental investigation.

#### **A. Additional Riggs Accounts**

The newly identified Riggs accounts include 7 personal accounts and CDs for Mr. Pinochet, 4 of which were opened under a disguised variant of his name, and 3 of which were opened under an alias. Riggs also maintained 3 accounts for members of Mr. Pinochet's immediate family. Nine additional accounts were opened in Miami in the name of ostensibly unrelated third parties, all but one of whom has been identified as a Chilean military officer. Bank records show that, at times, these accounts served as conduits for Pinochet funds.

When asked why these accounts were not disclosed earlier, Riggs identified a number of factors that had contributed to the delay in identifying them. Riggs first explained that it had given the Subcommittee the same records it had provided the OCC in 2002, without realizing they were incomplete. Riggs explained that the Miami and Washington accounts were more than ten years old, some were in the name of an alias or a third party, relevant documents had been lost or destroyed, most of the individuals familiar with the accounts had left the bank, and the various Riggs affiliates that opened the accounts had not fully communicated with each other. Riggs indicated that another important factor was that a senior Riggs official who was aware of many of the accounts did not identify them when asked. Peter Fowler, who was president and

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<sup>23</sup> The additional information about Riggs Bank is taken from public filings, subpoenaed documents, interviews with bank representatives, employees, and former employees, and information supplied by other financial institutions. The relevant documents are maintained in Subcommittee files.

<sup>24</sup> The 2004 Minority Staff Report identified three personal accounts, three corporate accounts, and three sets of certificates of deposit at Riggs relative to Mr. Pinochet. See 2004 Hearing Record at 145-151.

<sup>25</sup> Riggs located the London accounts, both held by Mr. Pinochet's daughter, Ines Lucia Hiriart, soon after the Subcommittee hearing in July 2004. See, e.g., account statements for Account Nos. 75256032 and 75256035 (7/30/2004), Bates RNB033051-57 and RNB032801-03.

chief operating officer of Riggs Bank International Corporation in Miami from October 1994 to July 2000, and then senior vice president of the Latin American Embassy Banking Division in Washington, had failed to disclose the military officer accounts when the bank was collecting information in response to OCC inquiries in 2002, and in response to regulatory and Subcommittee inquiries in 2003 and 2004. After the Subcommittee hearing in July 2004, the Riggs Security & Investigations Group discovered the additional accounts when researching a check that had been sent from one of the military officer accounts to a Pinochet account. In August 2004, the bank fired Mr. Fowler.

**Additional Personal Accounts.** Of the 7 newly identified Riggs accounts that were opened for Mr. Pinochet, 4 were opened under a disguised variant of Mr. Pinochet's name and 3 under the alias, Daniel Lopez.<sup>26</sup> The accounts are the following.

- (1) Account No.413799878 was opened in the name of Jose Ugarte in Washington on July 20, 1979, and closed in July 1981.
- (2) Account No. 350082 was opened in the name of Jose Ramon Ugarte in Miami on July 13, 1981, and closed on June 8, 1984.
- (3) Account No. 76077573 was opened in the name of Daniel Lopez in Washington on January 8, 1985 and closed on an unknown date sometime after September 1994.<sup>27</sup>
- (4) Account No. 450858 was opened in the name of Jose R. Ugarte in Miami on January 14, 1985, and closed on March 15, 1990.
- (5) Account No. 707547 was opened in the name of Augusto P. Ugarte or Lucia Hiriart P. in trust for Maria Veronica Pinochet, Maria Jose Martinez P. and Lucia Amunategui P., in Miami on April 4, 1990, and closed on October 10, 1991.
- (6) Account No. 710053 was opened in the name of Daniel Lopez, in trust for Augusto J. Pinochet, in Miami on August 5, 1993, and closed on March 14, 1996.
- (7) Account No. 808691, a CD, was opened in the name of Daniel Lopez in Miami on an unknown opening and closing date, but which includes at least the period from August 1994 until January 1996.

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<sup>26</sup> Mr. Pinochet's son, Marco Pinochet, sent an email to Riggs Bank on November 5, 2004, confirming that "Daniel Lopez" is an alias and refers to his father, Augusto Pinochet.

<sup>27</sup> Riggs was able to locate only some of the account statements for this account. The latest account statement was for August 1993. In addition, a check dated September 1, 1994, was sent from this account to Banco de Chile.

Because these accounts were opened under a disguised variant of Mr. Pinochet's name or under his Daniel Lopez alias, the extent to which they were known to Riggs senior officials in Washington is unclear. Several Riggs officials in Miami, however, were well aware of them, and even a cursory review of the account statements shows that they were carrying Pinochet funds.

The Lopez accounts are instructive. On March 22, 1990, for example, a \$410,000 check made payable to "Augusto P. Ugarte" was drawn on the Daniel Lopez account in Washington, and used on April 4, 1990, to open Miami Account No. 707547 for "Augusto P. Ugarte" and "Lucia Hiriart P." in trust for the Pinochet children (hereinafter "Ugarte/Hiriart Miami account").<sup>28</sup> On July 31, 1990, a \$302,000 check made payable to Augusto P. Ugarte was drawn on the same Lopez account and deposited into the same Ugarte/Hiriart Miami account.<sup>29</sup> In December 1990, a \$11,520 check withdrew funds from the Lopez account and deposited them into the Ugarte/Hiriart Miami account. In December 1991, two checks totaling \$79,626 withdrew funds from the Washington Lopez account and deposited them into the Ugarte/Hiriart Miami account. On September 1, 1994, a \$56,000.25 check made payable to "J. Ugarte" withdrew funds from the Lopez account and deposited them into an account at Banco de Chile.

Additional transactions involving the Daniel Lopez account in Miami, Account No. 710053, shows that this account also served as a conduit for Pinochet funds. For example, the Miami Lopez account was initially funded in August 1993, with a \$22,696.23 check drawn on the Lopez account in Washington. Additional deposits into the Miami Lopez account came from Banco de Chile accounts in Chile, including a \$303,000 transfer in December 1993, and two transfers of \$15,000 and \$40,000 in January 1994. Two more deposits were sent by "M. Hiriart," from accounts at Banco Atlantico, including a transfer of \$250,000 in July 1994, and \$627,000 in November 1994. Over the next two years, the Miami Lopez account sent significant sums to the Augusto Pinochet's primary account in Washington, Account No. 76750393, including \$300,000 in April 1995, \$627,000 in January 1996, and \$374,629.72 in March 1996. In addition, on one day, February 21, 1996, the Miami Lopez account sent 3 checks, for \$44,000, \$75,000 and \$82,000, to an account held in the name of Mr. Pinochet's assistant, Monica Ananias Kuncar.<sup>30</sup>

The Miami Lopez account also provided funds to purchase various CDs. The account documentation indicates that funds in the Lopez Miami account were used to purchase a \$483,000 CD in March 1994. In July 1994, a \$250,000 wire transfer sent by "M. Hiriart" from a Banco Atlantico account was used, in part, to purchase a \$150,000 CD. On August 1, 1994, these two CDs were cashed and the funds combined to purchase a larger CD in the amount of \$640,000, assigned to Lopez Account No. 808691. In November 1994, a \$627,000 wire transfer

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<sup>28</sup> Riggs National Bank check, 3/22/90, Bates RNB032150; Riggs Bank Miami account opening information, 3/22/90, Bates RNB033773 & RNB033809.

<sup>29</sup> Riggs National Bank check, 7/17/90, Bates RNB034280.

<sup>30</sup> In addition, in January 1995, an account Mr. Pinochet had opened at Espirito Santo Bank in Miami sent three checks made payable to "D. Lopez," totaling about \$214,000, to accounts at Banco de Chile.

sent by “Marco P. Hiriart” from Banco Atlantico was deposited into the Lopez Miami account. On May 1, 1995, the \$627,000 was combined with the funds from the \$640,000 CD, which had matured, and the funds were used to purchase a still larger CD in the amount of \$1.1 million. Over time, this and other CDs associated with the Lopez account matured, were reconfigured, and used to buy other CDs. In January 1996, the Lopez Miami account sent a \$627,000 wire transfer to the Pinochet account in Washington, Account No. 76750393.

These and other transactions make it clear that the Lopez accounts were conduits for Pinochet funds used in multiple, complex transactions.

**Pinochet Family Accounts.** The 3 newly identified Riggs accounts that were opened in the name of Mr. Pinochet’s immediate family members are the following. None included the name “Pinochet” in the name of the accountholder.

- (1) Account No. 404276139 was opened in the name of Mr. Pinochet’s son, Marco Antonio Hiriart, in Washington on September 30, 1981, and closed on June 1, 2001.
- (2) Account No. 75256035 was opened in the name of Mr. Pinochet’s daughter, Ines Lucia Hiriart, in London on May 31, 2000, and frozen on July 30, 2004, by Riggs.
- (3) Account No. 75256032 was opened in the name of Ines Lucia Hiriart in London on May 21, 2001, and frozen on July 30, 2004, by Riggs.

**Third Party Accounts.** The 9 newly identified Riggs accounts that were opened in the name of third parties, but used at times as conduits for Pinochet funds are the following. All but one of the accountholders was a Chilean military officer.

- (1) Account No. 350413 was opened in the names of Jorge Ballerino Sanford and/or Ramon Castro Ivanovic in Miami on November 23, 1981, and closed on July 2, 1984. At the time the account was open, Mr. Ballerino was a Chilean Army general, and Mr. Castro was an Army officer. Funds were used to purchase a CD. The maximum amount of funds in this account at one time was about \$1.8 million.
- (2) Account No. 350512 was opened in the name of Jorge Ballerino Sanford and/or Ramon Castro Ivanovic in Miami on January 11, 1982, and closed on January 21, 1985. Funds were used to purchase a CD. The maximum amount of funds in this account at one time was about \$2.3 million.
- (3) Account No. 450528 was opened in the name of John Long in Miami on June 11, 1984, and closed in 1985. Mr. Long was not a Chilean military officer, and his relationship to Mr. Pinochet, reasons for opening the account, and current status are unknown. The account was opened with a \$287,381.80 check drawn on Riggs Miami

Account No. 350413 opened for Jorge Ballerino and Ramon Castro. Funds were used to purchase a CD. More than \$1.7 million passed through this account.

(4) Account No. 450874 was opened in the name of Guillermo Garin Aguirre in Miami on January 21, 1985, and closed on January 4, 1988. At the time the account was open, Mr. Garin was the Army Chief Vice-Commander, the second most senior command position in the Chilean Army. The account was opened with a \$15,000 check drawn on the Riggs Miami account opened for John Long. Funds were used to purchase a CD. The maximum amount of funds in this account at one time was about \$547,000.

(5) Account No. 451385 was opened in the name of Gustavo Collao Mira in Miami on January 4, 1988, and closed on April 10, 1989. At the time the account was open, Mr. Collao was a Chilean Army colonel. In 2004, Chilean press reports described him as one of Mr. Pinochet's legal counsel. The account was opened with \$43,715 transferred from the Riggs Miami account opened for Guillermo Garin Aguirre. Funds were used to purchase a CD. The maximum amount of funds in this account at one time was about \$200,000.

(6) Account No. 451666 was opened in the name of Jose Miguel Latorre Pinochet in Miami on April 10, 1989, and closed on April 3, 1992. At the time of the account, Mr. Latorre was a Chilean Army lieutenant colonel. The account was opened with \$47,000 transferred from the Riggs Miami account opened for Gustavo Collao Mira. Two weeks later, on April 29, 1989, another \$116,868.73 was transferred from the Collao account. Funds were used to purchase 2 CDs. The maximum amount of funds in this account at one time was about \$330,000.

(7) Account No. 709345 was opened in the name of Gabriel Vergara Cifuentes in Miami on December 13, 1991, and closed on May 25, 1995. At the time the account was open, Mr. Vergara was Director of the Chilean Army. The account was opened with \$55,000 transferred from the Riggs Miami account opened for Jose Miguel Latorre Pinochet. Funds were used to purchase a CD. The maximum amount of funds in this account at one time was about \$385,000.

(8) Account No. 710467 was opened in the name of Juan Ricardo Mac Lean Vergara in Miami on December 27, 1994, and closed on February 14, 1997. At the time the account was open, Mr. Mac Lean was Director of the Chilean Army Purchasing Office. The account was opened with a \$45,000 check drawn on the Riggs Miami account opened for Gabriel Vergara Cifuentes. No funds were used to purchase a CD. The maximum amount of funds in this account at one time was about \$678,000.

(9) Account No. 711762 was opened in the name of Eugenio F. Castillo Cadis, in trust for Juan Mac Lean, in Miami on February 14, 1997, and closed on April 29, 2004. At the time the account was open, Mr. Castillo was Director of the Chilean Army Purchasing

Office, having replaced Mr. Mac Lean. The account was opened with \$41,667.70 transferred from the Riggs Miami account opened for Juan Ricardo Mac Lean Vergara. No funds were used to purchase a CD. The maximum amount of funds in this account at one time was about \$42,000.

These third party accounts were all opened in Miami by Riggs International Banking Corporation (RIBC) and collectively extended over more than 23 years, from 1981 until April 2004. All but one was controlled by a Chilean military official stationed in Santiago. The former head of RIBC, who held this position from 1981 to 1990, told the Subcommittee that it was his understanding that the military officer account was first established to enable the Chilean government to contract with U.S. businesses to help build a new Presidential residence in Chile. He explained that each accountholder was a military officer assigned to work with the Chilean President's staff. He thought that each accountholder held the post for two to three years in Chile, was replaced, and Riggs then closed the existing account and transferred the balance to a new account opened for the replacement officer. According to the Riggs Security & Investigations Group, the Miami relationship manager who established the first few military officer accounts was the same employee who opened the first Pinochet accounts in Miami. That relationship manager referred to the military officer accounts as the "Casa Militar" or Military House accounts.

Bank records indicate that these military officer accounts were used at times as conduits for Pinochet funds, and that several Riggs officials in Miami were aware of this use. For example, a 1996 trip report written by a Riggs relationship manager in Miami described Juan Mac Lean, a military officer accountholder, as "one of several front-men of General Pinochet."<sup>31</sup> A call report from February 1997, written by the same relationship manager, stated: "As per my supervisor's comment, Mr. Juan MacLean is actually a front to General Pinochet (who holds an account at Riggs). Therefore, I am accepting Mr. MacLean's introduction of Mr. Eugenio Castillo Cadiz as the continuation of the indirect relationship to General Pinochet."<sup>32</sup> The head of RIBC wrote in a separate call report from 1996, that Mr. Mac Lean "discreetly said he represents a third party," meaning Augusto Pinochet.<sup>33</sup> Riggs told the Subcommittee that Peter Fowler, head of RIBC from 1994 to 2000, was also aware of the military officer accounts.

Based on the records made available to the Subcommittee, at least \$1.774 million was transferred from the military officer accounts into accounts controlled by Mr. Pinochet, his immediate family members, or his assistant. In addition, about \$650,000 was deposited into the military officer accounts from accounts controlled by Mr. Pinochet or his family. Account

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<sup>31</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>32</sup> Riggs document, "Call Report," (2/14/97), Bates RNB032959.

<sup>33</sup> Riggs document, "RIBC-Miami Call Report," undated, Bates RNB033402.

records indicate that the largest individual transfers of funds took place from 1992 through 1996.

Two accounts provide examples of the transactions involving Mr. Pinochet. The first is Account No. 709345, opened for Gabriel Vergara Cifuentes from December 1991 to May 1995. The maximum amount of funds in the account at any one time was about \$385,000, but more flowed through the account over the nearly four-year period it was open. In total, about \$617,000 was transferred from this account to accounts controlled by Mr. Pinochet, his family, or his assistant. Examples of transactions involving Mr. Pinochet include the following.

- On June 24, 1992, the military officer account accepted a \$280,000 wire transfer from an unspecified Citibank account, believed to be one of the 63 Pinochet-related accounts.
- On August 31 1992, the military officer account issued two checks, for \$175,420 and \$82,325, which were deposited into Espirito Santo Bank Account No. 115391494 opened for A.P. Ugarte and M. Lucia Hiriart.
- On November 13, 1992, the military officer account accepted a \$185,000 wire transfer from an unspecified Citibank account, believed to be one of the 63 Pinochet-related accounts.
- On November 25, 1992, the military officer account issued a \$142,000 check which was deposited into Espirito Santo Bank Account No. 115391494 opened for A.P. Ugarte and M. Lucia Hiriart.
- On March 17, 1993, the military officer account issued a \$43,000 check which was deposited into Espirito Santo Bank Account No. 115391494 opened for A.P. Ugarte and M. Lucia Hiriart.
- In September 1993, the military officer account issued three checks, for \$20,000, \$5,000 and \$5,000, which were made payable to Mr. Pinochet's assistant, Monica Ananias Kuncar, and cashed or deposited.
- On December 7, 1993, the military officer account issued a \$2,000 check, which was made payable to Ines Lucia Hiriart, Mr. Pinochet's daughter, and cashed or deposited.
- On July 25, 1994, the military officer account accepted a \$147,000 wire transfer from a Banco Atlantico account in Zurich, Switzerland.<sup>34</sup>

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<sup>34</sup> The originator of this wire transfer is not disclosed on the wire transfer documentation, but the Zurich account is believed to be a Pinochet account. See later section of this Report discussing the Pinochet accounts at Banco Atlantico.

– On August 30, 1994, the military officer account issued an \$82,000 check which was deposited into Espirito Santo Bank Account No. 115391494 opened for A.P. Ugarte and M. Lucia Hiriart.

– On September 19, 1994, the military officer account issued a \$65,000 check which was deposited into Banco de Chile Account No. 50006257104 in Chile for Jose Ugarte.

The second illustrative account is Account No. 710467, opened for Juan Ricardo Mac Lean Vergara from December 1994 until February 1997. The maximum amount of funds in the account at any one time was about \$678,000, but more flowed through it over the more than two-year period it was open. In total, about \$840,000 was transferred from this account to accounts controlled by Mr. Pinochet, his family, or his assistant. Examples of transactions involving Mr. Pinochet include the following.

– On March 2, 1995, the military officer account cleared a \$117,000 check which was made payable to J. Ugarte and deposited into Banco de Chile Account No. 50006257104 in Chile.

– On March 10, 1995, the military officer account cleared an \$87,000 check which was made payable to J. Ugarte and deposited into Banco de Chile Account No. 50006257104 in Chile.

– On September 25, 1995, the military officer account accepted a \$417,000 wire transfer from a Banco Atlantico Gibraltar account. The originator of the transfer is identified as “Mario P. Hiriart.”

– On February 22, 1996, the military officer account accepted a \$225,985 wire transfer from a Banco Atlantico Gibraltar account. The originator of the transfer is identified as “Marco P. Hiriart.”

– On March 1, 1996, the military officer account cleared a \$287,000 check which was made payable to Mr. Pinochet’s assistant, Monica Ananias Kuncar, and deposited into Banco de Chile Account No. 60069158 in Chile. The same day, four Banco de Chile cashiers checks totaling \$287,000 were deposited into Riggs Account No. 76750393 in Washington D.C. for Augusto Pinochet Ugarte and Lucia Hiriart Rodriguez.

– On March 1, 1996, the military officer account cleared a \$36,000 check which was made payable to Monica Ananias Kuncar and deposited into Banco de Chile Account No. 50006257104 in Chile.

– On March 28, 1996, the military officer account cleared two checks, for \$107,000 and \$200,536, which were made payable to “M. Hiriart” and deposited into Riggs Account

No. 76750393 in Washington D.C. opened for Augusto Pinochet Ugarte and Lucia Hiriart Rodriguez.

– On April 2, 1996, the military officer account cleared a \$6,227 check which was made payable to Monica Ananias Kuncar and deposited into Banco de Chile.

These and other transactions show that, at times, the military officer accounts served as conduits for Pinochet funds.

The account opened for John Long, who has not otherwise been identified by Riggs Bank, raises similar issues. This account was open for about a year. It was initially funded on June 11, 1984, with a \$287,381.80 check from the military officer account opened for Jorge Ballerino Sanford and Ramon Castro Ivanovich, Account No. 350413. One month later, on July 2, 1984, the Ballerino-Castro account transferred another \$840,194.29 into the Long account for a total of more than \$1.1 million. The Long account used the \$1.1 million to purchase a CD, subsequently renewed on at least 4 occasions. In January 1985, the Long account sent \$15,000 to the military officer account that had just been opened for Guillermo Garin; \$30,000 to a Bank of America account opened for the wife of Mr. Pinochet's son, Augusto P. Hiriart; and another \$30,000 to a Security Pacific Bank account opened for a Pinochet administration official, Patricio Madariaga. Account statements after January 1985 have not been located, including records related to a \$400,000 transaction in December 1984, and disposition of the \$650,000 remaining in the account at the end of January 1985. Records related to the \$1.1 million CD have also not been located, and the disposition of these funds is currently unknown.

Most of the newly-disclosed accounts at Riggs, including the 8 military officer accounts, the John Long account, two of the Daniel Lopez accounts, and two accounts opened for "Jose" Pinochet, were opened in Miami by Riggs International Banking Corporation (RIBC). As an Edge Act Corporation, RIBC was regulated by the Federal Reserve Bank of Atlanta ("FRB"). FRB examination reports going back to 2000 do not mention AML concerns at RIBC, except in passing. In June 2003, however, after Riggs Bank began attracting negative press attention, the FRB initiated a targeted examination of RIBC which identified major AML deficiencies, including poor due diligence documentation, inadequate monitoring of accounts, and inadequate procedures to identify and report suspicious activity. A followup FRB examination in April 2004, found ongoing serious AML deficiencies and criticized RIBC for its failure to take corrective action on the problems identified a year earlier. In May, Riggs National Corporation announced plans to close RIBC which ceased operations in late 2004. Neither of the FRB examinations identified any of the Pinochet-related accounts discussed in this Report, even though each of the accounts was linked to Chile and many experienced multiple, large transactions. These Pinochet-related accounts were instead uncovered by the Riggs Security & Investigations Group.

## **B. Role of Riggs Senior Officials**

Documents recently located by the Riggs Security & Investigations Group demonstrate that Riggs senior officials were well aware of the Pinochet relationship, and played a more significant role in maintaining the relationship than was made known to the Subcommittee prior to its 2004 hearing. For example, in interviews held prior to the hearing, Riggs personnel agreed that senior Riggs officials visited Chile, met with Mr. Pinochet, and explicitly asked Mr. Pinochet to open a Riggs account in 1994. They disagreed, however, as to exactly which Riggs officials went on the 1994 trip, who made the actual account solicitation, who went on other trips to Chile, and the extent to which the bank's most senior officials cultivated the Pinochet relationship.<sup>35</sup> Newly provided documents indicate that Riggs senior officials, in fact, met with Mr. Pinochet in Chile on at least 5 separate occasions, 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 show that the efforts of senior Riggs officials on behalf of Mr. Pinochet were part of a wider bank strategy to develop and strengthen the bank's relationship with the Chilean Armed Forces during the 1990s. Riggs documents show that the bank had longstanding relationships with the Chilean Navy, Air Force, Astilleros y Maestranzas de la Armada (the Navy Shipyard), the Direccion Aeronautica Civil (the civil aviation directorate), and the Military Mission to the United States, as well as the Chilean Embassy. While many of the military accounts left Riggs in 1979, Riggs was able to reestablish a number of those accounts in 1994. By 2002, Riggs maintained deposits for the Chilean military and embassy totaling about \$100 million.<sup>36</sup>

Internal Riggs documents show that senior Riggs officials met with Chilean military and government officials on a regular basis, including during trips taken by Riggs officials to Chile in 1994, 1996, 1997, 1999, 2000, and 2002.<sup>37</sup> In addition, one trip report was discovered showing a trip by Riggs senior officials to Chile as early as 1986. At least 5 of these trips included meetings between senior Riggs officials and Mr. Pinochet. Recently provided documents containing information about these meetings offer additional evidence related to the relationship between the bank and Mr. Pinochet.

**1986 Delegation.** In August and September of 1986, Riggs International Banking Division officials traveled to Ecuador and Chile for a series of high level business meetings.

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<sup>35</sup> See, e.g., 2004 Minority Staff Report at 15, reprinted in the 2004 Hearing Record at 142.

<sup>36</sup> See Riggs memorandum, "International Business Development Activities, Mr. Joe Allbritton, 1992-2002," Bates No. RNB035110 at 28.

<sup>37</sup> See e.g., Riggs memorandum, "International Business Development Activities, Mr. Joe Albritton, 1992-2002," Bates RNB035083-120; Riggs memorandum, "Timothy C. Coughlin, Paul Cushman III and Maria Carol Thompson Business trip to Chile and Argentina (October 23 though October 28, 1994)," Bates RNB035420-59.

Riggs chairman Joseph Allbritton joined the Riggs delegation for at least a week, including during its stay in Santiago, Chile, from August 19 until August 24.<sup>38</sup> While in Santiago, the Riggs delegation met with government and industry leaders, including Mr. Pinochet who was then President of Chile and Commander-in-Chief of the Army.<sup>39</sup> The meeting with Mr. Pinochet took place at “la Moneda,” Chile’s Presidential Palace.

**1994 Delegation.** The President of Riggs, Timothy C. Coughlin, led a Riggs delegation to Chile and Argentina from October 23 through October 28, 1994. He was accompanied by Paul Cushman III, then head of the bank’s International Banking Group, and Carol Thompson, then senior vice president of Latin America in the bank’s Embassy Banking Division. Their itinerary included visits with government, military, and banking officials. On October 25, the Riggs delegation met with Mr. Pinochet at the Chilean Armed Forces Building in Santiago.<sup>40</sup> The purpose of the visit was detailed in a November 3, 1994 Riggs memorandum written by Ms. Thompson and recently produced to the Subcommittee. That memorandum states:

“On October 25, 1994, Timothy Coughlin, Paul Cushman and I called on General Pinochet in order to express our gratitude for returning the official Chilean Military’s accounts from Bank of Nova Scotia to Riggs. During the late 1970’s the Chilean Military Mission in Washington moved their official deposits to Canada. This was directly related to the assassination of Chilean Ambassador Letelier in 1976. In July 1994, the official accounts were brought back to Riggs. ... We also offered our personal banking services to General Pinochet and stated that we would also be pleased to make our services available to officers of the Chilean Military.

As a follow up, we will send him documentation in order to open a personal account.”<sup>41</sup>

The November 3, 1994 memorandum confirms the direct solicitation of Mr. Pinochet’s personal account by Riggs senior officers.

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<sup>38</sup> Riggs memorandum, “Report of Travel Expenses,” Bates RNB040513-21 at 17. The documents are unclear as to whether Mr. Allbritton remained with the delegation after August 24, 1986.

<sup>39</sup> Riggs memorandum, “RE: Business Meetings During Trip to Chile & Ecuador,” 9/25/86, Bates RNB040520. While in Santiago, the Riggs delegation also met with Chile’s Minister of Finance; the President and managing director of the Central Bank; the U.S. Ambassador; a prominent Chilean lawyer; a Citicorp manager; representatives of a Chilean brewery, Compania Cervecerias Unidas; and the chief executive officer of a prominent weapons manufacturer, Industrias Cardoen.

<sup>40</sup> Riggs “Call Memorandum,” from Carol Thompson to File, 11/3/1994, Bates RNB035420-3.

<sup>41</sup> *Id.* at Bates RNB035426. At the time Ms. Thompson wrote this memorandum, Mr. Pinochet had two accounts in Miami opened under the Daniel Lopez alias. Neither Ms. Thompson nor other Riggs personnel in Washington appeared to be aware of these accounts at the time.

The next day, on November 4, 1994, the bank president, Mr. Coughlin, wrote to Mr. Pinochet expressing appreciation for his interest in the bank and its relationship with the Chilean Military Mission. Mr. Coughlin repeated the bank's offer to open a personal account for Mr. Pinochet: "It would be an honor for us to open an account for you and to assist you with any banking services you may require outside of Chile." Mr. Coughlin noted that Ms. Thompson would be sending the relevant account opening materials.<sup>42</sup> Mr. Coughlin concluded by writing: "I also want you to know that I have prominently displayed the very handsome medallion you presented me in my office at Riggs, and I will be pleased to show it to you if you ever decide to visit Washington D.C. and of course Riggs Bank."<sup>43</sup>

**1996 Delegation.** In November 1995, General Ricardo Izurieta, at the time a military attache stationed in Washington and currently Commander-in-Chief of the Chilean Army, relayed an invitation from Mr. Pinochet to the chairman of Riggs Bank, Joseph Allbritton, to attend the Derby in Vina del Mar, the most prestigious horse race in Chile.<sup>44</sup> Mr. Allbritton accepted the invitation, attended the Derby in February 1996, and was "received by General Augusto Pinochet Ugarte at the Chilean Army Calvary School in Quillota for a special calvary review followed by a ceremony and luncheon."<sup>45</sup>

On February 14, 1996, Mr. Allbritton sent the following letter to Mr. Pinochet.

"Dear General Pinochet:

I would like to express my profound thanks to you for according me and my associates such a magnificent reception at the Calvary School in Quillota on my visit to Chile. As a horse enthusiast, your fine young calvary officers, their horses and the superb performance they put on was excellent. It was indeed a personal pleasure to spend the day with you in Quillota and to have an opportunity to personally convey our appreciation for the longstanding relationship between the Chilean Armed Forces and the Riggs Bank. We attach great importance to our relationship with you and the Chilean Military and look forward to expanding our cooperation in the future.

Chile is clearly a very impressive country with an excellent future thanks to you and the policies and reforms you instituted. As I expressed to you, I will be only too pleased to be of assistance to you and your country in anyway I can in Washington, D.C.

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<sup>42</sup> Letter from Timothy C. Coughlin to Augusto Pinochet Ugarte, 11/4/94, Bates RNB035443.

<sup>43</sup> Id.

<sup>44</sup> Riggs memorandum, 11/1/95, Bates RNB035784.

<sup>45</sup> Riggs memorandum, 3/1/96, Bates RNB035745.

I would like to thank you for the superb cufflinks you presented to me and please know that you would be most welcome to visit my wife Barby and me at our house in Middleburg, Virginia where we raise our thoroughbred race horses.

Sincerely,  
[Joe]<sup>46</sup>

The following day, Mr. Allbritton sent a letter to General Izurieta, the Chilean military attache in Washington, thanking him for arranging the visit. The letter stated that Mr. Allbritton would brief him about the meetings in Chile, and that Mr. Pinochet now had a “standing invitation to visit our Lazy Lane Farm in Virginia, should he decide to visit the United States.”<sup>47</sup>

**1997 Delegation.** Documents show that, in the spring of 1997, prior to a visit to Chile, Riggs made a \$5,000 donation to the Augusto Pinochet Ugarte Foundation (hereinafter “Pinochet Foundation”). A general request for a donation to this Foundation had been made by General Izurieta, according to a memorandum dated March 3, 1997, from Ms. Thompson to her superior, Raymond Lund, then head of the International Banking Division.<sup>48</sup> The following day Mr. Lund wrote to Riggs chairman recommending a donation in the amount of \$5,000.<sup>49</sup> Both the chairman and the president of Riggs apparently approved of the donation. On April 22, 1997, the Pinochet Foundation president wrote to Mr. Allbritton thanking him for the donation.<sup>50</sup>

On October 27, 1997, a delegation of senior Riggs officials, including Mr. Allbritton, Mr. Coughlin, and senior officials from the bank’s international private banking and embassy banking divisions traveled to Chile.<sup>51</sup> Two weeks prior to the trip, Ms. Thompson prepared an overview of Riggs relationship with Chile for Mr. Allbritton. The overview included a survey of the Chilean agencies then doing business with Riggs and notes that as of the time of the trip, the

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<sup>46</sup> Letter from Joe L. Allbritton to Augusto Pinochet Ugarte, 2/14/96, Bates RNB035769.

<sup>47</sup> Letter from Joe Allbritton to Brigadier General Ricardo Izurieta, 2/15/96, Bates RNB035775.

<sup>48</sup> “General Ricardo Izurieta has asked if Riggs Bank would be so gracious as to contribute to this worthy cause.” Riggs Memorandum, 3/3/97, Bates RNB035737. According to a brochure provided to the bank, the stated objective of the foundation was to cooperate in the development of the free society and cultural heritage of Chile. See brochure for Pinochet Foundation, Bates RNB035739.

<sup>49</sup> Note from Ray Lund to Joe Allbritton, 3/4/97, Bates RNB035735.

<sup>50</sup> Letter from Hernan Briones Gorostiaga to Joe Allbritton, 4/22/97, Bates RNB035743.

<sup>51</sup> Itinerary, “Chairman’s Trip, South America 1997,” Bates RNB035555.

Chile relationship represented more than \$65 million in deposits and \$600,000 in annual profit for the bank.<sup>52</sup>

On the morning of October 29, 1997, the Riggs delegation met with Mr. Pinochet at the Armed Forces building in Santiago. According to a Riggs call report, “the purpose of this visit was to personally greet the Commander-in-Chief and to thank him for the longstanding and profitable relationship that the Chilean Army maintains with Riggs Bank.”<sup>53</sup> That afternoon, Mr. Pinochet and his son Marco hosted a tea in honor of Mr. and Mrs. Joseph Allbritton at the Lo Curo Military Club in Santiago.<sup>54</sup> At some point during the visit, the Riggs delegation presented Mr. Pinochet with a Confederate Bond and two computer games.<sup>55</sup>

Upon returning to Washington, several Riggs senior officials sent letters to Mr. Pinochet disclosing a deepening relationship between him and the bank. On November 14, 1997, for example, the bank chairman wrote:

“Dear General Pinochet:

Just having returned from South America, Barby and I wanted to express our sincere appreciation for the warm reception accorded to us during our recent visit to Santiago. Please be assured that you and you Government have a strong advocate in the Riggs Bank and I earnestly share your views concerning enhanced trade and economic ties between our two countries.

I am pleased to report the business relationship between Riggs and the Chilean Military is prospering. I am also grateful for our thriving personal friendship, which you have demonstrated through your gracious hospitality and stalwart support of The Riggs.

As I mentioned to you in our discussions, the long-term prospects for Chile’s adherence to democratic, free market principles are strong, which is the direct result of your leadership. You have rid Chile from the threat of totalitarian government and an archaic economic system based on state-owned property and centralized planning. We in the United States and the rest of the Western hemisphere owe you a tremendous debt of

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<sup>52</sup> See, e.g., Riggs memorandum, “Chile Country Overview,” 10/14/97, Bates RNB035674.

<sup>53</sup> Riggs Call Report, “Chilean Army Mission,” 11/6/97, Bates RNB035567.

<sup>54</sup> Id.

<sup>55</sup> See, e.g., Riggs document, “Gift List October 1997 South America,” Bates RNB035616. The Confederate Bond was apparently a historic document originally issued by the Confederate Congress in an attempt to raise money for the Southern forces during the American Civil war. Riggs had a description of the bond translated into Spanish for the benefit of Mr. Pinochet. Bates RNB035656-59.

gratitude and I am confident your legacy will have been to provide a more prosperous and safer world for your children and grandchildren.

I thank you for the marvelous gifts extended to both Barby and myself, including the history books, which I have found fascinating. I ask that you convey our best wishes to Marco Antonio and the rest of your family. I look forward to continuing our discussion and would be most pleased to reciprocate your gracious hospitality the next time you are in the United States.

Warmest personal regards ...<sup>56</sup>

On October 31, 1997, the chairman's wife, Barbara Allbritton, then a longstanding member of the Riggs board of directors, wrote the following to Mr. Pinochet:

"My dear General Pinochet:

It was a great pleasure and honor to be with you on Wednesday at tea at the Military Club. You were so very gracious to allow us this time with you and I was extremely pleased to have this appointment to meet and be with your son Marco Antonio.

The elegant lapis lazuli box you so kindly gave to me shall be used and displayed with a great deal of pride and pleasure. It shall be a reminder of this special time we spent with you during our trip to Santiago.

I do hope that you will come to visit us when your schedule allows. I shall look forward to receiving Mrs. Pinochet and having the pleasure of knowing her.

I am so appreciative of the book you sent to me that your daughter Lucia did on your life. After reviewing it I feel I know you and your family, and now I am excited about the possibility of meeting more of your family and having our friendship develop more.

With appreciation and respect for you and all you have done for our world.

Sincerely ....<sup>57</sup>

On November 10, 1997, the bank president wrote to Mr. Pinochet a letter expressing appreciation for the hospitality shown during the trip.

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<sup>56</sup> Unsigned letter from Joe L. Allbritton to Augusto Pinochet Ugarte, 11/14/97, Bates RNB037440. Although the letter is unsigned, Riggs has informed the Subcommittee that the bank has no reason to believe that the letter was not sent.

<sup>57</sup> Unsigned letter from a file containing Mrs. Allbritton's papers, 10/31/97, Bates RNB037212. Riggs Bank has informed the Subcommittee that the bank has no reason to believe that this letter was not sent.

“Dear General Pinochet:

Your gracious reception of the delegation from Riggs Bank during my Chairman’s recent visit to Chile is much appreciated ....

Riggs is privileged to serve Chile’s banking requirements, and we will do everything with our power to promote economic trade and military alliance between our two countries ....

The opportunity for all of us including our wives to meet with you and your son, Marco Antonio, was a particular pleasure. ...

Of the books that you have given me, I am just finishing my reading of ‘The Crucial Day.’ The factual objectivity with which you tell the story of Chile in the early 1970s is both fascinating and instructive. History provides for fair and proper judgement only when the true facts are know[n]. ...

Sincerely,  
[Timothy C. Coughlin]  
Timothy C. Coughlin  
President”<sup>58</sup>

On November 25, 1997, the bank president sent Mr. Pinochet a note via the Chilean Military Mission in Washington to commemorate his birthday.

“Dear General Pinochet:

On the occasion of your birthday today, all of your friends and supporters at Riggs Bank send you our appreciation and congratulations for all you have done for Chile. Please accept our best wishes for every success in your continuing service to Chile in 1998 and many happy returns to the date of your birth in the years to come.

Sincerely,  
[Tim]  
Timothy C. Coughlin  
President”<sup>59</sup>

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<sup>58</sup>Letter from Timothy C. Coughlin to General Pinochet, 11/10/97, Bates RNB035590.

<sup>59</sup> Letter from Timothy C. Coughlin to Augusto Pinochet Ugarte, 11/25/97, Bates RNB035602.

**1998 Delegation.** On March 10, 1998, Mr. Pinochet stepped down as Commander-in-Chief of the Chilean Army, and the following day was sworn in as “Senator for life” in Chile.<sup>60</sup> Mr. Coughlin and Ms. Thompson traveled to Chile less than two weeks later to meet with senior Chilean military officials, including General Izurieta, the newly promoted Commander-in-Chief. On March 24, 1998, Mr. Coughlin and Ms. Thompson attended a luncheon with Mr. Pinochet.<sup>61</sup> After returning to Washington, the bank president wrote to Mr. Pinochet, thanking him for the reception and a gift of Chilean Army cuff links, “which my Chairman and I are proud to wear.”<sup>62</sup>

Later in 1998, as described in the 2004 Minority Staff Report released by the Subcommittee,<sup>63</sup> a Spanish magistrate issued two international arrest warrants for Mr. Pinochet for murder, torture, hostage-taking, and genocide.<sup>64</sup> On October 17, 1998, pursuant to those warrants, Mr. Pinochet was arrested at a London hospital where he was recuperating from back surgery. On October 19, the Spanish magistrate issued an attachment order against all bank accounts held directly or indirectly by Mr. Pinochet, his family members, or third parties in any country.<sup>65</sup> On November 5, Spain’s highest criminal court affirmed jurisdiction over Mr. Pinochet, and on December 10, ratified the attachment order against Pinochet bank accounts.<sup>66</sup> In the United Kingdom, on November 25, 1998, the British Law Lords denied Mr. Pinochet’s claim of diplomatic immunity, and then set aside that determination on December 17.<sup>67</sup>

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<sup>60</sup> “Chile’s Pinochet Steps Aside; Symbol of Repression Relinquishes Command of Army,” Washington Post, 3/11/98.

<sup>61</sup> Riggs itinerary, “Timothy C. Coughlin, Maria Carol Thompson, Business Trip to Chile,” 3/24/98, Bates RNB035126.

<sup>62</sup> Letter from Timothy C. Coughlin to Augusto Pinochet Ugarte, 4/23/98, Bates RNB037225.

<sup>63</sup> See 2004 Hearing Record at 145.

<sup>64</sup> See copies of the two international arrest warrants at [www.derechos.org/nizkor/chile/juicio/dili.html](http://www.derechos.org/nizkor/chile/juicio/dili.html) (as of 3/4/05); and [www.derechos.org/nizkor/chile/juicio/recurso6.html](http://www.derechos.org/nizkor/chile/juicio/recurso6.html) (as of 3/4/05).

<sup>65</sup> See attachment order, Auto del Juzgado Central de Instruccion No. 5 (10/19/98).

<sup>66</sup> For a copy of the court decisions, see [www.derechos.org/nizkor/chile/juicio/audi.html](http://www.derechos.org/nizkor/chile/juicio/audi.html) (as of 3/4/05); and [www.derechos.net/doc/pino/proceso.html](http://www.derechos.net/doc/pino/proceso.html) (as of 3/4/05). The attachment order does not, however, seem to have been domesticated in the United States.

<sup>67</sup> Regina v. Bartle, 37 I.L.M. 1302 (U.K. House of Lords, 11/25/98); In re Pinochet, 237 N.R. 201 (U.K. House of Lords, 12/17/98).

The arrest of Mr. Pinochet in London was widely carried by the international, Chilean, and United States news media and was followed by violent demonstrations in Chile.<sup>68</sup> The subsequent legal and diplomatic disputes kept the story in telecasts and newspapers for months.<sup>69</sup>

**1999 Delegation.** For the first three months of 1999, Mr. Pinochet remained under house arrest in London. On March 13, 1999, a Riggs delegation, including bank chairman Joseph Allbritton, traveled to Chile for three days of meetings with senior Chilean military officials.<sup>70</sup> On March 24, 1999, the British Law Lords authorized an extradition hearing to determine whether Mr. Pinochet should be transferred to Spain.<sup>71</sup> Two days later, on March 26, Riggs allowed Mr. Pinochet to terminate a £1 million CD held in the name of his offshore corporation, Althorp, at the Riggs branch in London, and transfer the funds, totaling about \$1.6 million in U.S. dollars, to a new CD in the United States. Riggs did not file any suspicious activity reports that would have alerted British, Spanish, or U.S. law enforcement to the existence of the Pinochet funds.<sup>72</sup>

**2000 Delegation.** On March 2, 2000, the United Kingdom determined that Mr. Pinochet was unfit to stand trial and should not be extradited to Spain.<sup>73</sup> Mr. Pinochet was released and immediately flew to Chile, arriving on March 3.<sup>74</sup> A Riggs delegation, which included bank chairman Joseph Allbritton, was then visiting Chile on a trip that had begun on February 25 and ended March 4, 2000, and included multiple meetings with senior Chilean military and banking officials. Internal Riggs memoranda addressing this trip do not mention Mr. Pinochet. A letter dated March 21, 2000, from Mr. Allbritton to General Izurieta, however, makes clear that Mr. Allbritton had been aware of Mr. Pinochet's detention in the United Kingdom and return to Chile. The letter states: "Where do I begin to thank you? You graced our suite with the sweet

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<sup>68</sup> See, e.g., "Angry Mob Besieges British Embassy Over Arrest of Pinochet," Evening Standard, 10/19/98.

<sup>69</sup> A Lexis/Nexis search for news stories containing the word "Pinochet" and the word "trial" in the same sentence, limited to the dates between Mr. Pinochet's arrest in London, 10/17/98, and the date Mr. Allbritton arrived in Chile, 3/13/99, returns 2,822 results.

<sup>70</sup> Riggs memorandum, "Chairman's trip to Latin America, March 1999, Gift ideas," Bates RNB036159.

<sup>71</sup> Regina v. Bartle, 37 I.L.M. 1302 (U.K. House of Lords, 3/24/99) at 582.

<sup>72</sup> See 2004 Hearing Record at 149.

<sup>73</sup> "Pinochet Set Free," BBC News, 3/2/00.

<sup>74</sup> According to Riggs' internal investigation, at some point during Mr. Pinochet's detention, an official with the Chilean Air Force Mission in London telephoned the head of Riggs' London operations and asked if the Riggs corporate jet was capable of flying non-stop from London to Chile and might be made available for General Pinochet's use upon his release. It is unclear how Riggs responded, but the Riggs jet was not used to return Mr. Pinochet to Chile.

smell of beautiful flowers and Chilean wine. You gave us your time on the very eve of the General's return."<sup>75</sup>

Legal proceedings against Mr. Pinochet did not abate after his return to Chile. By March of 2000, "nearly 60 human rights cases had been filed in Chile against Pinochet and were under active investigation."<sup>76</sup> On August 8, 2000, the Chilean Supreme Court upheld an appeals court ruling that stripped Mr. Pinochet of his parliamentary immunity in the "Caravan of Death" trial.<sup>77</sup>

A document recently provided by the Riggs Security & Investigations Group shows that Riggs had been following these legal proceedings closely. The day after the ruling, on August 9, 2000, Michael Cantacuzene of the Riggs Advisory Services Group issued a memorandum regarding a "Prominent International Private Banking Client." The client is plainly Mr. Pinochet, although the memorandum never names him. The memorandum makes a series of strategic recommendations regarding the bank's relationship with Mr. Pinochet in light of his loss of immunity from prosecution. It states: "Recent developments in Chile require Riggs to develop alternative strategies for working with our prominent client." It predicts that Mr. Pinochet will "increasingly call on his assets outside of Chile," and points out that "any draft requires the bank to complete payee information and to arrange delivery. These two requirements are fraught with potential, but surmountable, challenges. (e.g., KYC, BSA and customs)."<sup>78</sup>

The memorandum recommends informing Riggs senior management, public relations officials, and legal counsel of the potential for Riggs to receive subpoenas, legal and regulatory requests, and press inquiries, and developing an approval process for responding to them.<sup>79</sup> The memorandum also states:

"Reports indicate that very senior Riggs executives might be considering a trip to Chile and Latin America. A trip by senior Riggs executives to Chile and Latin America at this time poses significant risks to Riggs and our client. Riggs extensive relationships and contact with senior Chilean Military officials and departments is well known. The arrival of a senior Riggs executive delegation is a noteworthy event certain to be noticed. (The media and our client's opponents are not unaware of the potential for a Riggs relationship

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<sup>75</sup> Unsigned letter from Joe Allbritton to Ricardo Izurieta, 3/21/00, Bates RNB 036517. Riggs has informed the Subcommittee that the bank has no reason to believe that this letter was not sent.

<sup>76</sup> Statement of Offense, United States of America v. Riggs Bank N.A., Cr. 05-35 (RMU) at 4.

<sup>77</sup> <http://www.derechos.org/nizkor/chile/juicio/desafuero2.html> (as of 2/3/05).

<sup>78</sup> Riggs memorandum to File, by Michael Cantacuzene, 8/9/00, Bates RNB035297.

<sup>79</sup> Id. at 2.

with the client.) The Chilean military (including some Riggs clients) is actively supporting our client regardless of the civilian government's strict instructions."<sup>80</sup>

The memorandum accordingly recommends against senior Riggs officials visiting Chile for four to five months, suggesting instead that Mr. Pinochet's personal banker meet with him "discreetly" within 30 days.

The report released by the Subcommittee in 2004, details how Riggs was able to "surmount" the "KYC, BSA and customs" "challenges" warned about in the Cantacuzene memorandum. Just 9 days after the memorandum was prepared, Riggs issued 8 cashiers checks, each in the amount of \$50,000 and each made payable to Augusto Pinochet, and flew a Riggs banker to Chile to personally deliver them to Mr. Pinochet. It was the first of 4 deliveries of Riggs cashiers checks to Mr. Pinochet, as described in the Subcommittee's earlier Minority Staff Report. These deliveries took place between August 18, 2000 and April 8, 2002, and provided Mr. Pinochet with \$1.9 million from his Riggs accounts.<sup>81</sup> When asked why the bank had not simply wire transferred the funds to Chile, which would have been faster, less expensive, and more secure than physically transporting the checks, Riggs personnel did not provide a satisfactory explanation.<sup>82</sup> According to a Chilean appeals court finding, the checks "were cashed at Banco de Chile and Bank Boston by a third party, despite the fact that they were nominative. Then various amounts of the cash in dollars were changed to cash in Chilean pesos on the informal market so that said transaction would not be reported to the Central Bank."<sup>83</sup>

**2002 Delegation.** In March 2002, a Riggs delegation, led by bank chairman Joseph Allbritton, returned to Chile for a series of meetings with senior military, government, and financial officials. As part of that trip, the Chilean Air Force hosted Mr. Allbritton on a tour of the Antarctic. A Riggs memorandum prepared for Mr. Allbritton for this trip observed that, when the Chilean accounts were viewed together, "average balances exceed \$100 million."<sup>84</sup> The internal Riggs documents do not mention Mr. Pinochet.

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<sup>80</sup> Id.

<sup>81</sup> The cashiers checks were cashed in Chile, over time, between September 2000 and July 2003.

<sup>82</sup> See 2004 Hearing Record at 152.

<sup>83</sup> Case No. 1649-2004, Court of Appeals of Santiago, 12/10/04, at 7.

<sup>84</sup> Riggs memorandum, "International Business Development Activities, Mr. Joe Allbritton, 1992-2002," Bates No. RNB035110 at 28.

## V. PINOCHET RELATIONSHIPS AT OTHER FINANCIAL INSTITUTIONS OPERATING IN THE UNITED STATES

Information obtained by the Subcommittee indicates that Riggs Bank was not alone in helping Augusto Pinochet gain access to the U.S. financial system and, in some cases, conceal or move funds while he was subject to a 1998 Spanish court order directing financial institutions to freeze his assets. Working with Riggs documents that detailed Pinochet transactions involving other financial institutions, the Subcommittee has been able to identify nearly 100 U.S. financial accounts and CDs, in addition to the 28 Riggs accounts, that were opened for Mr. Pinochet, members of his immediate family, offshore entities controlled by Mr. Pinochet or his immediate family, or third parties who allowed their accounts to serve as conduits for Pinochet funds. The evidence shows that the earliest of these accounts was opened in 1981, and a few are still open in 2005.

The evidence associated with these accounts establishes that, over the past 25 years, due to inadequate due diligence, and, at times, the facilitation of unusual transactions, U.S. financial institutions enabled Augusto Pinochet to establish an extensive network of U.S. bank and securities accounts, involving millions of dollars, which he used to move funds and transact business. In addition to Riggs Bank, the largest Pinochet relationships identified by the Subcommittee in the United States were at Citigroup, Banco de Chile-United States, and Espirito Santo Bank in Florida. Additional Pinochet-related transactions or accounts were handled by 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; and PineBank N.A. Evidence exists of still additional U.S. accounts related to Mr. Pinochet, but limited Subcommittee resources prevent an exhaustive analysis of all the U.S. accounts that have been used to assist Mr. Pinochet.

### A. Citigroup

Citigroup is one of the largest financial institutions in the United States, managing assets in excess of \$520 billion and reporting net income in 2004 of about \$17 billion.<sup>85</sup> Citigroup is a publicly traded corporation which, through numerous branches and affiliates, offers a wide range of financial services to its clients, including retail banking, private banking, brokerage, and investment services. It maintains branches and affiliates in more than 100 countries.

The Subcommittee investigation has determined that Citigroup had a substantial, years-long relationship with Augusto Pinochet and his family, which began in at least 1981.<sup>86</sup> In

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<sup>85</sup> Information about Citigroup is taken from its website, public filings, subpoenaed documents, interviews with bank representatives, and information supplied by other financial institutions. The relevant documents are maintained in Subcommittee files.

<sup>86</sup> Some Citigroup employees recall that Mr. Pinochet may have had a Citibank account as early as the 1960s, but no bank records have been retained for such old accounts.

response to Subcommittee requests, Citigroup has identified 63 U.S. accounts and certificates of deposit (CDs) that were opened for Mr. Pinochet and his family in New York and Miami at various points in time from 1981 to 2004.

Of these 63 accounts and CDs, 15 were opened for Mr. Pinochet personally over a fourteen-year period, from 1981 to 1995. Another 19 were opened in the name of other Pinochet family members, such as Mr. Pinochet's son, Marco Antonio Pinochet Hiriart; Mr. Pinochet's daughter, Ines Lucia Pinochet Hiriart, and her husband Hernan Ubaldo Garcia Barzelatto; and Mr. Pinochet's daughter, Maria Veronica Pinochet. In addition, Marco and Ines Lucia Pinochet opened 29 accounts and CDs in the name of offshore entities that Citigroup had established or arranged at their request, including Meritor Investments, Trust MT-4964N, and Redwing Holdings.

Over the years, Citigroup has provided individual Pinochet family members with many types of financial assistance, from arranging international wire transfers, to establishing offshore entities, to offering investment advice. Citigroup also issued credit cards to several family members and provided several with substantial loans. These loans included a 1993 loan of \$2 million to Mr. Pinochet and his son; a 1993 loan of \$195,000 to Redwing Holdings; a 1994 loan of \$385,000 to Marco Pinochet; and 1996 loan of \$500,000 to Meritor Investments. These loans were apparently repaid in full.

Moreover, since at least 1988, Citigroup has provided some Pinochet family members with financial accounts, CDs, and lines of credit in other countries, including Argentina, the Bahamas, Chile, Switzerland and the United Kingdom. Citigroup has informed the Subcommittee that each of its non-U.S. relationships with the Pinochet family has now ended, some within the last six months. The services provided and the total amount of funds involved in these non-U.S. relationships remain unclear and are outside the scope of this Report.

Overall, Citigroup's relationship with the Pinochet family in the United States extended over at least 24 years. The first set of accounts to be closed were the Augusto Pinochet personal accounts, the last of which closed in 1995, in part due to requests made by the client and in part due to a Citigroup initiative, as explained below. In 2000, at the request of Citigroup, Ines Lucia Pinochet began to close her accounts, the last of which actually closed in January 2001. In 2000, Citigroup asked Marco Pinochet to close his accounts, but his personal accounts did not actually close until two years later in 2003, and the final Meritor Investment account closed in 2004. Several accounts opened for Mr. Pinochet's other daughter, Maria Veronica Pinochet, also closed in 2004. One family member account is still in the process of closing.

Citigroup has fully cooperated with Subcommittee inquiries about these accounts, and produced all requested documentation and related information in the United States. Citing bank secrecy laws, however, Citigroup produced very limited information about accounts and transactions involving its foreign affiliates in Argentina, the Bahamas, Chile, Switzerland and the

United Kingdom. Information about some transactions involving these foreign affiliates have been reconstructed from records produced by other financial institutions.

The 63 U.S. accounts and CDs provided by Citigroup to the Pinochet family, from 1981 to 2004, can be summarized as follows.

**Personal Accounts.** The 15 Citigroup accounts opened for Mr. Pinochet in the United States from 1981 to 1996, are the following. Six of these accounts were in New York, and 9 were in Miami. Each account was opened under a disguised variant of Augusto Pinochet's name, with "J. Ramon" accounts in New York and "Jose" accounts in Miami.

- (1) Account No. 10801792 was opened in the name of J. Ramon Ugarte in New York in on Nov. 15, 1981, and closed on November 22, 1995. In April 1984, the account was changed to add Marco P. Hiriart.
- (2) Account No. 12032544 was opened in the name of Jose Pinochet and Lucia P. Hiriart in Miami on Feb. 25, 1985, and closed around July 1992. In May 1989, the name Jose Pinochet was changed to Jose P. Ugarte.
- (3) Account No. CF11077601 was opened in the name of J. Ramon Ugarte and Marco P. Hiriart in New York on an unknown date and closed by no later than September 1994.
- (4) Account No. CF11077602 was opened in the name of J. Ramon Ugarte and Marco P. Hiriart in New York on an unknown date and closed by no later than September 1994.
- (5) Account No. 34000259, a CD, was opened in the name of J. Ramon Ugarte and Marco P. Hiriart in New York on a date prior to March 25, 1985, and closed on Sept. 23, 1996.
- (6) Account No. 38803825 was opened in the name of Jose Pinochet in Miami on Aug. 4, 1986, and closed on a date prior to June 4, 1993. In May 1989, the name Jose Pinochet was changed to Jose P. Ugarte.
- (7) Account No. 37010063, a CD, was opened in the name of Jose P. Ugarte in Miami on Sept. 13, 1989, and closed on May 11, 1992.
- (8) Account No. 37011621, a CD, was opened in the name of Jose P. Ugarte in Miami on May 13, 1991, and closed on June 21, 1991.
- (9) Account No. 39316662, a CD, was opened in the name of Jose P. Ugarte in Miami on Dec. 20, 1991, and closed on May 11, 1992.

(10) Account No. 32110270, a CD, was opened in the name of Jose P. Ugarte in Miami on June 3, 1992 and closed on June 23, 1992.

(11) Account No. 32110294, a CD, was opened in the name of Jose P. Ugarte in Miami on June 23, 1992 and closed on July 16, 1992.

(12) Account No. 38810821 was opened in the name of Jose P. Ugarte in Miami on an unknown date and closed on a date prior to June 4, 1993.

(13) Account No. 38811297 was opened in the name of Jose P. Ugarte in Miami on an unknown date and closed on a date prior to June 4, 1993.

(14) Account No. 39293300 was opened in the name of J. Ramon Ugarte and Marco P. Hiriart in New York on Nov. 17, 1993, and closed on Oct. 7, 1994.

(15) Account No. 40008200 was opened in the name of J. Ramon Ugarte and Marco P. Hiriart in New York on July 29, 1994, and closed on Dec. 5, 1995.

**Pinochet Family Accounts.** The 19 Citigroup accounts opened in New York and Miami in the name of Mr. Pinochet's immediate family members are the following.

(1) Account No. 10040217 was opened in the name of Mr. Pinochet's son, Marco P. Hiriart, in New York on June 7, 1985. In October 1989, the account name changed to Marco P. Hiriart in trust for J. Ramon Ugarte. In May 1999, the account name changed again, to Marco P. Hiriart in trust for his wife Maria Soledad Olave Gutierrez. The account closed on October 27, 2003.

(2) Account No. CF15597701 was opened in the name of Marco P. Hiriart in New York on October 2, 1986, and closed by September 1994.

(3) Account No. CF11077603 was opened in the name of Marco P. Hiriart in New York on August 11, 1987, and closed by September 1994.

(4) Account No. 39195900, a custody account, was opened in the name of Marco P. Hiriart on February 18, 1993. At some point, the account name changed to Marco P. Hiriart in trust for J. Ramon Ugarte. The account closed on March 12, 1996.

(5) Account No. 930018138001, a letter of credit, was opened in the name of Marco P. Hiriart in trust for Maria Soledad Olave Gutierrez on October 27, 1995, and closed on October 28, 1996.

(6) Account No. 38517601 was opened in the name of Marco P. Hiriart in trust for Maria Soledad Olave Gutierrez in Miami on January 13, 1997, and closed on April 29, 1999.

- (7) Account No. 38020732 was opened in the name of Marco P. Hiriart in trust for Maria Soledad Olave Gutierrez in New York on February 6, 2001, and closed on May 15, 2003.
- (8) Account No. 12015488 was opened in the name of Mr. Pinochet's daughter, Lucia Pinochet Hiriart, in Miami on May 23, 1983, and closed on June 10, 1996.
- (9) Account No. 38800186 was opened in the name of Lucia Pinochet Hiriart in Miami on May 24, 1983, and closed on November 6, 1995.
- (10) Account No. 3100519634 was opened in the name of Mr. Pinochet's daughter, Maria Veronica Pinochet, in trust for her children Francisca Lucia and Daniela Veronica Ponce, in September 1994, and closed on September 29, 2004.
- (11) Account No. 6057055 was opened in the name of Maria Veronica Pinochet on November 7, 1995, and closed on April 26, 1996.
- (12) Account No. 2600157858, a CD, was opened in the name of Maria Veronica Pinochet prior to July 1997, and closed in September 1999.
- (13) Account No. 2600453426, a CD, was opened in the name of Maria Veronica Pinochet prior to July 1997, and closed in July 1999.
- (14) Account No. 2605256372, a CD, was opened in the name of Maria Veronica Pinochet in trust for Francisca Daniela Ponce in April 2000, and closed in October 2003.
- (15) Account No. 3107620283 was opened in the name of Maria Veronica Ponce in trust for Daniela Veronica Ponce and Francesca Ponce in October 2002, and closed on September 29, 2004.
- (16) Account No. 5978 was opened in the name of Mr. Pinochet's son-in-law, Hernan Garcia B., whose full name is Hernan Ubaldo Garcia Barzelatto, on June 16, 1988, and closed on December 14, 1999.
- (17) Account No. 77165321 was opened in the name of Mr. Pinochet's daughter-in-law, Maria Soledad Olave Gutierrez, on April 3, 2001, and closed on September 27, 2004.
- (18) Account No. 54214877, an investment account, was opened in the name of Marco Pinochet's wife, Maria Soledad Olave Gutierrez, on April 9, 2001, and closed in September 24, 2004.
- (19) A brokerage account, opened for a family member in October 2002, was frozen by the bank in 2004, and is awaiting closure.

**Third Party Accounts.** The 29 Citigroup accounts or CDs opened in the name of offshore corporations or trusts associated with Marco and Ines Lucia Pinochet are the following. They include 5 opened in the name of Meritor Investments; 7 opened in the name of Trust MT-4964N; and 17 opened in the name of Redwing Holdings.

(1) Account No. 10328149 was opened in the name of Meritor Investments Ltd. in New York on July 20, 1994, and closed on April 6, 2004.

(2) Account No. 394116, a custody account, was opened in the name of Meritor Investments Ltd. in New York on July 21, 1994, and closed on October 28, 2003.

(3) Account No. 25F01376, an investment account, was opened in the name of Meritor Investments Ltd. in New York on August 24, 2001, and closed on July 9, 2004.

(4) Account No. 403435, a brokerage account, was opened in the name of Meritor Investments Ltd. in New York on September 30, 1994, and closed on March 4, 2004.

(5) Account No. CF98307701 was opened in the name of Meritor Investments Ltd. in New York on an unknown date and closed by September 1994.

(6) Account No. 39315502, a CD, was opened in the name of Trust MT-4964N in Miami on May 20, 1991, and closed on February 22, 1993.

(7) Account No. CF97851201 was opened in the name of Trust MT-4964N in New York on May 21, 1992, and closed by September 1994.

(8) Account No. CF97653601 was opened in the name of Trust MT-4964N in New York on July 21, 1992, and closed by September 1994.

(9) Account No. 38811628 was opened in the name of Trust MT-4964N in Miami on November 23, 1992, and closed on February 27, 1995.

(10) Account No. 35007623, a CD, was opened in the name of Trust MT-4964N on February 22, 1993, and closed on August 27, 1993.

(11) Account No. 12102143 was opened in the name of Trust MT-4964N in Miami on April 30, 1993, and closed on February 28, 1994.

(12) Account No. 38202470 was opened in the name of Trust MT-4964 on January 26, 2000, and closed on April 3, 2000.

(13) Account No. 38810860 was opened in the name of Redwing Holdings Inc. in Miami on October 30, 1991, and closed on March 1, 1999.

- (14) Account No. CF97713301 was opened in the name of Redwing Holdings Inc. in New York on November 22, 1991, and closed by September 1994.
- (15) Account No. 12094294 was opened in the name of Redwing Holdings Inc. in Miami on February 18, 1992, and closed on August 29, 2000.
- (16) Account No. 37012132, a CD, was opened in the name of Redwing Holdings Inc. in Miami on May 26, 1992, and closed on December 7, 1994.
- (17) Account No. 5931310314, a letter of credit, was opened in the name of Redwing Holdings Inc. on May 6, 1993, and closed on an unknown date.
- (18) Account No. 731105851 was opened in the name of Redwing Holdings Inc. on August 9, 1993, and closed on September 7, 1994.
- (19) Account No. 39325000, a custody account, was opened in the name of Redwing Holdings Inc. on December 28, 1993, and closed on June 25, 1996.
- (20) Account No. 40300400, an investment fund, was opened in the name of Redwing Holdings Inc. on September 20, 1994, and closed on November 29, 1999.
- (21) Account No. 38813416 was opened in the name of Redwing Holdings Inc. in Miami on June 4, 1996, and closed on June 13, 1996.
- (22) Account No. 35012702, a CD, was opened in the name of Redwing Holdings Inc. on June 11, 1996, and closed on September 13, 1996.
- (23) Account No. 38813509 was opened in the name of Redwing Holdings Inc. in Miami on September 13, 1996, and closed on March 11, 1997.
- (24) Account No. 37021765, a CD, was opened in the name of Redwing Holdings Inc. in Miami on September 13, 1996, and closed on March 28, 1997.
- (25) Account No. 38813689 was opened in the name of Redwing Holdings Inc. in Miami on March 27, 1997, and closed on April 17, 1997.
- (26) Account No. 37025678, a CD, was opened in the name of Redwing Holdings Inc. in Miami on January 7, 1999, and closed on May 1, 2000.
- (27) Account No. 32004246, a CD, was opened in the name of Redwing Holdings Inc. in Miami on December 13, 1999, and closed on April 12, 2000.

(28) Account No. 38814373 was opened in the name of Redwing Holdings Inc. in Miami on April 7, 2000, and closed on August 28, 2000.

(29) Account No. 38812080 in the name of Redwing Holdings Inc. was opened and closed in Miami on unknown dates.

**Account Secrecy.** Citigroup took a number of steps that helped to keep the existence of the Pinochet accounts secret. For example, none of the 15 personal accounts opened for Augusto Pinochet over a 14-year period ever carried his given name, in either New York or Miami. Instead, the 6 New York accounts used “J. Ramon Ugarte” or “Jose Ramon Ugarte.” The 9 Miami accounts used “Jose Ugarte” or “Jose Pinochet Ugarte,” later shortened to “Jose P. Ugarte.”

Some Pinochet family member names were also disguised. For example, all 6 of the New York accounts opened for Augusto Pinochet began or were converted to joint accounts with his son, but none of them used the son’s full name, instead identifying him as “Marco P. Hiriart.” The one Citigroup account opened for Mr. Pinochet and his wife styled his wife’s name as “Lucia P. Hiriart.” In contrast, Mr. Pinochet’s two daughters were named on their personal accounts as either “Lucia Pinochet Hiriart” or “Maria Veronica Pinochet.”

Citigroup also opened 29 accounts and CDs in New York or Miami in the name of offshore entities established or arranged by Citigroup at the request of Marco or Ines Lucia Pinochet. For example, Meritor Investments Ltd. is an offshore corporation which was established in the Bahamas in 1994, by Cititrust (Bahamas) Ltd. (hereinafter “Cititrust”) at the request of Marco Pinochet. Citigroup documents indicate that Meritor Investments is owned by Trust FT-5994N, a numbered trust which Cititrust had established in the Bahamas at the same time and for which Cititrust acts as the Trustee.<sup>87</sup> Citigroup documentation indicates that the sole beneficial owner of both Trust FT-5994N and Meritor Investments is Marco Pinochet. Cititrust and its affiliates have administered both the corporation and the trust since their inception.<sup>88</sup>

Citigroup also arranged for an offshore trust and corporation for Ines Lucia Pinochet. Trust MT-4964N is a numbered trust in the Bahamas established by Cititrust in 1991. Citigroup documentation indicates that Ms. Pinochet is this trust’s beneficial owner, and Cititrust and its

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<sup>87</sup> Some account documentation seems to indicate that the numbered trust was the true owner of the funds in the Meritor accounts and loaned these funds to the corporation for its use. The purpose of such an arrangement is unclear, but may have been a tax motivated device to enable Meritor to claim it had no funds subject to taxation – only loans. See, e.g., “Meritor Investments Ltd. Unaudited Schedule of Loan Payable to Trustee for the Period July 20, 1994 to June 30, 1995,” undated, Bates C002273; untitled Citigroup document regarding “Marxx Hiriartx–Meritxx,” undated, Bates C001713 (“PACT is a fiduciary product we used to sell to clients which is a structure in which a Trust owns a [Private Investment Company]. ... [I]t allows various tax benefits and administrative benefits to the client ....”).

<sup>88</sup> Cititrust established still another offshore trust in the Bahamas, Trust IT-5978N, to hold insurance assets for the benefit of Marco Pinochet, but this trust apparently never acquired any assets.

affiliates have managed the affairs of this trust since its inception. Citigroup also arranged for Ines Lucia Pinochet to acquire control of an offshore corporation known as Redwing Holdings Inc., a bearer-share corporation in the British Virgin Islands (BVI).<sup>89</sup> According to Citigroup documentation, Ms. Pinochet is the beneficial owner of this corporation, which has been managed since her acquisition of it by Torman Ltd., rather than Citigroup. Although Citigroup does not normally establish bearer share corporations for its clients or open accounts for offshore corporations managed by third parties, it made an exception for Redwing Holdings and agreed to provide financial services to this bearer share corporation beginning in 1991.

From 1998 until March 2000, Augusto Pinochet was the subject of numerous civil and criminal proceedings in Spain, the United Kingdom, and Chile, including issuance of a 1998 Spanish court order directing financial institutions to freeze Mr. Pinochet's assets on a worldwide basis. These proceedings and issuance of the freeze order were repeatedly described in international, Chilean, and U.S. news media reports. Throughout this period, Citigroup failed to alert any court or law enforcement entity to the accounts it had held for Mr. Pinochet personally until 1996, to the account held by Marco Pinochet in trust for "Ramon Ugarte" until 1999, or to the accounts the bank continued to manage for his children.

**Due Diligence.** Citigroup began its relationship with the Pinochet family more than 20 years ago, at a time when anti-money laundering (AML) laws were relatively new and a due diligence culture requiring banks to "know your customer" had not yet taken hold. Over time, U.S. banking regulations and laws increased due diligence and AML requirements, particularly for private banking accounts and accounts held by public figures, their immediate family members, and close associates. Most of the Pinochet accounts at Citigroup were handled by Citibank Private Bank and treated as public figure accounts requiring enhanced due diligence.

Over the past 10 years, despite having excellent anti-money laundering policies and procedures on paper, Citibank Private Bank has undergone repeated criticism for poor due diligence practices, lax implementation of its AML controls, and failure to close accounts for foreign public figures who appear to be depositing the proceeds of foreign corruption into their private banking accounts. For example, in 1996, as part of an industry-wide review of anti-money laundering controls in the private banking industry, the Federal Reserve Bank of New York examined Citibank Private Bank and found so many AML deficiencies that it conducted 3 major audits, from 1996 to 1998, to compel the bank to correct identified problems. In 1997, the Federal Reserve Bank and the OCC, Citigroup's primary regulator, informed Citigroup's Board of Directors of the Private Bank's AML problems and asked for corrective action. In response, the Board initiated a "fundamental review" of the bank and, in 1998, announced a new strategy to

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<sup>89</sup> A bearer share corporation is a corporation that is owned by whomever has physical possession of the corporation's shares. Such corporations are generally viewed as posing increased risks of money laundering due to the difficulty of determining who has physical possession of the shares. Cititrust apparently asked a BVI company formation agent called Torman Ltd. to obtain a BVI corporation for its client, because Citigroup does not itself have a BVI affiliate that could perform the work. The incorporation papers indicate that Redwing Holdings was actually formed in 1989. It is not clear whether this corporation was active prior to its association with the Pinochet family.

move Citibank Private Bank away from providing clients with “secrecy” and toward providing them with good investment returns.

In November 1999, this Subcommittee held a hearing and issued a Minority Staff report presenting extensive evidence of Citibank Private Bank’s ongoing poor due diligence and AML practices, using four examples of private banking accounts held by public figures with millions of dollars in questionable funds, including nearly \$90 million that had been deposited by Raul Salinas, brother of the then president of Mexico.<sup>90</sup> Citibank Private Bank committed to further reforms, especially for public figure accounts. In 2001, after the 9-11 tragedy, Congress enacted the Patriot Act which, among other provisions, imposed a statutory requirement on U.S. financial institutions to conduct enhanced due diligence of private banking accounts for foreign public figures, their family members, and close associates. In 2004, however, in an indication of ongoing AML deficiencies within the Private Bank, the Financial Services Agency of Japan determined that, due to poor AML practices and other misconduct, Citibank Private Bank had engaged in improper transactions and harmed customers, and ordered it to leave the country. In response, Citigroup closed down its Japanese private banking operations, apologized to Japan, and fired the head of Citibank Private Bank.<sup>91</sup>

Citigroup’s due diligence practices regarding the Pinochet accounts, while they improved over time, were marked by misinformation and substantial gaps. Citigroup’s most significant due diligence failures occurred with respect to the accounts opened for Augusto Pinochet.

– **Augusto Pinochet Accounts.** Citigroup opened its first account for Augusto Pinochet in New York in 1981, and its first account for him in Miami in 1985. Citigroup has limited records regarding the bank employees who opened and managed these accounts for the first few years, but records show that, from 1987 until the accounts closed in 1996, the New York accounts were handled by a single relationship manager in the New York branch. The Miami accounts were handled by a different relationship manager in the Miami branch from 1984 until the accounts closed in 1993. Apparently, the two relationship managers were not aware of their respective sets of Pinochet accounts. In addition, according to Citigroup, for many years, neither of these relationship managers realized that she was handling accounts for Augusto Pinochet, then the president of Chile; instead, each thought she was handling accounts for Augusto Pinochet’s brother.

Citigroup told the Subcommittee that, during the 9 years she handled his accounts, the Miami relationship manager never met her client, and was under the impression that “Jose Pinochet” was the brother of Augusto Pinochet and the uncle of Ines Lucia and Marco Pinochet. Citigroup told the Subcommittee that the relationship manager dealt primarily with Ms. Pinochet

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<sup>90</sup> See 1999 Subcommittee Private Banking Hearings and Minority Staff Report.

<sup>91</sup> See, e.g., “Citi’s Compliance Collapse,” Securities Industry News, 10/25/04; “A Bad Week in Japan for the Giant American Bank,” The Economist, 9/25/04.

when handling the Miami accounts. Citigroup indicated that it was not until 1992, that the Miami relationship manager learned from Ms. Pinochet that “Jose” was, in fact, her father, Augusto Pinochet. Citigroup indicated that upon learning this information, the relationship manager promptly informed the head of the Citigroup Florida branch who, in turn, decided that his branch did not want to handle accounts for Augusto Pinochet. Over the course of about a year, the Florida branch closed all of its Augusto Pinochet accounts, with the last three closing sometime before June 1993.

Citigroup told the Subcommittee that the Miami relationship manager apparently did not communicate her discovery or the decision to close the Miami accounts to her counterpart in New York. Citigroup indicated that the Miami relationship manager may not have been aware of the New York accounts, since, during the early 1990s, relationship managers did not normally disclose their clients to each other, Citigroup did not then track all of the accounts associated with a particular client, and the New York accounts carried a different name, “J. Ramon Ugarte,” than the “Jose P. Ugarte” accounts in Miami.

Citigroup has indicated that the New York relationship manager handled the Pinochet New York accounts for about nine years, from about 1987 to 1996, without ever meeting her client. Citigroup told the Subcommittee that, throughout this period, the relationship manager thought that “J. Ramon Ugarte” was the brother of Augusto Pinochet. Citigroup indicated that the relationship manager learned the true identity of her client for the first time when informed by the bank earlier this year.

The New York branch gradually closed Mr. Pinochet’s 6 New York accounts over a two-year period, from September 1994 to September 1996, acting each time in response to a request by Mr. Pinochet to close the relevant account. For three more years, until 1999, Mr. Pinochet was the beneficiary of a New York checking account opened in the name of “Marco P. Hiriart in trust for Ramon Ugarte.”<sup>92</sup>

During the years the Augusto Pinochet accounts were open in New York and Miami, the account documentation does not contain any substantive analysis of the source of his wealth or the source of the funds in his accounts, despite hefty balances that reached \$3.1 million.<sup>93</sup> The New York account opening documentation in 1981 consists of a one-page application form with minimal information, documents showing that “Jose Ramon Ugarte” had accounts with two banks in Chile, and a copy of a passport for “Jose Ramon Ugarte,” bearing the signature, “J. Ramon Ugarte.”<sup>94</sup> The Miami account opening documentation in 1985, contains even less

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<sup>92</sup> In May 1999, Marco Pinochet changed the account title, replacing “Ramon Ugarte” with his wife, “Maria Soledad Olave Gutierrez.”

<sup>93</sup> See, e.g., memorandum dated 5/12/92, from Emilie O’Neil to Saraminta Perez, Bates C000277 (“Please confirm ... you have opened cash reserve account with \$974,791. ... Also sweep \$56,000 more on 5/15.”).

<sup>94</sup> See New York account opening documentation, Bates C003069-73; C000057.

information.<sup>95</sup> It describes “Jose Pinochet Ugarte” as a retiree or “Empleado-Jubilado” and waives the requirement for two references. The form incorrectly describes “Lucia P. Hiriart” as his “niece.” In April 1990, a memorandum notes that the client changed the title on his accounts from “Jose Pinochet” to “Jose P. Ugarte,” without providing any explanation.<sup>96</sup> In 1994, the New York branch grants a “Documentation Waiver Request” for one of the accounts, relieving the relationship manager of an obligation to obtain written bank references for the client, since “J. Ramon Ugarte” had been an “excellent client since 1982.”<sup>97</sup>

In short, according to Citigroup, for the bulk of the 14 years Mr. Pinochet’s accounts were open in New York and Miami, the two relationship managers handling his accounts never met their client and did not know his true identity. In addition, neither ever evaluated the source of the funds in his accounts.

– **Marco Pinochet Accounts.** Citigroup’s due diligence analysis of Mr. Pinochet’s son, consistently styled as “Marco P. Hiriart” on Citigroup accounts, was also marked by deficiencies. Marco was closely associated with many of the accounts opened by his father at Citigroup. For example, all 6 of Augusto Pinochet’s New York accounts began or were converted to a joint account with Marco. Marco also held two New York accounts “in trust for J. Ramon Ugarte,” a checking account opened for fourteen years, from 1985 to May 1999, and a custody account opened for 3 years, from February 1993 until February 1996. Marco and Augusto took out a joint \$2 million loan from Citigroup in 1993. Marco also opened multiple Citigroup accounts under his own name, with his wife, or in the name of his offshore corporation, Meritor Investments.

Citigroup’s account opening documentation for the first account opened under Marco’s own name, in June 1985, describes him as a “diplomat” and identifies his “business” as the “Embassy of Chile” in Washington, D.C.<sup>98</sup> Account opening documentation for subsequent accounts during the 1980s and the first half of the 1990s provide little or no additional information about his employment or business interests. In contrast, beginning in 1996 and extending to 2004, Citigroup prepared increasingly detailed analyses of his business interests in documentation associated with his personal accounts and the accounts opened for Meritor Investments. These analyses appear in a variety of documents over the years, entitled as client profiles, know-your-customer forms, or financial questionnaires. Some of these documents

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<sup>95</sup> See Miami account opening documentation, Bates C004523; C000271.

<sup>96</sup> Memorandum dated 4/13/90, from Emilie Judd O’Neil to Maria Cuneo, “Jose Pinochet/Jose P. Ugarte,” Bates C004531. Other documents indicate that this name change actually took place in May 1989. See, e.g., email dated 4/9/90, from Cristine Sikto to Zoila Doria, “Pinochet/Ugarte” Bates C004532.

<sup>97</sup> Memorandum dated 2/15/94, from Josephine Piazza to Documentation Control Unit, “Documentation Waiver Request,” Bates C002215.

<sup>98</sup> Citigroup document, “Banking Account Application” for Marco P. Hiriart, 6/7/85, Bates C002111-14.

provide estimates of his net worth, estimates which varied from \$9.1 million in an undated document, to \$15 million in a 1998 client profile, to \$5.3 million in a 2000 profile, which is the figure generally used in the final four years his accounts are open at Citigroup.<sup>99</sup> The documents dated 1996 and later describe the source of his funds as deriving from his ownership of several Chilean businesses, including a real estate investment company, a chain of clothing stores, a motorcycle and small boat import business, and a business that provides aeronautical equipment advisory services.<sup>100</sup> The documents also cite earlier bank loans that were used to generate investment returns and a portfolio of marketable securities. Several of the account documents mention confidentiality concerns. For example, a 1998 client profile states that Marco is “very concerned about confidentiality,” while another states that he “does not want contact from Chilean Citibank employees.”<sup>101</sup>

In mid-2000, the account documentation indicates that Citigroup made a decision to exit the relationship with Marco Pinochet.<sup>102</sup> This decision may have been part of a larger bank review of public figure accounts within the Private Bank. The decision was carried out very slowly over the following three years. The account documentation cites various reasons over time for exiting the relationship, including that Marco was not within the Private Bank’s target market, his accounts did not present sufficient business opportunities, and, in 2004, that negative information had surfaced about his father. Marco’s last personal account closed in October 2003. Three accounts held by Meritor Investments and two held by his wife closed in 2004.<sup>103</sup>

– **Ines Lucia and Maria Veronica Pinochet Accounts.** Beginning in 1983, Ines Lucia Pinochet opened multiple accounts at Citigroup under her own name; the name of her offshore corporation, Redwing Holdings; and the name of her offshore numbered trust, Trust MT-4964N. From 1983 until 1993, she was also the primary contact for Citibank Private Bank personnel in Miami on matters involving her father’s Miami accounts. Her sister, Maria

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<sup>99</sup> See, e.g., Citigroup “Financial Questionnaire” for Marco P. Hiriart and his wife, undated, Bates C002396-98; Citigroup “Client File [110776 UGARTE 2] Client Profile Form,” 10/23/98, Bates C001688-99, at 1693; Citigroup untitled document, 2/11/00, Bates C002614.23-25.

<sup>100</sup> *Id.*

<sup>101</sup> Citigroup “Client File [983077 MERITOR 1] Client Profile Form,” 10/23/98, Bates C001663-72 at 1667; Citigroup “Client File [110776 UGARTE 2] Client Profile Form,” 10/23/98, Bates C001688-99, at 1695. See also Citigroup memorandum dated 1/26/93, from Maureen Ruggiero, Marco Pinochet’s private banker, to “PMS/IIS/Banking Products Documentation Unit,” Bates C002416.

<sup>102</sup> See, e.g., Citigroup “KYC Individual Report,” 4/16/01, Bates C002614.58 (“We plan to terminate this relationship.”).

<sup>103</sup> Citigroup explained that it had delayed closing one or more of the accounts, because Marco Pinochet had invested in a proprietary Citigroup investment account that had lost money and was not transferable to another bank. After waiting for a period for the fund to recover, Citigroup closed his accounts.

Veronica Pinochet, opened her first accounts at Citigroup ten years later, beginning in 1995, all under her own name.

As with the Marco Pinochet accounts, the due diligence analysis of the Ines Lucia Pinochet accounts is very limited at first and becomes progressively more detailed. During the 1980s and early 1990s, virtually no analysis of deposits or transactions appears in the account documentation; beginning in 1998, increasingly detailed analyses are provided. The account documents identify the main sources of her wealth as real estate investments and marital assets. The documentation notes that her accounts were generally in six figures, and that her father had not played any apparent role in the banking relationship. On occasion, Ines Lucia Pinochet also obtained extensions of credit from Citigroup, which she repaid. In 1998, Citigroup began negotiations to close her accounts, because her assets were below the Private Bank's minimum. In late 1999 or early 2000, the bank formed an exit strategy to end the relationship. The last of her personal, trust, and Redwing Holdings accounts closed in January 2001. Account documentation for Maria Veronica Pinochet is very limited. Several of her accounts closed in 2004.

For at least the first 13 years that the Marco and Ines Pinochet accounts were open, from 1983 to 1996, the Citigroup account documentation contains virtually no due diligence information on the source of their wealth or the source of the funds in their accounts, despite the deposit of millions of dollars into the Marco accounts and hundreds of thousands of dollars into the Ines accounts. Beginning in 1996, the bank's due diligence analyses grow increasingly detailed, identifying specific assets and businesses that support the level of funds in the accounts. These later records do not attempt, however, to go back in time to explain how Marco and Ines Lucia Pinochet acquired their wealth prior to 1996.

**Transactions of Interest.** Bank records show that the 63 U.S. accounts and CDs opened by Citigroup for Mr. Pinochet and his immediate family members were used in a variety of ways. Some of the Pinochet accounts experienced numerous deposits and withdrawals, and contained substantial sums, at times in the millions of dollars. A number of the Pinochet accounts transferred funds to or from other Pinochet accounts at Citigroup, creating internal funding shifts which make it difficult to track the flow of funds. For example, in 1992, one Augusto Pinochet account contained more than \$3 million; the same \$3 million later appears to have been shifted to a Meritor account. At the same time, other Pinochet accounts saw relatively little activity and contained relatively modest amounts. In July 1995, based upon available records, it appears there was a minimum of \$3.6 million in the Pinochet-related accounts in the U.S. open at that time.

While an exhaustive analysis is beyond the scope of this Report, a few transactions illuminate how Mr. Pinochet used the Citigroup accounts to move funds within the United States and across international lines, transact business, and construct an international web of secret accounts.

- In March 1990, Mr. Pinochet closed Riggs Bank Account No. 450858, which had been opened in the name of Jose R. Ugarte, and withdrew the remaining funds in the account, totaling \$96,378.22, using a Riggs cashiers check. On March 15, 1990, that cashiers check was deposited into Miami Citigroup Account No. 12032544, which was then open in the name of Jose P. Ugarte and Lucia P. Hiriart.
- On June 24, 1992, an unidentified Citigroup account, believed to be one of the 63 Pinochet-related accounts, sent a \$280,000 wire transfer to a military officer account at Riggs, Account No. 709345 in the name of Gabriel Vergara. A similar transaction took place on November 13, 1992, with a wire transfer for \$185,000. In less than six months, then, these two transfers had moved a total of \$465,000 from Citigroup to the Vergara account at Riggs.
- On April 25, 1996, Meritor Investments, the offshore corporation controlled by Marco Pinochet, sent a \$403,000 wire transfer from Citigroup Account No. 10328149 in New York, through a Bahamas clearing account, to Washington Riggs Account No. 76750393 which was opened in the name of Augusto Pinochet Ugarte and Lucia Hiriart Rodriguez. These funds later contributed to a \$1 million wire transfer to a Bahamas Riggs account opened in the name of Ashburton Co. Ltd., an offshore corporation controlled by Augusto Pinochet.
- On May 18, 2000, Citigroup closed accounts associated with Ines Lucia Pinochet and provided her with a \$390,000 Citibank cashiers check made payable to Redwing Holdings Inc. On May 25, 2000, she deposited that check into her newly opened Riggs Account No. 75256035 in London.

**Regulatory Oversight.** From 1996 through 1998, U.S. bank regulators audited a number of aspects of Citibank Private Bank, but apparently never examined any of the Pinochet accounts, perhaps because the last Augusto Pinochet personal account closed in 1996, and the Marco Pinochet account held in trust for “Ramon Ugarte” did not carry his father’s given name.

As mentioned earlier, from October 1998 until March 2000, Augusto Pinochet was the subject of multiple civil and criminal proceedings and numerous international news media stories, including the issuance of a 1998 Spanish court order seeking to freeze his assets on a worldwide basis. Throughout this period, Citigroup failed to alert its U.S. regulators, or any court or law enforcement entity, to the accounts it had held for Mr. Pinochet until 1996, to the account held by Marco Pinochet in trust for “Ramon Ugarte” until 1999, or to the accounts the bank continued to hold for his children.<sup>104</sup>

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<sup>104</sup> On several occasions, the news media has reported that Marco Pinochet denied allegations that his father had bank accounts outside of Chile. See, e.g., “Lagos asegura que Pinochet no esta sobre la ley y pide informe a Congreso de EEUU,” UPI Chile, 7/15/04; “Rights-Chile: Embattled Pinochet Scores Small Victory,” IPS-Inter Press Service/Global Information Network, 5/17/01 (“Marco Antonio Pinochet ... denied that his father held any accounts abroad.”). Marco Pinochet apparently made these statements even though, for a 15-year period from 1984 to 1999,

On June 26, 2002, the OCC contacted Citigroup and asked whether Citibank Private Bank had any accounts for Mr. Pinochet or his wife, including accounts opened under a list of disguised variants of their names.<sup>105</sup> On June 27, 2002, an internal OCC email reports that the head of Citigroup's global anti-money laundering group responded that an earlier global search had not turned up any Pinochet accounts at the bank.

"Citibank indicates that:

- 1) After a search of its comprehensive data base, the Private Banking unit did not identify any accounts relating to any of the specified names.
- 2) On the possibility that an account may exist in Citibank but outside of the Private Banking unit, [the head of Citigroup's global anti-money laundering group] indicated that a global search for Pinochet had been conducted when the adverse publicity first arose = no accounts found. ... He stated Citibank would be happy to conduct additional follow-up if [account numbers or other detailed information] was available."<sup>106</sup>

Based upon this information, the OCC did not pursue the matter further at Citigroup and did not learn of Citigroup's relationship with the Pinochet family until 2004.

When asked about the 2002 OCC inquiry, Citigroup told the Subcommittee that, although it had records showing it received the inquiry, it had no record showing that the bank ever conducted any search in response to the request or provided the described information to the agency. The bank said that none of the bank personnel named in the emails recalled either conducting a search or responding to the OCC in this matter. The bank noted that its alleged response was provided less than 24 hours after the request was first made, which would have been highly unlikely and would not have permitted sufficient time for an electronic search of the bank's records.

Citigroup also pointed out that, as of June 2002, Mr. Pinochet and his wife's personal accounts had been closed for 6 years, and the bank was in the process of closing accounts for other Pinochet family members. Citigroup indicated that, even so, its normal practice would have been to inform its regulator of the closed and related accounts. Citigroup could not explain why this information was not conveyed to the OCC in 2002. It was not until July 2004, two years later, that Citigroup first alerted the OCC to its years-long relationship with the Pinochet family.

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he shared 8 joint accounts with his father at Citigroup in New York.

<sup>105</sup> The OCC made this inquiry to Citigroup in connection with its then ongoing review of the Pinochet accounts at Riggs Bank.

<sup>106</sup> Email dated 6/27/2002, from an OCC examiner to multiple OCC officials, "RE: Request for Information on Pinochet," Bates OCC0000045716.

## **B. Banco de Chile**

Banco de Chile is one of the oldest and largest banks in Chile.<sup>107</sup> With total assets in 2004 of \$15.8 billion, it offers a wide range of financial services, including retail banking, private banking, and investment services. It is a publicly traded corporation, with headquarters in Santiago, Chile, and more than 240 branch offices throughout the country. Banco de Chile also operates in several other countries, but apparently accepts deposits only in Chile and the United States. A Chilean subsidiary of the bank, Banchile Corredores de Bolsa S.A. (“Banchile”), provides the bank’s clients with brokerage and investment services.

Banco de Chile-United States maintains two offices in the United States, a branch office in New York first established in 1982, and an agency office in Miami, which was established in 1994 and upgraded to a branch office in early 2004. These U.S. branches primarily provide international banking services for the bank’s Chilean clients. In addition, Banchile acts as an introducing broker to help Banco de Chile clients open brokerage accounts in the United States. For a number of years, Banchile helped Banco de Chile clients open brokerage accounts at Lehman Brothers, a U.S. licensed broker-dealer. In 2004, Banchile began doing business with Pershing Securities, another U.S. licensed broker-dealer and a subsidiary of The Bank of New York. Banchile then moved the Banco de Chile client accounts from Lehman Brothers to Pershing Securities.<sup>108</sup>

Banco de Chile’s relationship with the Pinochet family began in 1973, when Mr. Pinochet opened his first account at the bank’s headquarters in Santiago, Chile. At the time, providing banking services to the country’s President was considered a great honor, particularly since Mr. Pinochet had a reputation for honest dealing. The number of Banco de Chile accounts opened by Mr. Pinochet and his family in Chile, the amount of funds, and the source of the funds in these accounts, have not been disclosed to the Subcommittee due to Chilean bank secrecy laws and are outside the scope of this Report. What is known is that the bank continued its relationship with the Pinochet family for 32 years, until questions arose about the Pinochet funds at Riggs Bank. In response, Banco de Chile re-evaluated the relationship and, in 2004, closed all Pinochet

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<sup>107</sup> Information about Banco de Chile is taken from its website, public filings, subpoenaed documents, interviews with bank representatives, and information supplied by other financial institutions. The relevant documents are maintained in Subcommittee files.

<sup>108</sup> Lehman Brothers and Pershing Securities acted as clearing brokers for the brokerage accounts introduced by Banchile. According to all parties involved, the contracts related to these accounts were clear that Banchile and Banco de Chile-United States were responsible for conducting all needed due diligence for clients wishing to open U.S. brokerage accounts. Banchile and Banco de Chile-United States were also responsible for initiating all buy and sell orders and monitoring account activity. At Pershing Securities, clients were not allowed to circumvent Banchile and the bank and go directly to the securities firm to conduct transactions for their accounts. At Lehman Brothers, clients could go directly to the securities firm to conduct transactions for their accounts, but there is no evidence that Banchile clients relevant to this Report did so. Lehman Brothers and Pershing Securities fully cooperated with all Subcommittee inquiries and produced all requested information.

accounts in Chile and the United States. The bank's decision to close the Pinochet accounts was controversial and has attracted both support and criticism in Chile.

The Subcommittee investigation has determined that Banco de Chile-United States maintained a nine-year relationship with Augusto Pinochet and his family, which began in 1995 and ended in 2004. Banco de Chile-United States has identified 24 New York and Miami accounts and CDs that were opened for Mr. Pinochet, members of his immediate family, and ostensibly unrelated third parties whose accounts served at times as conduits for Pinochet funds. These third parties were primarily offshore corporations controlled by a Chilean attorney, Oscar Custodio Aitken Lavanchy, who allowed them to serve as conduits for Pinochet funds. In addition, one account was opened in the name of a Chilean nonprofit organization, the Fundacion Presidente Pinochet Ugarte (hereinafter "Pinochet Foundation").<sup>109</sup>

In addition to opening these accounts, Banco de Chile-United States has provided individual Pinochet family members with various types of financial services, from arranging international wire transfers, to opening investment accounts, to providing a substantial loan to Mr. Pinochet. This 1997 loan for \$500,000 was repaid in full in 1999, as explained below.

In total, excluding loan proceeds, the U.S. accounts and CDs benefitting Mr. Pinochet appear to have accumulated funds in excess of \$7 million. The vast bulk of these funds, about \$6 million, was transferred into Banco de Chile-United States accounts by Riggs Bank in 2002, after Riggs ended its relationship with the Pinochet family. The remaining \$1 million was deposited into the U.S. accounts over several years, primarily from Pinochet-related accounts in Chile at Banco de Chile. The source of the funds in the Chilean accounts has not been disclosed to the Subcommittee due to Chilean bank secrecy laws.

Banco de Chile fully cooperated with all Subcommittee inquiries and produced all requested documentation and information in the United States, including documentation related to an extensive internal review of the Pinochet-related accounts conducted at the request of the bank by outside legal counsel. Citing bank secrecy laws, however, Banco de Chile did not produce any information about Pinochet-related accounts and transactions in Chile. Information about accounts and transactions involving its Chilean operations have been reconstructed from Banco de Chile's U.S. wire transfer records and records produced by other financial institutions.

The 24 U.S. accounts and CDs provided by Banco de Chile-United States to the Pinochet family, from 1995 to 2004, can be summarized as follows.

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<sup>109</sup> In addition to the 24 accounts, the bank identified 6 U.S. accounts opened for Mr. Pinochet's assistant, Monica Ananias Kuncar, or members of her immediate family. At least one of these accounts contains funds exceeding \$250,000. Because the Subcommittee has not subpoenaed account documentation to determine the extent to which this and other Kuncar accounts may have served as conduits for Pinochet funds, this Report does not address them further.

**Personal Accounts.** The 3 Banco de Chile-United States accounts opened for Mr. Pinochet in the United States are the following.

- (1) Account No. 442506/321 was opened in the name of Maria Lucia Hiriart Rodriguez and Augusto Jose Ramon Pinochet Ugarte in New York on August 29, 1995, and closed on March 18, 1999.
- (2) Account No. 401892/321 was opened in the name of Maria L. Hiriart Rodriguez and Augusto Jose R. Pinochet Ugarte in Miami on June 24, 1996, and closed on March 23, 1999.
- (3) Account No. 401892/331/001/002/01 was opened in the name of "Pinochet Joint Miami TD," establishing a CD, in Miami on May 29, 1998, and closed on November 9, 1998.

**Pinochet Family Accounts.** The 5 Banco de Chile accounts opened in the United States for members of the immediate family of Mr. Pinochet are the following. Several of these accounts contained modest amounts, and it is unclear whether or the extent to which each account may have been used as a conduit for transactions benefitting Mr. Pinochet.

- (1) Account No. 401323/321 was opened in the name of Mr. Pinochet's daughter, Jacqueline Marie Pinochet Hiriart, in Miami on September 27, 1995, and closed on December 14, 2000.
- (2) Account No. 401323/301 was opened in the name of Jacqueline Marie Pinochet Hiriart in Miami on December 14, 2000, and closed on January 14, 2002.
- (3) Account No. 340/204013231 was opened in the name of Jacqueline Marie Pinochet Hiriart in Miami on December 14, 2000, and closed in early 2005.
- (4) Account No. 23000690 was opened in the name of Mr. Pinochet's grandson, Alejandro Ponce Pinochet, in Miami on January 2, 2003, and closed in early 2005.
- (5) Account No. 21014466 was opened in the name of Mr. Pinochet's granddaughter, Francisca Lucia Ponce Pinochet, in Miami on August 30, 2004, and closed in early 2005.

**Third Party Accounts.** Between November 1997 and July 2003, Banco de Chile-United States opened 11 U.S. accounts in the name of third parties which served at times as conduits for Pinochet funds. All but one of these accounts was opened in the name of an offshore corporation controlled by Mr. Aitken. These corporations are Abanda Finance Ltd., which was incorporated in the British Virgin Islands ("BVI"); Belview International Inc., another BVI corporation; Sociedad de Inversiones Belview Int S.A., a Chilean corporation; Eastview Finance S.A., a BVI

corporation; G.L.P. Ltd., a BVI corporation; and Tasker Investments Ltd., a BVI corporation. The final account was opened for the Pinochet Foundation.

(1) Account No. 101136/345/001/002/01-04, for 4 CDs, was opened in the name of Eastview Finance S.A. in Miami on November 10, 1997, and closed on March 24, 1999.

(2) Account No. 101136/335/001/002/01-04 was opened in the name of Eastview Finance S.A. in Miami on November 10, 1997, and closed on August 9, 1999.

(3) Account No. 101136/335/001/003/01 was opened in the name of Eastview Finance S.A. in Miami on July 10, 1998, and closed on August 31, 1998.

(4) Account No. 310/105033261 (503326/325) was opened in the name of Eastview Finance S.A. in New York on November 5, 1998, and closed on January 8, 2003.

(5) Account No. 503326/335/001/002/01 was opened in the name of Eastview Finance S.A. in New York on January 7, 1999, and closed on August 30, 2001.

(6) Account No. 310/105033831 (503383/324) was opened in the name of the Pinochet Foundation in New York on January 8, 1999, and closed on December 14, 2004.

(7) Account No. 310/102114411 (211441/305) was opened in the name of Abanda Finance Ltd. in New York on November 15, 1999, and closed on December 31, 2002.<sup>110</sup>

(8) Account No. 310/011001328 was opened in the name of Sociedad de Inversiones Belview Int S.A. in New York on July 17, 2002, and closed on November 8, 2002.

(9) Account No. 310/012002183 was opened in the name of Belview International Inc. in New York on July 23, 2002, and closed on September 20, 2004.

(10) Account No. 310/011004478 was opened in the name of GLP Ltd. in New York on November 19, 2002, and closed on September 16, 2004.

(11) Account No. 310/021005635 was opened in the name of Tasker Investment Ltd. in Miami on July 26, 2003, and closed on September 15, 2004.

**Brokerage Accounts.** In addition to opening bank accounts, Banco de Chile, through its affiliate Banchile acting as the introducing broker, helped Mr. Aitken open 5 brokerage accounts at U.S. securities firms for his offshore corporations Belview International Inc.; Eastview Finance S.A.; G.L.P. Ltd.; and Tasker Investments Ltd.

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<sup>110</sup> Although the Abanda New York account was used on only one day, November 15, 1999, and had a zero balance thereafter, it apparently was not closed for several years.

- (1) Account No. 743-13165-17-765 was opened in the name of Belview International Inc. at Lehman Brothers in Miami on August 29, 2002, and closed on November 26, 2002.
- (2) Account No. 743-13374-14-765 was opened in the name of GLP Ltd. at Lehman Brothers in Miami on November 21, 2002, and closed on May 18, 2004.
- (3) Account No. 0AJ 002418 was opened in the name of GLP Ltd. at Pershing Securities in New York on February 24, 2004, and closed on February 11, 2005.
- (4) Account No. 743-15017 was opened in the name of Tasker Investments Ltd. S.A. at Lehman Brothers in Miami on July 30, 2003, and closed on April 19, 2004.
- (5) Account No. 0AJ 002392 was opened in the name of Tasker Investments Ltd. S.A. at Pershing Securities in New York on February 24, 2004, and closed on January 3, 2005.

**Account Secrecy and Due Diligence.** When opening U.S. accounts for Mr. Pinochet and his family, Banco de Chile-United States dealt openly with Mr. Pinochet, a former president and respected figure in Chile. The bank clearly knew him and his family members. The first three accounts the bank opened for Mr. Pinochet in the United States bore his name in an open and transparent manner. So did the five accounts opened for Pinochet family members. In general, these 8 accounts held relatively modest amounts, that attracted little concern.

The same cannot be said about the 15 U.S. bank and securities accounts that the bank opened or helped to open for offshore corporations controlled by Mr. Aitken. Oscar Aitken was known to Banco de Chile-United States as a Chilean attorney with ties to Mr. Pinochet and a principal partner in the law firm of Aguero, Aitken, Frias, and Henriquez. He was also a longstanding client of the bank in Chile, having opened his first account there in 1973.

Mr. Aitken opened his first personal account at Banco de Chile-United States in 1990. Four years later, in 1994, he opened his first U.S. account at Banco de Chile-United States for an offshore corporation. Banco de Chile told the Subcommittee that it did not help Mr. Aitken establish or manage any of his offshore corporations. In fact, the bank indicated that it does not have an offshore affiliate that routinely establishes or manages offshore entities for its clients, and only a limited number of its U.S. clients ever use an offshore corporation as a named accountholder. The bank told the Subcommittee that its internal review discovered that Mr. Aitken was associated with 8 or 9 such offshore corporations and had many more than any other client at Banco de Chile-United States.<sup>111</sup>

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<sup>111</sup> Banco de Chile told the Subcommittee that, in 2004, it closed all Chilean and U.S. accounts associated with Mr. Aitken.

The bank's internal review determined that both Mr. Pinochet and Mr. Aitken were treated as important clients by Banco de Chile-United States and by the head of the bank's New York branch, the New York general manager, who often handled matters for these clients. The New York general manager was a longterm, well regarded employee of the bank, served as head of the New York branch from 1987 to 2002, and in November 2002, was promoted to country manager of U.S. operations. The bank's internal review determined that he was well acquainted with Mr. Aitken and knew of Mr. Aitken's ties to Mr. Pinochet whom the New York general manager greatly respected. The bank's internal review further determined that, in some cases, the New York branch had known that bank accounts opened in the name of Aitken corporations were being used to hold or transfer Pinochet funds. The branch had also, at times, facilitated transactions involving these accounts. The bank's internal review found that, in several instances, the New York general manager had failed to inform his superiors in Chile of important matters related to these accounts, as explained below. In 2004, the bank terminated his employment with the bank.

From 1998 until March 2000, Augusto Pinochet was the subject of numerous civil and criminal proceedings in Spain, the United Kingdom, and Chile, including issuance of a 1998 Spanish court order directing financial institutions to freeze Mr. Pinochet's assets on a worldwide basis. These proceedings and issuance of the freeze order were repeatedly described in international, Chilean, and United States news media reports. Throughout this period, Banco de Chile-United States failed to alert any court or law enforcement entity to the accounts it had held for Mr. Pinochet personally, in the United States, from 1995 until 1999.

**Transactions of Interest.** The Subcommittee investigation has examined four sets of transactions involving Banco de Chile, Pinochet funds, and the United States. The first involves cashiers checks issued by Banco de Chile that moved Pinochet funds from Chile to the United States; the second involves Riggs cashiers checks that moved Pinochet funds from the United States to Chile; the third involves funds transfers that moved Pinochet funds from the military officer accounts at Riggs Bank in the United States to Banco de Chile accounts in Chile; and the fourth involves Pinochet-related transactions that utilized the offshore corporate accounts opened by Mr. Aitken at Banco de Chile-United States. These transactions illustrate how Augusto Pinochet took advantage of various banking services to move funds across international lines, often leaving a minimal audit trail for investigators to follow.

– **Banco de Chile Cashiers Checks.** The first category of transactions involves Banco de Chile cashiers checks used to move Pinochet funds from Chile to the United States. Bank records show that, on at least 13 occasions from 1990 until 1997, cashiers checks issued by Banco de Chile were used to transfer funds from Chile to Pinochet accounts at Riggs Bank in the United States. Each of these cashiers checks was issued by a branch of the bank in Chile, and drew upon the bank's U.S. dollar account in New York to enable the check amount to be paid out in U.S. dollars. According to the bank, in every case, the funds for the cashiers checks were initially provided by someone in Chile who purchased the cashiers check from the Chilean branch. The bank told the Subcommittee that it could not identify any of the persons who

provided the underlying funds for the cashiers checks due to Chilean bank secrecy laws. The end result is that use of these cashiers checks has, in effect, enabled the true originators of the funds to hide their identities from the Subcommittee.

Over 7 years, the 13 Banco de Chile cashiers checks moved about \$1.3 million in Pinochet-related funds from Chile to the United States. The transactions are as follows.

- On October 17, 1990, a \$50,020 Banco de Chile cashiers check was deposited into Miami Riggs Account No. 707547 opened in the name of Augusto P. Ugarte and Lucia Hiriart.
- On October 17, 1990, a \$29,739 Banco de Chile cashiers check was deposited into a Miami Riggs account in the name of J.R. Pinochet.
- On December 9, 1993, a \$303,000 Banco de Chile cashiers check made payable to Daniel Lopez in trust for Augusto J. Pinochet was deposited into Miami Riggs Account No. 710053 opened in the name of Daniel Lopez in trust for Augusto J. Pinochet.
- On January 14, 1994, a \$15,000 Banco de Chile cashiers check made payable to Daniel Lopez in trust for Augusto J. Pinochet was deposited into Miami Riggs Account No. 710053 opened in the name of Daniel Lopez in trust for Augusto J. Pinochet.
- On March 21, 1995, a \$50,800 Banco de Chile cashiers check was deposited into Washington Riggs Account No. 76750393 opened in the name of Augusto Pinochet Ugarte and Lucia Hiriart Rodriguez (hereinafter “Mr. Pinochet and his wife”).
- On February 21, 1996, 2 Banco de Chile cashiers checks totaling \$232,450 were deposited into Washington Riggs Account No. 76750393 opened in the name of Mr. Pinochet and his wife.
- On March 1, 1996, 4 Banco de Chile cashiers checks totaling \$287,000, 2 made payable to “J. Pinochet” and 2 made payable to “M.L. Hiriart,” were deposited into Washington Riggs Account No. 76750393 opened in the name of Mr. Pinochet and his wife.
- On May 20, 1997, a \$193,000 Banco de Chile cashiers check was deposited into Washington Riggs Account No. 76750393 opened in the name of Mr. Pinochet and his wife.

– On August 27, 1997, a \$155,000 Banco de Chile cashiers check was deposited into Washington Riggs Account No. 76750393 opened in the name of Mr. Pinochet and his wife.<sup>112</sup>

In addition, the Subcommittee identified two occasions on which personal checks written on Banco de Chile accounts were used to transfer funds to Pinochet accounts at Riggs. These transactions are as follows.

– On March 16, 1998, a \$243,000 Banco de Chile personal check, made payable to M. Lucia Hiriart, was drawn on New York Banco de Chile Account No. 442506 and deposited into Washington Riggs Account No. 76750393 opened in the name of Augusto Pinochet Ugarte and Lucia Hiriart Rodriguez.

– On September 23, 1998, a \$147,000 Banco de Chile personal check, made payable to A. Pinochet, was drawn on New York Banco de Chile Account No. 442506 and deposited into London Riggs Account No. 74041013 (formerly numbered 25005393) opened in the name of Augusto Pinochet Ugarte.

Together, these 2 personal checks deposited about \$390,000 into Pinochet accounts in Washington, D.C. and London.

– **Riggs Cashiers Checks.** The second category of transactions involves cashiers checks issued by Riggs Bank which were used to move Pinochet funds from the United States to Chile. Bank records show that Riggs Bank issued 38 cashiers checks, each for \$50,000, in four batches from August 2000 until April 2002, as described earlier.<sup>113</sup> The first batch was made payable to “Augusto Pinochet”; the second batch to “Maria Hiriart and/or Augusto P. Ugarte”; the third batch to “Augusto Pinochet Ugarte and/or Lucia Hiriart De Pinochet”; and the fourth batch to “L. Hiriart and/or A.P. Ugarte.” Each batch was paid for by funds from a Pinochet account or CD at Riggs.

From August 2000 until August 2003, Chilean branches of Banco de Chile cashed 36 of the Riggs cashiers checks, for a total of \$1.8 million. Due to Chilean bank secrecy laws, Banco de Chile has told the Subcommittee that it cannot provide documentation from Chile showing who presented each cashiers check and whether that person was paid in cash. According to a

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<sup>112</sup> The same system was also used on one occasion to move Pinochet funds from Chile to London. This transaction took place on September 29, 1997, when a Banco de Chile cashiers check for about £122,000 (about \$200,000) was deposited into London Riggs Account No. 74041013 (formerly numbered 25005393) opened in the name of Augusto Pinochet Ugarte.

<sup>113</sup> See 2004 Hearing Record at 151-152. Riggs issued the 38 cashiers checks to Mr. Pinochet in the four batches as follows: 8 checks in August 2000; 10 checks in May 2001; 10 checks in October 2001; and 10 checks in April 2002. Two of the 38 checks were cashed by BankBoston; the rest were cashed by Banco de Chile in Chile.

Chilean appeals court finding, the checks were cashed at Banco de Chile “by a third party, despite the fact that they were nominative. Then various amounts of the cash in dollars were changed to cash in Chilean pesos on the informal market so that said transaction would not be reported to the Central Bank.”<sup>114</sup> By cashing these 36 Riggs cashiers checks over 3 years at its branch offices in Chile, Banco de Chile enabled Mr. Pinochet to move \$1.8 million from the United States to Chile.

– **Military Officer Transfers.** The third category of transactions involves transfers that moved funds from the military officer accounts at Riggs Bank in Miami to Banco de Chile accounts in Chile. Bank records show that, on 9 occasions from 1990 until 1996, checks or wire transfers moved a total of about \$650,000 from the military officer accounts at Riggs Bank in Miami to Pinochet-related accounts in Chile at Banco de Chile. All but one of the documents transferring these funds to Chile used a disguised variant of Mr. Pinochet’s name or the name of his personal assistant, Monica Ananias Kuncar, as the designated recipient of the funds. The transactions are as follows.

– On November 26, 1990, a \$17,823 check cleared which had sent the funds from Miami Riggs Account No. 451666 opened in the name of Chilean military officer Jose Miguel Latorre Pinochet to “J.P. Ugarte” at Banco de Chile in Chile.

– On November 26, 1990, a \$10,261 check cleared which had sent the funds from Miami Riggs Account No. 451666 opened in the name of Chilean military officer Jose Miguel Latorre Pinochet to “J.P. Ugarte” at Banco de Chile in Chile.

– On September 19, 1994, a \$65,000 wire transfer sent the funds from Miami Riggs Account No. 709345 opened in the name of Chilean military officer Gabriel Vergara Cifuentes, to “Jose Ugarte” at Banco de Chile Account No. 500006257104 in Chile.

– On March 2, 1995, a \$117,000 check cleared which had sent the funds from Miami Riggs Account No. 710467 opened in the name of Chilean military officer Juan Ricardo Mac Lean Vergara, to “J. Ugarte” at Banco de Chile Account No. 500006257104 in Chile.

– On March 10, 1995, a \$87,000 check cleared which had sent the funds from Miami Riggs Account No. 710467 opened in the name of Chilean military officer Juan Ricardo Mac Lean Vergara, to “J. Ugarte” at Banco de Chile Account No. 500006257104 in Chile.

– On November 16, 1995, a \$26,056 check cleared which had sent the funds from Miami Riggs Account No. 710467 opened in the name of Chilean military officer Juan Ricardo Mac Lean Vergara, to an unspecified account at Banco de Chile in Chile.

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<sup>114</sup> Case No. 1649-2004, Court of Appeals of Santiago, 12/10/04, at 7.

– On March 1, 1996, a \$36,000 wire transfer sent the funds from Miami Riggs Account No. 710467 opened in the name of Chilean military officer Juan Ricardo Mac Lean Vergara, to “Monica Anania” at Banco de Chile Account No. 500006257104 in Chile.

– On March 1, 1996, a \$287,000 wire transfer sent the funds from Miami Riggs Account No. 710467 opened in the name of Chilean military officer Juan Ricardo Mac Lean Vergara, to “Monica Anania” at Banco de Chile Account No. 60069158 in Chile.

– On April 2, 1996, a \$6,227 wire transfer sent the funds from Miami Riggs Account No. 710467 opened in the name of Chilean military officer Juan Ricardo Mac Lean Vergara, to “Monica Anania” at Banco de Chile Account No. 60069158 in Chile.

– **Aitken Offshore Corporations.** The fourth and final category of transactions involves Pinochet-related transactions that utilized the offshore corporate accounts opened by Mr. Aitken at Banco de Chile-United States. Three specific transactions involving these U.S. accounts illuminate how they were used as conduits for Pinochet funds and how, in some instances, a Banco de Chile-United States employee facilitated transactions for Mr. Aitken and Mr. Pinochet.

– **2002 Riggs Transfer of \$6 Million.** The most troubling incident involving Mr. Aitken, his offshore corporations, and Banco de Chile-United States took place in July 2002, when Riggs Bank transferred \$6 million to a newly opened account at the Banco de Chile New York branch for Sociedad de Inversiones Belview S.A. (hereinafter “Sociedad de Belview”), a Chilean corporation controlled by Mr. Aitken.

On July 17, 2002, after an OCC review of its Pinochet accounts prompted Riggs Bank to end its relationship with Mr. Pinochet, Riggs Bank sent three wire transfers to Banco de Chile’s New York branch depositing a total of about \$6 million into the new Sociedad de Belview account.<sup>115</sup> These wire transfers included about \$5 million from Ashburton Co. Ltd.; about \$950,000 from Althorp Investment Co. Ltd.; and \$23,666.73 from Maria Lucia Hiriart Rodriguez, Mr. Pinochet’s wife. Mr. Aitken has apparently claimed that he informed Banco de Chile-United States at the time that these funds were associated with Mr. Pinochet, but Banco de Chile employees disagree, insisting that at the time they were unaware of any connection between these funds and Mr. Pinochet. The bank also indicated to the Subcommittee that it did not question Mr. Aitken at the time about the source of the \$6 million, even though the funds represented an amount significantly greater than any other transaction Mr. Aitken had brought to the bank, significantly exceeded the bank’s estimate of his net worth, and took place the same month the Patriot Act had required the bank to tighten its U.S. AML controls.

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<sup>115</sup> See account statement for Sociedad de Belview. Mr. Aitken had apparently asked for this new account to be opened on an “urgent” basis, making this request on the day of or the day before the wire transfer. Bank records indicate that the account was opened and allowed to accept funds on July 17, 2002, even though the “Customer Application Form” for the account is dated July 23, 2002, and the required Head Office approval to open the account is dated July 19, 2002.

A week after the funds were deposited, Mr. Aitken opened another new account at the New York branch for Belview International Inc., a BVI corporation he controlled, and transferred \$5.9 million from the Sociedad de Belview account to the new Belview International account. About a month later, Mr. Aitken transferred \$5.9 million from the Belview International account, plus \$100,000 from the Sociedad de Belview account, to a newly established brokerage account at Lehman Brothers in the name of Belview International.

In November 2002, he transferred most of the funds in the Belview Lehman account to another Lehman account he had opened in the name of G.L.P. Ltd., a BVI corporation under his control. For the next 18 months, Banchile managed the assets in the G.L.P. account, buying and selling various securities.<sup>116</sup> On occasion, Mr. Aitken withdrew funds from the G.L.P. Lehman account, depositing them into a newly opened G.L.P. checking account at Banco de Chile's New York branch or to other Banco de Chile accounts he controlled. In December 2002, Mr. Aitken withdrew \$300,000 from the G.L.P. Lehman account and deposited the funds into a Lehman account he had opened for another BVI corporation he controlled. Six months later, he transferred \$750,000 from the G.L.P. Lehman account to a related corporate account at Lehman Brothers. In July 2003, Mr. Aitken transferred about \$1.1 million from these corporate accounts through a series of accounts he controlled. The funds ended up at a new Miami Banco de Chile account he had opened for Tasker Investments Ltd., still another BVI corporation he had formed. The next day, Mr. Aitken transferred about \$1.1 million from the Tasker Miami account to a new Tasker brokerage account he had opened at Lehman Brothers. Despite multiple transfers through multiple accounts, apparently neither the bank nor the security firm required Mr. Aitken to explain the \$1.1 million transfers.

In 2004, Mr. Aitken was interviewed by a Chilean Judge investigating the Riggs accounts opened by Mr. Pinochet. When asked whether he had possession of any Pinochet funds in the United States, Mr. Aitken apparently identified the funds in the G.L.P. and Tasker accounts as belonging to Mr. Pinochet. On August 12, 2004, pursuant to the Judge's direction, Mr. Aitken transferred these funds, then totaling about \$6.8 million, from the United States to a bank account in Chile under the control of the Chilean court.<sup>117</sup>

**– 1997 Loan for \$500,000.** In 1997, Augusto Pinochet applied to Banco de Chile-United States for a \$500,000 loan. On November 10, 1997, the New York branch of Banco de Chile issued the loan to Mr. Pinochet personally, but accepted loan collateral from Eastview Finance, S.A., an offshore corporation controlled by Mr. Aitken. This transaction provided the

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<sup>116</sup> In February 2004, Banchile switched the GLP securities account from Lehman Brothers to Pershing Securities, but continued to manage the account.

<sup>117</sup> In February 2004, Banchile switched both the GLP and Tasker securities accounts from Lehman Brothers to Pershing Securities. Mr. Aitken transferred about \$5.5 million from the G.L.P. account and about \$1.3 million from the Tasker account at Pershing Securities. These amounts apparently included the funds originally transferred by Riggs Bank plus interest and stock gains, less various withdrawals since 2002.

bank with clear evidence of a Pinochet-Aitken relationship. The loan transaction also had unusual features which should have elicited questions by the bank, but did not.

The loan proceeds were deposited into Mr. Pinochet's New York account at Banco de Chile.<sup>118</sup> On the same day they were deposited, the funds were withdrawn from that account, using a \$500,000 personal check made payable to Coutts & Co. (USA) International ("Coutts") and signed personally by Mr. Pinochet. That check was then delivered to the Coutts office in Miami.<sup>119</sup> A few days later, the Coutts office made the \$500,000 available to the Miami office of Banco de Chile. Following instructions provided by Mr. Aitken, the Miami branch used the \$500,000 to establish 4 CDs, each in the amount of \$125,000, and each in the name of Eastview Finance. Acting on behalf of Eastview, Mr. Aitken then pledged all 4 CDs as collateral for the \$500,000 loan to Mr. Pinochet.

The odd nature of this transaction derives from the fact that all of the \$500,000 in loan proceeds were immediately pledged as collateral for the loan itself and not used for any business purpose. In addition, it is unclear why the loan was issued in New York, and the collateral held in Miami. It is also unclear why Mr. Aitken and Eastview became involved in a loan issued solely to Mr. Pinochet. Some bank personnel apparently viewed Mr. Aitken's actions as consistent with his acting as a legal adviser to Mr. Pinochet on the loan, or as a guarantor of the loan amount. Another speculation was that the transaction was designed to make it appear that the funding for the Eastview CDs came from Coutts rather than Banco de Chile, but it is unclear why that would have been significant. The reason for Coutts' participation in the transaction is also unexplained.

In March 1999, Mr. Pinochet repaid the New York loan in full, with interest. Mr. Pinochet had already made several payments to reduce the principal. He made the final payment with \$250,000 supplied by Mr. Aitken who, the day before, had cashed in two of the Eastview CDs in Miami and transferred the \$250,000 plus earned interest to Mr. Pinochet's New York account.<sup>120</sup> The day after repaying the loan, Mr. Pinochet closed his New York account at Banco de Chile.

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<sup>118</sup> Pinochet Joint New York MMA account statement for November 1997.

<sup>119</sup> On the same day, Mr. Aitken asked Coutts to use the check to purchase 4 CDs in the name of Eastview Finance, to be picked up later by the Miami branch of Banco de Chile. Coutts declined, however, to complete the transaction before the personal check had time to clear. Coutts instead delivered the personal check to the Miami branch. On the same day, the Miami branch sent Coutts a Banco de Chile cashiers check for \$500,000. Coutts accepted the cashiers check and, in return, issued a Coutts cashiers check in the same amount. Coutts then delivered its cashiers check to the Miami branch of Banco de Chile.

<sup>120</sup> Five months earlier, in November 1998, Mr. Aitken had cashed the other two Eastview CDs and transferred the funds, totaling \$250,000, to an Eastview account he had opened at the Banco de Chile branch in New York. Mr. Aitken did not supply the funds from these two CDs to Mr. Pinochet, instead retaining the funds in the new Eastview account.

The significance of the 1997 loan transaction is threefold. First, it provided the bank with clear evidence of a relationship between Mr. Pinochet and Mr. Aitken. This relationship necessarily came to the attention of bank officials involved with issuing the 1997 loan to Mr. Pinochet, arranging its collateral, and monitoring its repayment. Second, the loan set a precedent for later transactions in which Mr. Aitken used an offshore corporation he controlled to take custody of funds belonging to Mr. Pinochet and to transact business on behalf of Mr. Pinochet. Third, the transaction succeeded in part because of the bank's willingness to facilitate the transaction with few or no questions about its purpose, Mr. Aitken's role, or its unusual features.

– **1999 Real Estate Transaction.** In 1999, Mr. Pinochet engaged in another transaction in the United States, that again involved odd circumstances, the participation of an Aitken offshore corporation, and reliance on Banco de Chile-United States to facilitate the transaction.

On November 16, 1999, while Mr. Pinochet was under house arrest in London and the subject of a Spanish court order directing financial institutions to freeze his assets, he purported to transfer real property he owned in Chile, an apartment in Vina del Mar, to Abanda Finance Ltd., a BVI company controlled by Mr. Aitken. Documentation indicates that Mr. Pinochet purported to “sell” the property to Abanda Finance for 214.8 million Chilean pesos, or about \$400,000. Banco de Chile investigators indicate that the actual purpose of this transfer was to disguise Mr. Pinochet's ownership of the property while allowing him to continue as the property's beneficial owner. The apartment is currently subject to a freeze order issued by a Chilean court.

To complete the “sale,” Mr. Aitken opened an account for Abanda Finance at Banco de Chile in New York on November 15, 1999, the day before the transaction. To give the appearance that a sale was actually consummated, over the course of two days, November 15 and 16, Mr. Aitken initiated a series of transfers that sent \$400,000 on a round trip through multiple bank accounts he controlled, including New York accounts opened for Eastview Finance and Abanda Finance. The intended result of this round trip was to provide Abanda Finance with a bank statement showing that it had withdrawn \$400,000 from its account on November 15, 1999, presumably to pay for the apartment. In fact, it appears no funds were ever paid for the real estate supposedly purchased by Abanda Finance.

Banco de Chile documentation indicates that, to carry out the round trip transaction, Mr. Aitken provided multiple letters of instruction to the New York branch. The branch then issued wire transfers moving the funds through six different accounts in the United States over two days, often in the names of offshore corporations. The transaction involved a hefty sum, \$400,000, and moved the funds in a pattern that was explained beforehand to the New York branch so that it would facilitate the circuit of funds. Again, the bank appears to have asked few, if any, questions about the nature of this transaction, the role of Mr. Aitken, or the role of his offshore corporations.

Together, the 2002 Riggs transfer, 1997 loan, and 1999 wire transfers, show that Mr. Aitken readily and deliberately allowed his offshore corporate accounts to be used as conduits for Pinochet funds.

**Pinochet Foundation.** Still another U.S. account at Banco de Chile-United States, which was opened in the name of the Pinochet Foundation, may have served as a conduit for Pinochet funds. Banco de Chile closed this account in 2004.

The Pinochet Foundation was first established in Chile in 1995. The Foundation's website states that it is dedicated to promoting and preserving the values and the historic and cultural identity of Chile.<sup>121</sup> News media reports indicate that the Foundation has also provided substantial financial assistance to Mr. Pinochet, including by paying his legal bills in the United Kingdom, paying rent on a luxury mansion during his detention in London from 1998 until 2000, and paying travel expenses to and from London for Pinochet aides and relatives.<sup>122</sup> The Subcommittee has been told that the Foundation also provided an office for Mr. Pinochet for a period of time in Chile, and may have paid his office expenses.

The Pinochet Foundation opened a Banco de Chile account in New York on January 8, 1999.<sup>123</sup> Persons with signatory authority for the New York account and, in some cases, power of attorney to direct transactions involving the account include members of Mr. Pinochet's immediate family and former members of the Pinochet regime. These persons are listed in the account opening documentation and include: Lucia Hiriart de Pinochet, Mr. Pinochet's wife and a member of the Foundation's board of directors; his daughter, Lucia Pinochet Hiriart; Hernan Briones Gorostiaga, the Foundation Chairman and a Chilean businessman; Carlos Caceres Contreras, a Foundation board member and former Minister of Finance during the Pinochet regime; Luis Cortes Villa, the Foundation's spokesperson and former head of the Santiago Military Guard during the Pinochet regime; Hernan Guiloff Izikson, Foundation Vice Chairman and Chilean businessman; Alberto Kassis Sabag, a Foundation board member and Chilean businessman; Alfonso Marquez de la Plata Irrarrazabal, a Foundation board member and former Secretary-General of Government during the Pinochet regime; and Jorge Prado Aranguiz, a Foundation board member and former Minister of Agriculture during the Pinochet regime.

Altogether, deposits to the Foundation's New York account, from its opening in 1999 until its closing in 2004, exceeded \$2.2 million. These deposits came from multiple sources and ranged in size from small to large amounts. The largest single deposit was \$811,000, which was deposited into the account in August 2000, by the law firm, Kingsley Napley, that represented

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<sup>121</sup> See Foundation website at [www/fundacionpinochet.cl](http://www/fundacionpinochet.cl).

<sup>122</sup> See, e.g., "The Pinochet case: now for the bill," Agence France Presse, 1/14/00; "Pinochet followers scrounge for cash for his legal bills in Britain," Agence France Presse, 7/9/99; "Friends establish fund for Pinochet," Austin American-Statesman (Texas), 3/14/99.

<sup>123</sup> The Foundation has also had accounts at Banco de Chile in Chile and at other financial institutions.

Mr. Pinochet in the United Kingdom and which was possibly forwarding U.K. government funds reimbursing Mr. Pinochet for certain legal expenses. In some cases, substantial deposits to the Foundation account were made by persons about whom the bank has little information. Examples include \$200,000 in deposits from “American Engineering,” an entity about which nothing further is known, and a deposit of \$250,000 on April 26, 2002, by “Ivoryseas Marine Co. Ltd.” from an account in Germany. Questions remain about who these entities are, the source of their funds, and the reasons for their substantial transfers to the Foundation.

Major transfers of funds out of the Foundation’s account went primarily to two recipients. The first was Kingsley Napley, Mr. Pinochet’s U.K. legal counsel, which received a total of about \$459,000 from the New York account. The second major recipient of funds was “Chile Market Investments Ltd.,” a BVI securities broker affiliated with Chile Markets S.A. Corredores de Bolsa, a securities broker in Chile. Repeated outgoing transfers of funds went from the Foundation’s New York account to a Chile Market Investments Ltd. account at Merrill Lynch. There is no explanation in the account documentation regarding the purpose of these transfers, or what happened to the funds after they went into the Chile Market Investments account. It is possible that funds from this account were used for some of Mr. Pinochet’s living expenses described earlier, such as rent during his extended detention in London, or for travel expenses. Due to the lack of information about the account’s outgoing transfers, it is difficult to assess either the nature of these transfers or the extent to which the Foundation account may have served as a conduit for Pinochet funds.

**Regulatory Oversight.** Banco de Chile-United States is regulated by both the OCC and the Federal Reserve Bank of Atlanta. The OCC oversees the bank as a whole and its New York branch, while the Federal Reserve Bank oversees its Miami branch.

Until recently, both regulators routinely examined the bank’s AML controls and routinely gave the bank satisfactory ratings. In 2004, however, after learning of the bank’s Pinochet-related accounts, the OCC initiated an extensive review of the bank’s AML policies and procedures and identified a host of major deficiencies. In February 2005, Banco de Chile and its New York branch entered into a 33-page consent decree with the OCC requiring the bank to revamp and strengthen its AML policies and procedures, particularly with respect to identifying and monitoring high risk accounts, reviewing accounts opened for public figures and offshore corporations, providing complete information in wire transfers, prohibiting accounts from being held under the name of someone other than the true owner, hiring additional compliance personnel, and improving bank systems for conducting audits, monitoring high risk accounts, and reporting suspicious activity. The same month, the Miami branch of Banco de Chile entered into a cease and desist order with the Federal Reserve Bank of Atlanta requiring many of the same AML reforms. The U.S. Treasury Financial Crimes Enforcement Network is currently considering whether to impose a civil monetary penalty on the bank for failure to comply with its U.S. AML obligations.

Two incidents related to the Pinochet accounts merit additional consideration. In late June 2002, as part of its review of Pinochet accounts at Riggs Bank, the OCC asked Banco de Chile-United States whether it had any U.S. accounts for Mr. Pinochet. The bank disclosed that Mr. Pinochet and his wife had a few U.S. accounts during the late 1990s, and that Mr. Pinochet had been a longstanding client of the bank in Chile for more than 30 years.

Banco de Chile-United States did not disclose at that time that there was any relationship between Mr. Aitken and Mr. Pinochet or that some accounts controlled by Mr. Aitken had been used by Mr. Pinochet to hold or transfer funds. About two weeks after the OCC inquiry, on July 17, 2002, Banco de Chile-United States received the \$6 million transfer from Riggs, but did not contact the OCC to alert it to the transfer. Nor did the bank mention the \$6 million transfer when an OCC examiner arrived at the New York branch on July 19-20 to review records from the closed Pinochet accounts.

Mr. Aitken has apparently claimed that he orally informed the New York branch at the time that the \$6 million transfer was associated with Mr. Pinochet, but the bank insists that none of its personnel was aware of a Pinochet connection to the \$6 million at the time of the transfer. The bank points out that the funds came primarily from two offshore corporations, Ashburton and Althorp, that it did not know were associated with Mr. Pinochet; the funds were directed to the account of another offshore corporation, Sociedad de Belview, controlled by Mr. Aitken; and bank officials did not then notice a related transfer of \$23,700 from Mr. Pinochet's wife, Maria Lucia Hiriart Rodriguez.

Banco de Chile-United States maintains that the OCC never mentioned Riggs when it made its initial inquiry about Pinochet accounts or when its examiner researched the Pinochet accounts in July, and never cautioned the bank to be on the lookout for a Riggs transfer. The bank also points out that Riggs itself failed to provide any notice under Section 314(b) of the Patriot Act that the \$6 million transfer was the result of an account closure, the funds were of interest to regulators, and the funds were associated with Mr. Pinochet. The bank maintains that had it received any warning in 2002 about Mr. Pinochet, from the OCC, the Federal Reserve Bank, or Riggs Bank, it could have protected the reputation of Banco de Chile by refusing the funds transfer.

Two years later, on July 15, 2004, this Subcommittee disclosed its investigation into the Pinochet funds at Riggs Bank, which was widely reported on the same day by the Chilean news media. According to Banco de Chile, during the evening of July 15, 2004, Mr. Aitken contacted his account executive at Banchile in Chile, and asked whether it would be possible to move his investments out of the United States "without a trace." The Banchile account executive informed him that such a transfer was not possible, and made an appointment to discuss the matter further in the morning. Mr. Aitken also asked the account executive if he had seen the articles published that day about Mr. Pinochet's accounts at Riggs Bank. The next morning, Mr. Aitken met with his account executive and told him that he had been managing funds for Mr. Pinochet since 1999, and had deposited Pinochet funds into accounts he had opened at Banco de Chile-United States

and Pershing Securities in the name of certain offshore corporations. According to the bank, the Banchile account executive again indicated that he could not help Mr. Aitken move the Pinochet funds out of those accounts without detection.

The same day, Banchile personnel informed senior Banco de Chile officials in Chile and the United States about the conversation with Mr. Aitken, including the head of the entire bank and the head of the bank's U.S. operations (who formerly served as the New York branch head and helped administer the Aitken offshore corporate accounts). Over the next two weeks, the head of Banco de Chile held several telephone conversations with the U.S. operations head about whether the bank was holding Pinochet funds in Aitken-controlled accounts and ordered the U.S. operations head to analyze all transfers from Riggs Bank into the New York branch. According to the bank, it was not until late in July 2004, that Banco de Chile-United States identified as possibly suspicious the July 2002 \$6 million transfer from Riggs Bank to the Sociedad de Belview account controlled by Mr. Aitken.

On July 27, 2004, the Federal Reserve Bank of Atlanta made a routine annual visit to Banco de Chile in Santiago. Near the end of a meeting with top Banco de Chile officials, the Federal Reserve Bank asked whether the bank had any Pinochet accounts at the branches in the United States. The bank indicated that Mr. Pinochet was no longer a customer in the United States, and the bank had an ongoing investigation to gather additional information. The bank also disclosed that Mr. Pinochet was a longstanding client in Chile. The bank did not then disclose the \$6 million transfer from Riggs Bank in 2002, or the likelihood that certain Aitken-controlled accounts held Pinochet funds. The bank has apparently since indicated that it should have disclosed the Aitken-Pinochet relationship and the Aitken offshore corporate accounts during that meeting with the Federal Reserve Bank.

On August 2, 2004, Mr. Aitken apparently contacted Banco de Chile and informed the bank that Chilean Judge Sergio Munoz had directed him to transfer all Pinochet-related funds in his U.S. accounts to an account in Chile under court control. On August 6, Mr. Aitken apparently told the bank that the securities in the G.L.P. Pershing account and the Tasker Pershing account were being liquidated and the proceeds would soon be ready for transfer. In the meantime, the bank requested and received a written court order to establish a court-controlled account and deposit the funds being transferred by Mr. Aitken. On August 12, Mr. Aitken transferred about \$5.5 million from the G.L.P. accounts and about \$1.3 million from the Tasker accounts to the bank in Chile, and, on August 13, 2004, the bank deposited these funds into an account under the control of the Santiago Court of Appeals.

In September 2004, Banco de Chile conducted a review of the Pinochet and Aitken accounts and, in mid-September, informed U.S. regulators about what the bank had found. In late September, the bank decided to hire outside legal counsel to conduct a more thorough review of both the accounts and actions taken by various bank officials. That internal review resulted in a report in December 2004.

### C. Espirito Santo Bank

Espirito Santo Bank is a state-chartered bank with about 85 employees in Miami, Florida.<sup>124</sup> According to its website, Espirito Santo Bank offers “private banking services to domestic and foreign clients” and commercial and institutional banking services to domestic clients. It describes itself as a member of the “Espirito Santo Group” which has worldwide assets of 45 billion euros. It is a subsidiary of Banco Espirito Santo, a publicly traded bank headquartered in Lisbon, Portugal. The Portuguese bank has affiliates in various countries including Brazil, Panama, Spain, Switzerland, Uruguay and Venezuela. Another affiliate, Banco Espirito Santo (International) Ltd. (“BESIL”), is licensed and operates in the Cayman Islands. Banco Espirito Santo also has a New York affiliate which, in response to Subcommittee inquiries, has stated that it has no record of any account related to Mr. Pinochet or his family.

The Subcommittee investigation has determined that Espirito Santo Bank in Miami maintained an eight-year relationship with Augusto Pinochet and his family, which began in October 1991 and ended in January 2000. Espirito Santo Bank opened at least 6 accounts and CDs in Miami for Mr. Pinochet, members of his immediate family, or for offshore entities controlled by Mr. Pinochet.<sup>125</sup> Based upon available records, from 1991 until 2000, funds totaling at least \$3.9 million were deposited into these U.S. accounts and CDs. The bank ended the relationship at the request of Mr. Pinochet in 2000, and apparently has not done any business with the Pinochet family since then.

Mr. Pinochet’s accounts at Espirito Santo Bank were opened by a former Riggs employee who had worked at Riggs International Banking Corporation (RIBC) in Miami and administered Mr. Pinochet’s Miami accounts from the early 1980s to the early 1990s. While at RIBC, he also administered some of the military officer accounts opened there. In September 1991, he was recruited to join Espirito Santo Bank by the head of the bank, who was formerly the head of RIBC from 1981 until 1990, before assuming the top position at Espirito Santo Bank. While head of RIBC, he had become acquainted with Mr. Pinochet and on several occasions corresponded with him about his RIBC accounts.<sup>126</sup> He also helped to open the first Chilean military officer account at RIBC.

Espirito Santo Bank has fully cooperated with all Subcommittee inquiries, producing all requested documentation and related information in the United States. Because the Pinochet accounts were established in 1991 and banks are only required to retain records for 5 to 7 years,

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<sup>124</sup> Information about Espirito Santo Bank is taken from its website, public filings, subpoenaed documents, interviews with bank representatives and employees, and information supplied by other financial institutions. The relevant documents are maintained in Subcommittee files.

<sup>125</sup> Documentation obtained by the Subcommittee shows that, in addition to these U.S. accounts, BESIL provided an account in the Cayman Islands for the offshore trust controlled by Mr. Pinochet, the Santa Lucia Trust.

<sup>126</sup> He told the Subcommittee that he does not recall engaging in any correspondence with Mr. Pinochet.

however, the bank had not retained account statements for the period 1991 to 1993. Other records from that period were also limited. Some of what the Subcommittee has learned about Espirito Santo accounts during those years has been reconstructed from documentation supplied by other financial institutions. In addition, citing bank secrecy laws, Espirito Santo Bank did not produce any information regarding Pinochet-related accounts at its Cayman affiliate, BESIL.

**Pinochet Accounts.** The Espirito Santo accounts opened for Mr. Pinochet or his family in the United States are the following.

(1) Account No. 115391494 was opened in the name of A.P. Ugarte or M. Lucia Hiriart in Miami on October 8, 1991, and closed on December 23, 1999.

(2) Account No. 116150253 was opened in the name of Trilateral International Trading Ltd. in Miami on October 17, 1991, and closed on January 31, 2000.

(3) Multiple accounts issuing CDs in the name of Trilateral International Trading Ltd. were opened in Miami from at least April 1993, and with the last CD continuing until December 1999. Multiple account numbers were assigned to these CDs, including 5111, 5444, 5521, 5522, 5990, 6332, 8269, 8466, 434104, and 492901. Individual CDs varied in amount from \$53,500 to \$1.8 million. Several were combined, reconfigured, or partially redeemed upon maturity.

(4) Account No. 116152530 was opened in the name of Banco Espirito Santo (International) Ltd. as Trustee of the Santa Lucia Trust, in Miami, on August 24, 1993, and closed on January 31, 2000.

(5) Account No. 5613, a CD, was opened in the name of the Santa Lucia Trust in Miami in August 1993 and transferred to a BESIL account for the trust in the Cayman Islands. This CD was cashed in December 1999.

(6) Account No. 115399095 was opened in the name of Mr. Pinochet's daughter, Jacqueline Pinochet, in trust for Maria Jose Martinez Pinochet, Mr. Pinochet's granddaughter, in Miami on August 10, 1993, and closed on April 1, 1994.

**Account Secrecy.** Espirito Santo Bank took a number of steps that helped to keep the existence of the Pinochet accounts secret. For example, the account opened for Mr. Pinochet and his wife used disguised variants of their names, "A.P. Ugarte" and "M. Lucia Hiriart." Most of the accounts and CDs were opened in the name of offshore entities, Trilateral International Trading and the Santa Lucia Trust. Only one account, opened for Mr. Pinochet's daughter, Jacqueline Pinochet, actually used her given name. When asked about the names used on the accounts, Espirito Santo Bank officials stated that persons in South America frequently used disguised names and opened accounts in the names of offshore entities to protect their privacy and foil attempts at kidnapping, theft, or other misconduct.

The two offshore entities holding Espirito Santo Bank accounts were established at different times and in different ways. Trilateral International Trading is a Bahamas corporation that was established on January 11, 1991, at Mr. Pinochet's request by United Management Services Ltd., a company formation agent in the Bahamas which also provided Trilateral with directors, officers, a registered office, and a registered agent.<sup>127</sup> The account documentation plainly names Mr. Pinochet as the beneficial owner, although the official account opening form is silent as to Trilateral's true owner.<sup>128</sup>

Two years later, in 1993, the Santa Lucia Trust was established in the Cayman Islands by the Cayman International Bank & Trust Company ("CIBATCO"). CIBATCO had an ongoing relationship with Banco Espirito Santo International Ltd. (BESIL), which then functioned as a shell bank in the Cayman Islands, without any employees. Upon request, CIBATCO routinely established and administered offshore corporations and trusts for Espirito Santo clients.<sup>129</sup> Account documentation shows that Espirito Santo Bank knew that the Santa Lucia Trust was associated with Mr. Pinochet. For example, a CIBATCO facsimile to Espirito Santo regarding the Santa Lucia Trust requests confirmation of Mr. Pinochet's signature.<sup>130</sup> In addition, a letter sent to the bank by Augusto Pinochet on March 14, 1995, identifies his wife as the trust's sole beneficiary.<sup>131</sup>

**Due Diligence.** There is no indication in available bank records that Espirito Santo Bank performed any due diligence review, source of funds analysis, or transaction monitoring for the Pinochet-related accounts. The bank clearly knew who the client was, because the account manager had handled the Pinochet accounts at RIBC, and his superior, the head of Espirito Santo Bank, had communicated with Mr. Pinochet while the head of RIBC. Espirito Santo Bank

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<sup>127</sup> See letter dated 3/4/05, from Alexiou, Knowles & Co. representing United Management Services. Ltd. to the Subcommittee regarding Trilateral International Trading Ltd.

<sup>128</sup> See Espirito Santo Bank account opening form for Account No. 116150253 in the name of Trilateral International Trading Ltd. (10/17/91); letter dated 9/9/98, from Mr. Pinochet to Espirito Santo Bank ("This is to inform you to please debit my investments accounts in the name of Trilateral International Trading Ltd. Acc. no. 116150253 and Santa Lucia Trust Acc. no. 1161525230."); Espirito Santo Bank account opening form for Account No. 11391494 in the name of A. P. Ugarte or M. Lucia Hiriart, (10/7/91)("Has Corp A/C N/O Trilateral Int'l Trading Inc.").

<sup>129</sup> Subcommittee interview with Espirito Santo Bank representatives. BESIL, which still operates in the Cayman Islands, now has two full time employees at that location. It still works with the Cayman International Bank & Trust Co. which has since been acquired and renamed Ansbacher (Cayman) Bank.

<sup>130</sup> Telefax from Indy Singh to Espirito Santo Bank of Florida regarding Santa Lucia Trust (12/13/99).

<sup>131</sup> Letter dated 3/14/95, from Mr. Pinochet to Espirito Santo Bank of Florida. See also letter dated 4/13/95, from Edgar W. Tatman of Espirito Santo Bank, the account manager for the Santa Lucia Trust account in Miami, to CIBATCO's managing director, regarding the Santa Lucia Trust; and letter dated 9/9/98, from Mr. Pinochet to Espirito Santo Bank of Florida.

pointed out that, at the time the Pinochet-related accounts were opened in 1991, it was not the bank's normal practice to evaluate the source of funds deposited into a client's accounts, or to monitor account activity, although both procedures are required by the bank's AML controls today.

From 1998 until March 2000, Augusto Pinochet was the subject of civil and criminal proceedings in Spain, the United Kingdom, and Chile, including issuance of a 1998 Spanish court order directing financial institutions to freeze Mr. Pinochet's assets on a worldwide basis. These proceedings and the issuance of the freeze order were repeatedly described in international and United States news media reports. Throughout this period, Espirito Santo Bank failed to alert any court or law enforcement entity to the accounts it then held for Mr. Pinochet, containing millions of dollars.

When asked why the bank closed the last of the Pinochet-related accounts in January 2000, bank officials explained that, in every case where it closed a Pinochet-related account, the bank had acted at the request of Mr. Pinochet.

**Transactions of Interest.** Virtually all of the Espirito Santo accounts saw multiple transfers of funds to and from other Pinochet-related accounts.

Consider, for example, the first two accounts that were opened within a week of each other in 1991, one for Mr. "Ugarte" and Ms. "Hiriart" and one for Trilateral International Trading. Over the course of the next eight years, the Ugarte/Hiriart account received deposits totaling about \$2.1 million. Half this amount, about \$1.1 million, came from the Trilateral account, in multiple transfers over time varying from \$18,000 to \$500,000 per transfer. Between August 1992 and August 1994, the account also received multiple transfers of funds totaling about \$525,000 from one of the military officer accounts at Riggs, opened in the name of Gabriel Vergara Cifuentes. Another \$410,000 or so came from checks drawn on accounts at Banco de Chile and Citigroup, where Mr. Pinochet and his family had numerous accounts, and from checks drawn on accounts at American Express International Bank and Swiss Bank Corporation in New York.

Available records show withdrawals from the Ugarte/Hiriart account totaling about \$1.8 million. They include about \$440,000 withdrawn in various amounts for "Daniel Lopez," an alias used by Mr. Pinochet; Mr. Pinochet's assistant, Monica Ananias Kuncar; his son, Marco Pinochet; a Chilean military official, Eugenio Castillo Cadiz, who maintained an account at Riggs; and his daughters, Ines Lucia and Maria Veronica Pinochet. Another \$500,000 was wire transferred in September 1997, to Levant Management, a Chilean company and Espirito Santo bank client since 1996.<sup>132</sup> Another \$550,000 was transferred to the Trilateral account, and about \$350,000 went to various, other unknown parties. This account closed in December 1999.

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<sup>132</sup> Espirito Santo Bank indicated that, in 2000, the name of Levant Management had changed to Rio Investment Corporation, and that it was related to a money exchange business in Chile called Intercam Turismo.

Available records show that the 1991 Trilateral account received deposits over 8 years totaling about \$3.5 million. It appears that the account's initial funding, about \$1.19 million, came from a Pinochet account at Riggs in 1991.<sup>133</sup> Records indicate that another \$1.4 million was deposited into the account in July 1993, via a credit memo. The source of those funds is not identified. About \$550,000 was transferred over time from the Ugarte/Hiriart account at Espirito Santo Bank, together with about \$195,000 from the Santa Lucia trust account. Another \$175,000 appears to have been interest generated from the account and various CDs established for Trilateral. One account statement dated July 31, 1993, identifies multiple CDs whose value then totaled about \$2.6 million.<sup>134</sup>

Despite these CDs, the Trilateral account did not function as a savings account; rather it distributed most of the money it received. On August 24, 1993, for example, about \$1.9 million was withdrawn from the Trilateral account and transferred to a newly established account for the Santa Lucia Trust, providing that trust's initial funding. From 1992 until 1999, another \$1.1 million was transferred over time in varying amounts to the Ugarte/Hiriart account at Espirito Santo Bank, as described above. On September 9, 1998, an Espirito Santo cashiers check for \$400,000, drawn on the Trilateral account and made payable to Augusto Pinochet Ugarte, appears to have been cashed at Banco de Chile in Chile.<sup>135</sup> The purpose and ultimate use of this \$400,000 cashiers check is not currently known. The Trilateral account closed in January 2000.

The Santa Lucia Trust account was first opened in August 1993, just after the Trust was established. Shortly after the account was opened, the Trust received a \$1.9 million deposit from the Trilateral account and established a \$1.9 million CD in Miami, which was then transferred to a trust account at BESIL in the Cayman Islands. During the 6 years the trust account was open, account records show that it accumulated deposits totaling about \$2.3 million, most of which came from the \$1.9 million transfer from the Trilateral account and interest earned on that amount. The vast majority of these funds was kept in the trust's BESIL account in the Cayman Islands, while the Miami account usually showed modest balances. This account closed in January 2000.

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<sup>133</sup> In January 1991, Miami Riggs Account No. 707547, opened for Mr. Pinochet and his wife, sent a \$1.15 million wire transfer to the Bank of Bahamas for further credit to Deloitte & Touche. At the time, Deloitte & Touche had an agreement with Riggs to provide it with a variety of services, including management of Riggs Bank & Trust Co. (Bahamas), which was then a shell bank. Ten months later, in October 1991, Deloitte & Touche sent a \$1.19 million wire transfer to Espirito Santo Bank for deposit into the newly opened Trilateral account.

<sup>134</sup> See Espirito Santo Bank account statement for Account No. 116150253 for July 1993.

<sup>135</sup> A letter to the bank dated a few days earlier discloses that Mr. Pinochet had instructed Espirito Santo Bank to debit both the Trilateral and Santa Lucia Trust accounts to finance this \$400,000 check. Bank records show that the Trust had deposited \$70,000 into the Trilateral account on September 9, 1998, just before the cashiers check was drawn on that account.

The final Espirito Santo account, opened for Mr. Pinochet's daughter in trust for his granddaughter, was active for only eight months. The account was opened in August 1993, with \$15,000 from an unidentified source. Within one month, half the total, about \$7,200 was withdrawn in multiple checks of various amounts payable to Mr. Pinochet's assistant, Monica Ananias Kuncar. The account was closed in April 1994.

In December 1999, Espirito Santo Bank transferred all of the funds in the Pinochet-related accounts that were then open, including the Ugarte/Hiriart joint account, the Trilateral account, and the Santa Lucia Trust account, to the Miami office of Coutts & Co. (USA) International. The bank wire transferred about \$2,000 from the joint account and about \$12,000 from the Trilateral account. In the case of the Trust, the bank wire transferred about \$12,700 from the Trust's Miami account, and over \$2.3 million from the Trust's Cayman account to its Miami account and from there to an account at Coutts. All of the funds wire transferred by Espirito Santo Bank were deposited at Coutts into an account in the name of Eastview Finance, S.A. Each of the wire transfer records also referenced Oscar Aitken in connection with the Eastview account. As explained earlier with respect to Banco de Chile, Mr. Aitken is a Chilean attorney who had close ties to Mr. Pinochet and who allowed Eastview Finance, a BVI corporation he controlled, to act as a conduit for Pinochet funds.

**Regulatory Oversight.** Espirito Santo Bank told the Subcommittee that neither its state nor federal regulators ever inquired about any of the Pinochet-related accounts, and it had never provided information about them to any regulator or law enforcement authority.

#### **D. Other Financial Institutions**

In addition to the Riggs, Citigroup, Banco de Chile-United States, and Espirito Santo Bank accounts described above, the Subcommittee saw evidence of Pinochet-related accounts and transactions involving a host of other financial institutions operating 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; and PineBank N.A.

**Banco Atlantico.** In September 2004, Banco Atlantico merged with Banco de Sabadell to become the fourth largest bank in Spain, offering a wide range of financial services, including retail and private banking.<sup>136</sup> Although no Pinochet-related accounts have been identified at any U.S. branch or affiliate of Banco Atlantico or Banco de Sabadell, records indicate that, from 1981 until 2000, foreign affiliates of Banco Atlantico in Gibraltar; Madrid, Spain; and Zurich, Switzerland repeatedly transferred substantial sums of money to Pinochet accounts at Riggs Bank in the United States, totaling in excess of \$5.8 million.

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<sup>136</sup> Information about Banco Atlantico is taken from its website, public filings, subpoenaed documents, interviews with bank representatives, and information supplied by other financial institutions. The relevant documents are maintained in Subcommittee files.

Banco Atlantico and Banco de Sabadell fully cooperated with Subcommittee requests for documents and related information, providing all requested U.S. documentation. Citing bank secrecy laws, however, neither bank supplied any records from Banco Atlantico's overseas affiliates in Gibraltar, Madrid, and Zurich.<sup>137</sup> Information about transactions involving these foreign affiliates were reconstructed from Banco Atlantico wire transfer records and from records produced by other financial institutions. In addition, the Subcommittee obtained information suggesting that the Banco Atlantico affiliate in Gibraltar may have had a single account opened in the name of Mr. Pinochet and his son, Marco Pinochet.

While limited documentation prevents a complete analysis of the Pinochet transactions involving Banco Atlantico, the evidence available to the Subcommittee indicates that, between 1981 and 2000, more than \$5.8 million was transferred from Banco Atlantico's overseas affiliates to Pinochet-related accounts at Riggs Bank through 13 wire transfers and one check. The 13 wire transfers were routed through a Banco Atlantico branch in New York before being transmitted to Riggs.<sup>138</sup> The paperwork associated with these transactions reference Augusto Pinochet; "Ramon Pinochet" and "A.P. Ugarte" disguised variants of his name; "Daniel Lopez," a Pinochet alias; "M.L. Hiriart" or "M. Hiriart," believed to be Mr. Pinochet's son (but possibly his wife); "Marco P. Hiriart" and "Mario P. Hiriart," believed to be Mr. Pinochet's son; and various Chilean military officers with Riggs accounts in Miami.

According to the available records, one check originated in Madrid, one wire transfer originated in Zurich, and 8 wire transfers originated in Gibraltar. Due to incomplete records, the origins of 4 other transfers cannot be determined, but they likely originated overseas since there were no Pinochet accounts at Banco Atlantico in the United States. The key transactions are the following.

– On November 23, 1981, a Banco Atlantico account in Madrid sent a \$400,000 check payable to "El Portador," the bearer of the check. This check was deposited into Miami Riggs Account No. 350413, which had been opened that same day in the name of Jorge Ballerino Sanford and/or Ramon Castro Ivanovic. This account was the first of the military officer accounts at Riggs Bank in Miami, as described earlier.

– On July 19, 1994, "M. Hiriart" sent a \$250,000 wire transfer through the Banco Atlantico New York correspondent account to Miami Riggs Account No. 710053, opened in the name of Daniel Lopez in trust for Augusto J. Pinochet.

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<sup>137</sup> In addition, records related to Banco Atlantico Gibraltar Ltd. were unavailable because, in November 2004, Banco Atlantico sold its Gibraltar branch to the European Financial Group (EFG) of Switzerland, and transferred all of its Gibraltar records to EFG. Banco Atlantico indicated that all of its Gibraltar staff switched employment to EFG as well, which meant that none of Banco Atlantico's current staff had personal knowledge of the Pinochet accounts in Gibraltar.

<sup>138</sup> The Banco Atlantico office in New York office has since closed.

- On July 25, 1994, a Banco Atlantico account in Zurich sent a \$147,000 wire transfer to Miami Riggs Account No. 709345 opened in the name of Gabriel Vergara Cifuentes, a Chilean military officer. No originator's name was provided on the wire transfer.
- In November 1994, "M. Hiriart" sent a \$627,000 wire transfer through the Banco Atlantico New York correspondent account to Miami Riggs Account No. 710053, opened in the name of Daniel Lopez in trust for Augusto J. Pinochet.
- On February 3, 1995, "RAPI" sent a \$217,000 wire transfer through the Banco Atlantico New York correspondent account to Miami Riggs Account No. 710467 opened in the name of Juan Ricardo Mac Lean Vergara, a Chilean military officer.
- On September 25, 1995, "Mario P. Hiriart" sent a \$417,000 wire transfer from a Banco Atlantico account in Gibraltar to Miami Riggs Account No. 710467 opened in the name of Juan Ricardo Mac Lean Vergara, a Chilean military officer.
- On February 22, 1996, "Marco P. Hiriart" sent a \$226,000 wire transfer from a Banco Atlantico account in Gibraltar to Miami Riggs Account No. 710467 opened in the name of Juan Ricardo Mac Lean Vergara, a Chilean military officer.
- On September 26, 1996, "M. Hiriart" sent a \$365,167 wire transfer for "M.L. Hiriart" from a Banco Atlantico account in Gibraltar to Washington Riggs Account No. 76750393 opened in the name of Augusto Pinochet Ugarte and/or Lucia Hiriart Rodriguez.
- On May 28, 1996, "Marco Hiriart" sent a \$427,344 wire transfer from a Banco Atlantico account to Washington Riggs Account No. 76750393 opened in the name of Augusto Pinochet Ugarte and/or Lucia Hiriart Rodriguez.
- On February 25, 1997, "M. Hiriart" sent a \$805,442 wire transfer for "M.L. Hiriart" from a Banco Atlantico account in Gibraltar to Washington Riggs Account No. 76750393 opened in the name of Augusto Pinochet Ugarte and/or Lucia Hiriart Rodriguez.
- On May 27, 1997, "M. Hiriart" sent a \$843,397 wire transfer for "M.L. Hiriart" from a Banco Atlantico account in Gibraltar to Washington Riggs Account No. 76750393 opened in the name of Augusto Pinochet Ugarte and/or Lucia Hiriart Rodriguez.
- On March 10, 1998, "Marco P. Hiriart" sent a \$143,110 wire transfer for "Sr. AP Ugarte" from a Banco Atlantico account in Gibraltar to London Riggs Account No. 74041013, an account which is unknown to the Subcommittee.
- On January 29, 1999, "Ramon Pinochet" sent a \$499,985 wire transfer for "Transamerica Merchant International" from a Banco Atlantico account in Gibraltar to

Account No. 449700000 at Refeo Capital Market International bank, an account which is unknown to the Subcommittee.

– On July 24, 2000, “M.L. Hiriart” sent a \$487,111 wire transfer for “M.L. Hiriart” from a Banco Atlantico account in Gibraltar to Washington Riggs Account No. 76835282 opened in the name of Augusto Pinochet Ugarte and/or Lucia Hiriart de Pinochet.

These transfers and other information available to the Subcommittee indicate that Mr. Pinochet and his family had at least one account at the Zurich branch of Banco Atlantico. When the Zurich branch closed in 1994, the evidence indicates that the Pinochet account or accounts were transferred to the Banco Atlantico branch in Gibraltar. The number of Pinochet-related accounts located in the Gibraltar branch remains unclear; some information obtained by the Subcommittee suggests there may have been just one joint account for Mr. Pinochet and his son, but the wire transfer documentation indicates it is also possible there were three accounts for Mr. Pinochet, his wife, and his son Marco. In November 2004, the Gibraltar affiliate was sold to the European Financial Group of Switzerland; information provided to the Subcommittee indicates that, at the time of the sale, one or more of the Pinochet accounts was apparently still in existence and allegedly disclosed to the buyer as part of the due diligence process associated with that sale.

**Bank of America.** Bank of America is one of the largest financial institutions in the United States, managing assets in excess of \$470 billion and reporting net income in 2004 of about \$14 billion.<sup>139</sup> It offers clients a wide range of financial services, including retail banking, private banking, credit cards, brokerage services, and investment advice. According to the bank’s website, it employs over 175,000 individuals worldwide, maintains offices in 35 countries, and supports clients in 150 countries.

Bank of America fully cooperated with Subcommittee requests for documents and related information, providing all requested U.S. documentation. Citing bank secrecy laws, however, the bank did not supply any records from foreign affiliates which, the bank disclosed, “may maintain or may have maintained accounts in Chile and Spain” for Mr. Pinochet or his family.<sup>140</sup> Information about a few transactions involving BankBoston and Mr. Pinochet have been reconstructed from records produced by other financial institutions.

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<sup>139</sup> Information about Bank of America is taken from its website, public filings, subpoenaed documents, interviews with bank representatives, and information supplied by other financial institutions. The relevant documents are maintained in Subcommittee files.

<sup>140</sup> Letter dated 12/20/04, from Bank of America to the Subcommittee. In 2004, Bank of America completed its acquisition of FleetBoston, and all of its affiliates, including BankBoston in Chile which is known to have maintained accounts for Mr. Pinochet and other family members.

Account records indicate that, from 1993 until 2004, Bank of America maintained 3 U.S. accounts and as many as 6 CDs at a time for Mr. Pinochet's daughter, Ines Lucia Pinochet. At least three of these CDs, in the amount of \$100,000 or more, were purchased in 2002; the other CDs, which ranged in value from \$10,000 to \$125,000, were purchased between 1996 and 2002, and some were held in trust for one or more of her sons. The maximum amount of funds in Ms. Pinochet's Bank of America accounts at one time totaled about \$420,000, in December 2002.

One source for the funds in the accounts was a \$300,000 Riggs cashiers check issued in September 2002, which withdrew funds from Ms. Pinochet's account at Riggs in London. The cashiers check was deposited into Ms. Pinochet's Bank of America account on September 30, 2002. Nine days later, on October 9, Ms. Pinochet purchased three \$35,000 Bank of America cashiers checks and later deposited two of them into an account she held at PineBank in Miami. Also, on October 9, 2002, she wrote a \$60,000 personal check from her Bank of America account to her PineBank account, for a total transfer from her Bank of America account to her PineBank account of \$130,000. Bank of America closed her U.S. accounts in 2004.

In addition, documents obtained by the Subcommittee from Riggs Bank show that BankBoston in Chile, cashed two cashiers checks for Mr. Pinochet in 2001, that together provided him with \$100,000.

– On January 3, 2001, BankBoston cashed a Riggs cashiers check dated August 18, 2000, for \$50,000, made payable to “Augusto Pinochet.”

– On October 1, 2001, BankBoston cashed a Riggs cashiers check dated May 15, 2001, for \$50,000, made payable to “Maria Hiriart and/or Augusto P. Ugarte.”

Because bank secrecy laws in Chile preclude Bank of America from producing documentation related to these transactions, the Subcommittee does not know who presented the Riggs cashiers checks to BankBoston. According to a Chilean appeals court finding, the checks were cashed at BankBoston “by a third party, despite the fact that they were nominative. Then various amounts of the cash in dollars were changed to cash in Chilean pesos on the informal market so that said transaction would not be reported to the Central Bank.”<sup>141</sup>

**Coutts & Co. (USA) International.** Coutts & Co. (USA) International is an Edge Act corporation that was once part of the Miami-based Coutts Group, which is the international private banking arm of The Royal Bank of Scotland Group.<sup>142</sup> In May 2003, the Coutts Group sold Coutts & Co. (USA) International and its Latin American private banking division to Banco

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<sup>141</sup> Case No. 1649-2004, Court of Appeals of Santiago, 12/10/04, at 7.

<sup>142</sup> Information about Coutts & Co. (USA) and its parent Banco Santander is taken from their websites, public filings, subpoenaed documents, interviews with bank representatives, and information supplied by other financial institutions. The relevant documents are maintained in Subcommittee files.

Santander Central Hispano (“Banco Santander”). Banco Santander is one of the largest banks in Chile and in Europe. Coutts & Co. (USA) International became part of Banco Santander’s International Private Banking Unit, which manages about \$25 billion globally. Coutts & Co. (USA) International is headquartered in Miami.

Banco Santander has cooperated with Subcommittee requests for documents and related information pertaining to Coutts & Co. (USA) International. Because Banco Santander purchased Coutts & Co. (USA) International in 2003, and the Coutts accounts were not transferred to Banco Santander until January 2004, its personnel is not familiar with many of the transactions involving Mr. Pinochet, which took place years earlier. The bank also no longer employs the Coutts personnel who had knowledge of these transactions. Information about some of the transactions involving Coutts & Co. (USA) International has been supplemented from records produced by other financial institutions.

The evidence available to the Subcommittee indicates that, beginning in 1993, Coutts & Co. (USA) International opened multiple accounts for Eastview Finance S.A. and Tasker Investments Ltd., offshore corporations controlled by Oscar Aitken, the Chilean lawyer with ties to Mr. Pinochet.<sup>143</sup> Acting as an introducing broker, Coutts also helped Eastview open a brokerage account at Pershing Securities in June 2001.

In December 1999, as part of its process for closing its Pinochet-related accounts, Espirito Santo Bank wire transferred all of the funds in the Pinochet joint account, the Trilateral account, and the Santa Lucia account, totaling about \$2.3 million, to Coutts & Co. (USA) International for further credit to Eastview Finance. One of the four wire transfers used to transfer the funds to Coutts referenced “A.P. Ugarte,” the name of the account at Espirito Santo Bank that was the source of the funds. The account documentation indicates that, as part of the process of accepting the Espirito Santo wire transfers totaling about \$2.3 million, the Coutts account manager assigned to the Eastview account was required to explain the source of the incoming funds. The account manager indicated that the source of the funds was Mr. Aitken’s business investments and rental properties. According to Banco Santander, Mr. Aitken never informed the bank that the Eastview account or the incoming funds were associated with Mr. Pinochet.

Once the \$2.3 million was deposited into the Eastview account at Coutts, the funds were invested in short term CDs. In March 2000, some of the CDs matured and \$400,000 was transferred out of Coutts to an account at a Chilean financial services firm, called Monex. In October 2000, other CDs with a value of about \$1.9 million matured, and Eastview invested part of the funds, about \$1.49 million, in a fixed income financial instrument offered by Pulsar Internacional, a Mexican holding company. The remaining \$500,000 was transferred to Monex in November 2000.

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<sup>143</sup> Eastview Finance had Account Nos. 763802 and 763810, as well as a custody account, while Tasker Investments had Account Nos. 56297511 and 56297521. Coutts also maintained other accounts for Mr. Aitken.

Over the eleven years it was open, from 1993 until 2004, the Eastview account at Coutts experienced significant activity and substantial funds transfers. While the nature of many of these transactions cannot be determined, some of the transactions involve financial institutions with Pinochet-related accounts and the source of much of the funds in the account after December 1999, can be traced to Pinochet funds transferred from Espirito Santo Bank. For example, in November 1997, the Eastview account at Coutts sent a \$394,000 wire transfer to a Tasker account at Morgan Stanley. In April 2002, an Eastview account at Banco de Chile-United States, Account No. 105033261, sent a \$26,156 wire transfer to the Eastview account at Coutts. In April 2002, the Eastview account at Coutts sent a \$200,000 wire transfer to a Monex account at Banco de Chile New York, and the wire instructions referenced "Abanada Finance Ltd." A similar transfer for \$35,000 took place in October 2002. In March 2002, the Eastview account at Coutts sent a \$1500 wire transfer to Bank Leumi in Miami for "Aleman, Cordero, Galindo and Lee 're: GLP'." A similar transfer of \$1200 occurred in September 2002. In November 2003, the Eastview account at Coutts sent a \$132,000 wire transfer to the Tasker account at Lehman Brothers, Account No. 74315017, that had been set up by Banco de Chile. It is clear that the Eastview account at Coutts functioned as a conduit for Pinochet funds. Whether the Tasker account also received Pinochet funds is currently unclear.

In addition to maintaining the Aitken-related corporate accounts, Coutts also played a role in the November 1997 loan issued by the New York branch of Banco de Chile-United States to Augusto Pinochet for \$500,000. When the loan was issued, Mr. Pinochet immediately withdrew the loan proceeds using a personal check drawn on his New York Banco de Chile account and made the check payable to Coutts & Co. (USA) International. The check was delivered on the same day to the Miami office of Coutts. At the same time, Mr. Aitken asked Coutts to use the check to purchase 4 CDs in the name of Eastview Finance, each in the amount of \$125,000, which would be picked up later by representatives of Banco de Chile in Miami. Coutts declined to complete the transaction, however, before the personal check had time to clear. Instead, Coutts delivered the check to the Miami branch of Banco de Chile. On the same day, the Miami branch sent Coutts a Banco de Chile cashiers check for \$500,000. Coutts accepted the cashiers check and, in return, issued a Coutts cashiers check in the same amount. The Coutts cashiers check was then delivered to the Miami branch of Banco de Chile, where it was used to buy 4 CDs in the name of Eastview Finance. In response to questions, Banco Santander has indicated that it does not know why Coutts was involved in this transaction nor what role it played.

In 2003, Coutts was sold to Banco Santander. According to Banco Santander, the Aitken accounts were not identified by Coutts during the due diligence process. In the late fall of 2004, the Aitken offshore corporate accounts were brought to the attention of Banco Santander, and the bank closed all of its accounts related to Mr. Aitken, except for one. The only account now open is the Eastview account holding the Pulsar financial instrument. According to Banco Santander, Pulsar Internacional declared bankruptcy and the Pulsar financial instrument is currently tied up in bankruptcy proceedings. Banco Santander has allowed the account to remain open pending the identification of a purchaser or resolution of the bankruptcy matter, but has frozen all activity in the account.

**Ocean Bank.** Ocean Bank is a state-chartered bank which offers a range of financial services, including private banking, consumer lending, corporate lending, and merchant card processing.<sup>130</sup> According to its website, Ocean Bank managed over \$4.6 billion in assets last year and increased its income by more than 50 percent from 2003 to 2004. It is headquartered in Miami and operates 23 branches in Florida.

Ocean Bank fully cooperated with Subcommittee requests for information. Information about some of the accounts and transactions involving Ocean Bank has been reconstructed from records produced by other financial institutions.

Ocean Bank currently maintains at least 4 accounts and CDs for Mr. Pinochet's son, known to the bank as Marco Antonio Hiriart. A checking account, first opened in December 1998, currently holds a modest balance. Three CDs have a total value in excess of \$325,000, two of which were established in 2003, and one in 2004.

The source of funds for the three CDs appears to have been Cititrust Account No. 10328149, a Bahamas account opened in the name of Meritor Investments Ltd., the Bahamian offshore corporation controlled by Marco Pinochet. Between October 2003 and June 2004, at least 5 wire transfers, totaling \$349,326, moved funds from the Meritor Investments account in the Bahamas to the Ocean Bank checking account in Miami. In addition, Cititrust records show that, on June 8, 1995, Meritor Investments sent a \$81,300 wire transfer to an Ocean Bank account for Sociedad de Inversiones Fermar Limitada, a Chilean real estate company owned by Marco Pinochet. This wire transfer indicates that Mr. Hiriart had a fifth account at Ocean Bank, opened as early as 1995, in the name of his Chilean corporation. The current status of the Sociedad de Inversiones Fermar Limitada account is unknown.

**PineBank.** PineBank N.A. is a small, nationally chartered bank located in Miami, Florida.<sup>131</sup> According to its website, it specializes in global trade finance and international private banking focused on Latin America, the Caribbean, and emerging markets.<sup>132</sup> Bank records indicate that Augusto Pinochet's grandson, Rodrigo Andres Garcia, the son of Ines Lucia Pinochet, is employed by the bank.

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<sup>130</sup> Information about Ocean Bank is taken from its websites, public filings, interviews with bank representatives, and information supplied by other financial institutions. The relevant documents are maintained in Subcommittee files.

<sup>131</sup> Information about PineBank N.A. is taken from its website, public filings, subpoenaed documents, and information supplied by other financial institutions. The relevant documents are maintained in Subcommittee files.

<sup>132</sup> Among other countries in Latin America, PineBank conducts business related to Chile. In 2003, PineBank as well as the Bank of New York, and Banco de Chile's New York branch, were accused of accepting stolen certificates of deposit from a Chilean government business development agency, the Corporation for the Promotion of Production ("Corfo"), in a \$100 million major fraud carried out by insiders at Corfo and a brokerage firm Inverlink. Legal proceedings related to this matter are ongoing. See, e.g., "Chile – Shaken But Not Broken," *The Banker*, 5/1/03; "Chilean financial scandal hits US shores," UPI, 11/7/03.

PineBank fully cooperated with Subcommittee requests for documents and related information. Information about some of the accounts and transactions involving PineBank has been reconstructed from records produced by other financial institutions.

The bank maintained several accounts and CDs for Ms. Pinochet from 2001 until 2004. The first account was opened on August 15, 2001, in the name of “Ines L. Hiriart.” Over time, the bank established three CDs for her, with a total value of about \$170,000. Bank of America records show that between October and December 2002, Ms. Pinochet transferred \$130,000 from an account at that bank to a PineBank account, using funds traceable to her Riggs account in London. In December 2002, PineBank issued her a loan to purchase real estate in Chile. In 2003, her account received deposits totaling about \$150,000 from Sun Trust Bank, which Ms. Pinochet explained were related to a sale of real estate in Florida. According to the bank’s due diligence records, the source of funds in Ms. Pinochet’s accounts came primarily from real estate sales and marital assets, and her parents did not play any apparent role in the banking relationship. In 2004, PineBank closed all of her accounts.

**Other Financial Institutions.** In addition to the financial institutions named above, the Subcommittee investigation saw evidence of transactions involving Mr. Pinochet, his immediate family, offshore entities he controls, or third parties willing to act as conduits for Pinochet funds at a number of other financial institutions operating in the United States, including American Express; Bank Atlantic in Miami; First National Bank and Trust Company in Stuart, Florida; Kislam National Bank in Miami; Morgan Stanley; and Swiss Bank Corporation which is now part of UBS AG. Limited Subcommittee resources have precluded an analysis of each of these transactions and related financial accounts.

#### **E. A Secret Web of Accounts**

Because Mr. Pinochet was able to open or utilize accounts at so many financial institutions operating in the United States, often under disguised names, he was able to construct a secret web of U.S. accounts that he could use to move funds and transact business with little or no notice from U.S. regulators or law enforcement. He used these accounts to complete transactions, not only within the United States, but also across international lines.

One of the ways he kept this web of accounts secret was his use of multiple account names, as described throughout this Report. The Subcommittee also located at least three different Chilean passports that Mr. Pinochet used when opening accounts at U.S. financial institutions.<sup>133</sup> One is an official diplomatic passport issued in the name of “Augusto Pinochet

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<sup>133</sup> The Chilean government informed the Subcommittee that a Chilean judge has taken possession of four different passports for Mr. Pinochet, removed from one of Mr. Pinochet’s offices in Chile. It is not known whether those passports match one or more of the passport copies on file with U.S. financial institutions.

Ugarte.”<sup>134</sup> Another is a non-diplomatic passport issued in the name of “Augusto P. Ugarte.”<sup>135</sup> The third is a non-diplomatic passport issued in the name of “Jose Ramon Ugarte.”<sup>136</sup> The three passports have different identification numbers, different photographs, and different signatures. It is possible that his use of these different passports made it more difficult for financial institutions, regulators, and law enforcement to track his various accounts.

The following examples help illuminate how Mr. Pinochet used his various accounts to manipulate the U.S. financial system, move funds, and transact business.

**Moving Money from Gibraltar to Washington to Santiago.** On July 17, 2000, “M. L. Hiriart,” believed to be Mr. Pinochet’s son Marco (but possibly Mr. Pinochet’s wife), attempted to wire \$487,111 from Banco Atlantico in Gibraltar to Riggs Bank Account No. 76750393, a joint account for Mr. Pinochet and his wife in Washington. Because that Riggs account had been closed in 1999, the transfer was not completed. One week later, on July 24, \$487,111 was successfully transferred from Banco Atlantico in Gibraltar to Washington Riggs Bank Account No. 76835282, a successor joint account opened in the name of Augusto Pinochet Ugarte and/or Lucia Hiriart de Pinochet.<sup>137</sup> The monthly statement for this joint account, covering the month of July 2000, shows an opening balance of \$82,447.49, and a new balance of \$569,964.82 on July 24, the final day of the statement period. At that point, the funds transferred from Gibraltar comprised the vast majority of the funds in the Riggs joint account.<sup>138</sup>

On August 18, 2000, the first significant activity in the joint account since the July 24 wire transfer was a debit of \$400,056. These debited funds were used to finance 8 cashiers checks issued by Riggs in the amount of \$50,000 each.<sup>139</sup> Each of these cashiers checks was made payable to Augusto Pinochet. A Riggs private banker then flew to Santiago, Chile and

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<sup>134</sup> See Riggs document, copy of Passport No. D002569, from documentation associated with Miami Account No. 707547, Bates RNB032201.

<sup>135</sup> See Riggs document, copy of Passport No. A029627, from documentation associated with London Account No. 25005393, Bates RNB033779.

<sup>136</sup> See Citigroup document, copy of Passport No. A010625, from documentation associated with New York Account No. 10040217, Bates C000071.

<sup>137</sup> See letter dated 12/15/04, from Banco de Sabadell, S.A., Miami Agency to the Subcommittee; Riggs Bank monthly statement for Account No. 76835282, 6/22/00 - 7/24/00, Bates RNB 033008. The funds also went through the New York correspondent account of Banco Atlantico.

<sup>138</sup> See Riggs Bank monthly statement for Account No. 76835282, 6/22/00 - 7/24/00, Bates RNB033008.

<sup>139</sup> See Riggs Bank monthly statement for Account No. 76835282, 7/25/00 - 8/21/00, Bates RNB033009; Riggs Negotiable Instrument Issuance Log, 8/18/00, Bates OCC0000045748. Riggs charged a \$7 fee for each of the cashiers check.

hand-delivered the cashiers checks to Mr. Pinochet.<sup>140</sup> By September 1, 2000, the checks began to be cashed at BankBoston and Banco de Chile branches in Santiago.<sup>141</sup> Over the following four months, according to an appeals court in Chile, the checks “were cashed at Banco de Chile and Bank Boston by a third party, despite the fact that they were nominative. Then various amounts of the cash in dollars were changed to cash in Chilean pesos on the informal market so that said transaction would not be reported to the Central Bank.”<sup>142</sup>

In this example, then, funds went from a Banco Atlantico account in Gibraltar, to a Riggs account in Washington, were converted into cashiers checks that were physically carried to Mr. Pinochet in Santiago, were then converted into dollars as the checks were cashed, and were ultimately converted into pesos on the Chilean black market. How the funds were used subsequently is currently unknown to the Subcommittee.

**Moving Money from New York, the Bahamas and Gibraltar to Washington.** On April 22, 1996, Mr. Pinochet’s son, Marco Pinochet Hiriart, faxed a letter to Carol Thompson, the senior vice president of Latin America in Riggs Embassy Banking Division, requesting specific information to wire transfer funds to an account in his mother’s name at Riggs Bank in Washington.<sup>143</sup> The following day Ms. Thompson replied with a letter providing the requested information.<sup>144</sup> Two days later, on April 25, Marco Pinochet sent a \$403,000 wire transfer from New York Citigroup Account No. 10328149, opened in the name of Meritor Investments, to a Cititrust clearing account in the Bahamas. Meritor Investments Ltd. is a Bahamian offshore corporation controlled by Marco Pinochet and administered by Cititrust, a Citigroup affiliate located in the Bahamas. It is not clear why the funds from the New York account went to the Cititrust clearing account in the Bahamas instead of the normal Citibank Private Bank clearing account in New York; it is possible that this routing was done to remove the name of Meritor Investments, the true originator of the funds, from the wire transfer documentation. On April 25, the \$403,000 was deposited into Riggs Bank Account No. 76750393, a joint account for Mr. Pinochet and his wife in Washington, D.C.<sup>145</sup>

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<sup>140</sup> See 2004 Hearing Record at 151.

<sup>141</sup> See, e.g., Riggs Cashiers Check No. 1674316, payable to Augusto Pinochet, Bates OCC0000045749.

<sup>142</sup> Case No. 1649-2004, Court of Appeals of Santiago, 12/10/04, at 7.

<sup>143</sup> See letter from Marco P. Hiriart to Carol Thompson, 4/22/96, Bates RNB029549.

<sup>144</sup> See letter from Maria Carol Thompson to Marco P. Hiriart, 4/23/96, Bates RNB029547.

<sup>145</sup> See Riggs money transfer document, 4/25/96, Bates RNB029116. See also Cititrust monthly statement for Meritor Investments Ltd., Account No. 10328149, 4/1/96 - 4/30/96, Bates C008265 - C008266. At the time of the transfer, the Meritor account had a balance of \$5,057. After the transfer was completed, the account had an overdraft of \$397,942. On April 30, \$403,000 was deposited into the Meritor account, covering the overdraft. *Id.* The source of funds for this deposit has not been established.

In Washington, the monthly statement for the Riggs joint account, covering the month of April 1996, shows an opening balance of \$374,701.97. A new balance of 779,410.03, which includes the transferred sum, appears on April 30, the final day of the statement period. At that point, the funds transferred from the Meritor account comprised the majority of the funds in the Riggs joint account.<sup>146</sup>

Two weeks later, on May 13, 1996, the Pinochet joint account received a deposit of \$1 million, plus interest, from a CD which had matured. Two days later the CD was renewed, and \$1 million was debited from the account to finance the new CD.<sup>147</sup> Two weeks after that, on May 28, "Marco Hiriart" sent a \$427,344 wire transfer from Banco Atlantico in Gibraltar to the same joint account of his parents at Riggs Bank in Washington, increasing the account balance to more than \$1.2 million.<sup>148</sup>

Three days later, on May 31, 1996, a series of transactions moved \$1 million from the Pinochet joint account in Washington to an investment account opened in the name of Ashburton Co. Ltd., a Bahamian offshore corporation controlled by Mr. Pinochet. First, \$1.1 million was transferred from Mr. and Mrs. Pinochet's joint account into a Riggs International Private Banking Division clearing account.<sup>149</sup> From the clearing account, the funds were transferred to Washington Riggs Account No. 76715547, a money market account that had been opened in the name of Ashburton. At the time of the transfer, the Ashburton money market account in Washington had a zero balance.<sup>150</sup> On the same day, May 31, \$1 million was transferred from the Ashburton money market account in Washington to Riggs Account No. 2121401/640041018, an investment account which was then managed by Riggs Bank & Trust Co. (Bahamas) Ltd. for Ashburton.<sup>151</sup>

In this example, the funds originated at Marco Pinochet's offshore corporation. The funds moved from the corporation's New York account through a Cititrust account in the Bahamas, joined funds sent from a Banco Atlantico account in Gibraltar, and ended up in a Riggs account in Washington, D.C. for Augusto Pinochet and his wife. From there, the funds went to Augusto Pinochet's offshore corporation's money market account, and finally to his offshore corporation's investment account.

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<sup>146</sup> See Riggs Bank monthly statement for Account No. 76750393, 4/1/96 - 4/20/96, Bates RNB032144.

<sup>147</sup> See Riggs Bank monthly statement for Account No. 76750393, 5/1/96 - 5/31/96, Bates RNB033148.

<sup>148</sup> Id.

<sup>149</sup> Id.

<sup>150</sup> See Riggs Bank monthly statement for Account No. 76715547, 5/31/96 - 6/30/96, Bates RNB032148.

<sup>151</sup> Interview with Riggs Bank representative. See also Riggs Bank monthly statement for Account No. 76715547, 5/31/96 - 6/30/96, Bates RNB032148.

These 2 examples show how Augusto Pinochet used accounts opened in his name, the name of his immediate family members, and in the name of offshore entities controlled by him or his family members to move funds quickly and quietly across 3 continents, with no questions asked. Countless other examples are possible.

**Uncovering the Web.** Despite the decades-long existence of multiple Pinochet-related accounts at multiple financial institutions operating in the United States, until 2004, U.S. financial regulators and law enforcement apparently were unaware that Augusto Pinochet had constructed an extensive network of U.S. accounts and was using them on a regular basis to move funds and transact business. The OCC came closest to uncovering this secret web of accounts in mid-2002, but its inquiries at that time to three banks apparently generated insufficient information about Pinochet-related accounts to sustain a larger investigation.

In June 2002, 2 OCC examiners were in the midst of conducting the agency's targeted review of the Pinochet accounts at Riggs Bank. As part of that review, the OCC examiners noted a number of transactions involving other financial institutions, and contacted Citigroup, Banco de Chile-United States, and Bank of America to determine whether they, too, had Pinochet accounts in the United States.

OCC documentation indicates that, in response, Citigroup told the OCC that it did not have any accounts for Mr. Pinochet or his wife, without mentioning the dozens of accounts it maintained for Marco, Lucia Ines, and Maria Veronica Pinochet or the fact that the bank had previously provided multiple accounts to Mr. Pinochet. Citigroup has indicated that none of its personnel recall conveying this information to the OCC and cannot explain why the bank would not have followed its normal practice of disclosing related and closed accounts. Banco de Chile-United States told the OCC about the U.S. accounts it had provided Mr. Pinochet from 1995 to 1999, and about the bank's longstanding relationship with the Pinochet family in Chile, but reported no existing U.S. Pinochet accounts in 2002. The bank did not then disclose that certain Aitken-related accounts in the United States had served as conduits for Pinochet funds in the past nor did it later contact the OCC when it received the \$6 million transfer from Riggs Bank in mid-July. Banco de Chile has said that it was not then aware that the \$6 million was associated with Mr. Pinochet. Bank of America told the OCC that its only U.S. accounts were for Mr. Pinochet's daughter, Ines Lucia Pinochet. The bank had not then acquired any foreign affiliates, such as BankBoston, with Pinochet accounts outside of the United States.

After receiving this information from the three banks, the OCC examiners reviewed the closed Banco de Chile accounts for Mr. Pinochet and the current Bank of America accounts for Mr. Pinochet's daughter. The examiners made no further inquiry to Citigroup about transactions indicating it had handled Pinochet funds. After reviewing the account documentation, the OCC examiners took no action to determine what happened to the Pinochet funds at Riggs Bank once that bank closed its Pinochet accounts in July and August 2002.

Part of the reason for the examiners' inaction may have been that, around the same time in mid-July, the longstanding OCC Examiner-in-Charge at Riggs Bank announced that he planned to retire from the OCC, was offered a position at Riggs Bank, and then recused himself from all matters involving the bank until he left the agency, which occurred in October 2002. As indicated in the Subcommittee's 2004 Minority Staff report, the Examiner-in-Charge also instructed the 2 OCC examiners who had completed the Pinochet review not to include their examination memorandum in the OCC's electronic files for Riggs Bank. He apparently gave them no further instructions about the Pinochet accounts at Riggs. When a new Examiner-in-Charge began work, he was immediately confronted with other issues involving Riggs Bank and apparently did not perform any additional analysis related to the Pinochet accounts nor did he inquire as to the destination of the Pinochet funds that left Riggs.

By failing to trace what happened to the \$6 million in Pinochet funds that left Riggs, both the OCC and the Federal Reserve failed to learn that these funds went to another financial institution operating in the United States. They also failed to learn that Mr. Pinochet was using accounts belonging to offshore corporations at that financial institution to move funds and transact business, and that he opened related accounts at a U.S. securities firm. Mr. Pinochet was able to make use of these accounts for an additional two years.

Banco de Chile-United States has pointed out that if the OCC, Federal Reserve Bank, or Riggs Bank had alerted it in 2002 to the money laundering concerns related to the \$6 million in Pinochet funds, it could have protected the bank's reputation by refusing the funds transfer. Timely notice would also have helped the bank to prevent Mr. Pinochet from adding to his secret web of accounts in the United States.

It was not until 2004, that the OCC and Federal Reserve renewed their efforts to locate Pinochet-related accounts at other financial institutions operating in the United States. After the Subcommittee hearing on July 15, 2004, a number of banks filed Suspicious Activity Reports describing transactions or accounts involving Mr. Pinochet. Citigroup contacted both of its regulators in July with information about its past and current relationship with the Pinochet family. In September, Banco de Chile disclosed the Pinochet funds deposited into U.S. accounts opened for the offshore corporations controlled by Mr. Aitken. As regulators worked with these and other banks, the web of U.S. accounts constructed by Mr. Pinochet was gradually revealed.

**Section 314(b) Inquiries.** Significant work tracing Pinochet funds and accounts at other financial institutions was also performed by Riggs Bank. Once Riggs established its Security & Investigations Group in the summer of 2003, that office began to trace certain Pinochet-related transactions to learn more about the source of the funds in the Riggs accounts. As part of this effort, Riggs contacted a number of financial institutions to obtain more information about specific transactions and accounts. In most cases, Riggs sent an inquiry under Section 314(b) of the Patriot Act which allows financial institutions to share information about "individuals, entities, organizations and countries suspected of possible terrorist or money laundering activities," without incurring legal liability for disclosing information.

Most of the contacted financial institutions provided Riggs with the requested information and worked with Riggs to understand the underlying transactions, but a few financial institutions did not. One bank, Citigroup, declined to provide any information in response to Riggs' Section 314(b) requests. When the Subcommittee asked why, Citigroup pointed out that, at the time the requests were made, Riggs was under civil and criminal investigations raising questions about the bank's management and operations. Another bank, Banco Atlantico, expressed a willingness to cooperate but asserted it was unable to assist, because the requested information involved transactions handled by its foreign affiliates and those affiliates operated under bank secrecy laws prohibiting client-specific disclosures, even to an affiliate.<sup>132</sup>

Still another bank, Espirito Santo Bank in Miami, interpreted the legal protections afforded by Section 314(b) so narrowly, that it failed to provide highly relevant information. In response to a Riggs request letter dated December 8, 2004, Espirito Santo Bank responded on February 14, 2005, that it had opened an account for "A.P. Ugarte or M. Lucia Hiriart." At the same time, the bank failed to disclose additional accounts which had been opened by Mr. Pinochet in the name of offshore entities he controlled. Espirito Santo Bank wrote:

"The request also referenced possible personal investment companies or trusts established in the names of Augusto Jose Ramon Pinochet Ugarte or Maria Lucia Hiriart Pinochet through Deloitte & Touche, Bahamas. Espirito Santo Bank has no knowledge of the existence of any such personal investment company or trust. Because the request was specific as to the information requested, we are responding only to those specific requests. A broader inquiry on your part may result in our sharing additional information with regard to accounts or trusts maintained by the named or related individuals."

Espirito Santo Bank had, in fact, several accounts that had been opened in the name of an offshore corporation and an offshore trust controlled by Mr. Pinochet. The bank did not disclose them in its February letter, presumably because neither entity had been opened "through Deloitte & Touche, Bahamas," and the bank interpreted Section 314(b)'s legal protections so narrowly that it apparently felt it could not offer any relevant information that had not been specifically requested. Instead, Espirito Santo Bank essentially invited Riggs to send a broader request, and is awaiting a response from Riggs.

Section 314(b) of the Patriot Act provides financial institutions with a powerful tool to share information and resolve questions about particular transactions and accounts to guard against money laundering and terrorist financing. The evidence in the Riggs case study suggests,

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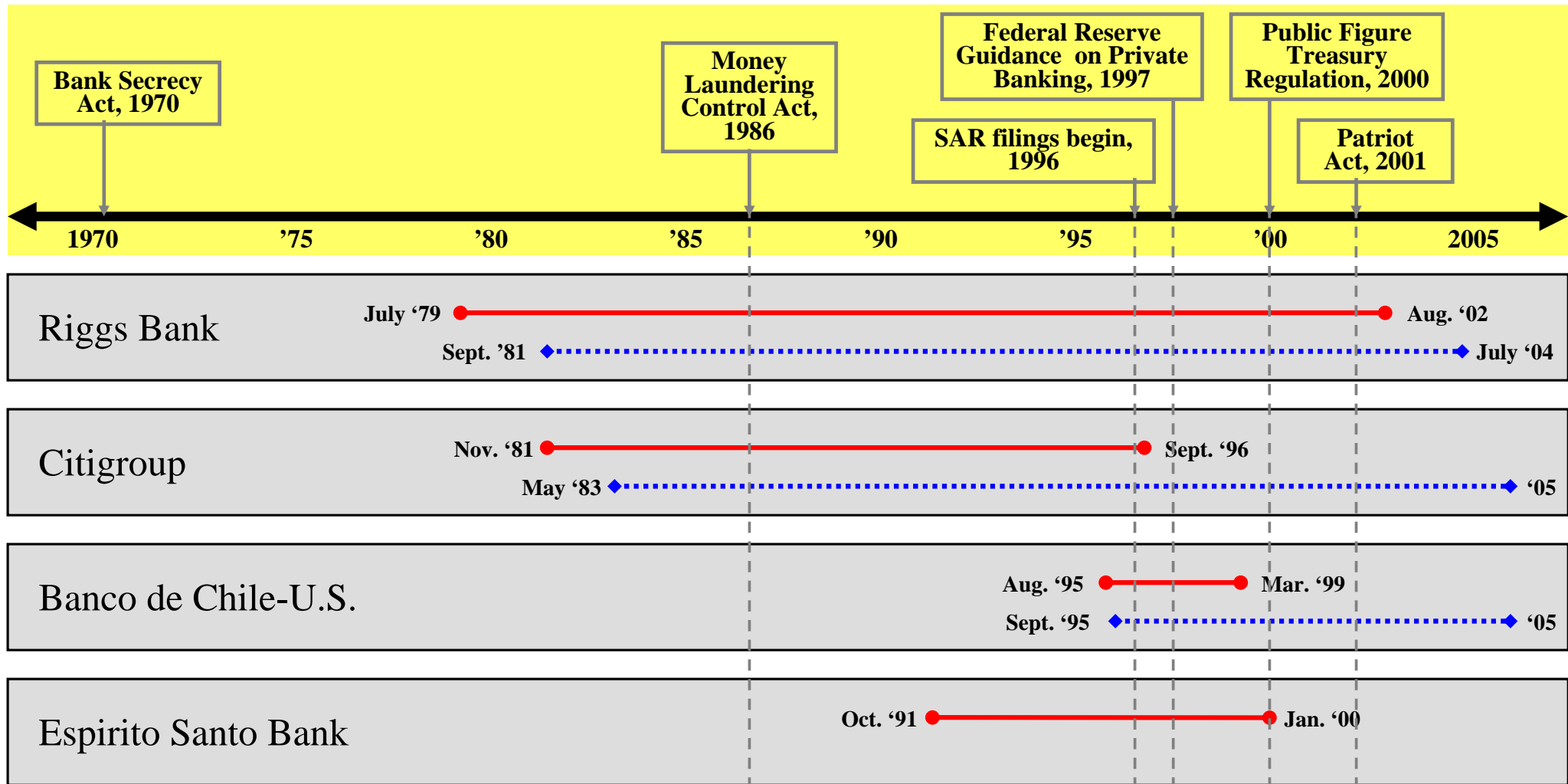
<sup>132</sup> This same intrabank disclosure problem was discussed at the Subcommittee's 2004 hearing in connection with Riggs accounts opened for Equatorial Guinea. See, e.g., 2004 Hearing Record at 168-69 ("[B]anks in the United States attempting to do due diligence on large wire transfers to protect against money laundering are unable to find out from their own foreign affiliates key account information. This bar on disclosure across international lines, even within the same financial institution, present a significant obstacle to U.S. anti-money laundering efforts.") Laws that prevent U.S. and foreign affiliates of the same financial institution from exchanging client-specific information remain a substantial impediment to anti-money laundering efforts.

however, that issues of interpretation as well as bank secrecy laws in foreign jurisdictions limit its usefulness and should be addressed. To increase the usefulness of Section 314(b), U.S. financial regulators should consider issuing guidance clarifying that the legal protections afforded by Section 314(b) are broad and clearly permit financial institutions to respond to requests for information, including by offering information about specific accounts and transactions that may help expose or prevent money laundering or terrorist activities. This guidance could be issued as a separate document or by expanding 31 C.F.R. §103.110, the regulation implementing Section 314(b). To address the problem of bank secrecy laws that restrict the information that an institution's affiliates can provide, the United States should continue to work with other countries and international bodies, particularly the European Union, to enable a financial institution's U.S. and foreign affiliates to exchange client information across international lines to safeguard against money laundering and foreign corruption.

In addition, to prevent the types of problems identified in this Report, steps need to be taken to stop funds that have been identified as suspicious under U.S. anti-money laundering laws from freely traversing the U.S. financial system. These steps can and should be taken by both financial institutions and U.S. financial regulators. For example, a financial institution that closes or asks a client to close an account due to money laundering concerns, including concerns about foreign corruption, should, before transferring the funds to another financial institution, warn that financial institution under Section 314(b) of the Patriot Act that the funding transfer is the result of an account closure due to possible money laundering or foreign corruption concerns. With that type of warning, financial institutions can protect themselves from accepting suspect funds and clients. U.S. regulators can and should do their part as well. Once U.S. financial regulators identify a suspect account, they should take reasonable steps to prevent the suspect funds from being sent to another U.S. financial institution without an appropriate warning, identify related accounts at other financial institutions operating in the United States, and, if necessary, dismantle any network of suspect U.S. accounts.

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# PINOCHET ACCOUNTS AND U.S. ANTI-MONEY LAUNDERING LAWS



- The Bank Secrecy Act required banks to maintain records of transactions, including CTRs.
- The Money Laundering Control Act made money laundering a crime, and set AML program standards.
- The first SARs were filed in April 1996.
- The Federal Reserve Guidance provided private banking KYC procedures.
- The Treasury Regulation provided public figure AML procedures.
- The Patriot Act required enhanced due diligence for private banking accounts of public figures.

**Pinochet Personal and Offshore Entity Accounts** ●————●  
**Immediate Family and Third Party Accounts** ◆————◆

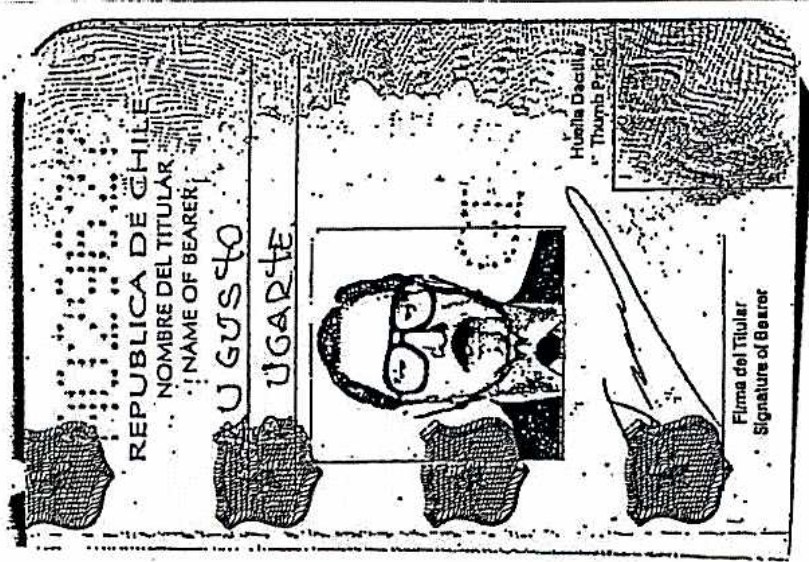
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## **Disguised Pinochet Account Names**

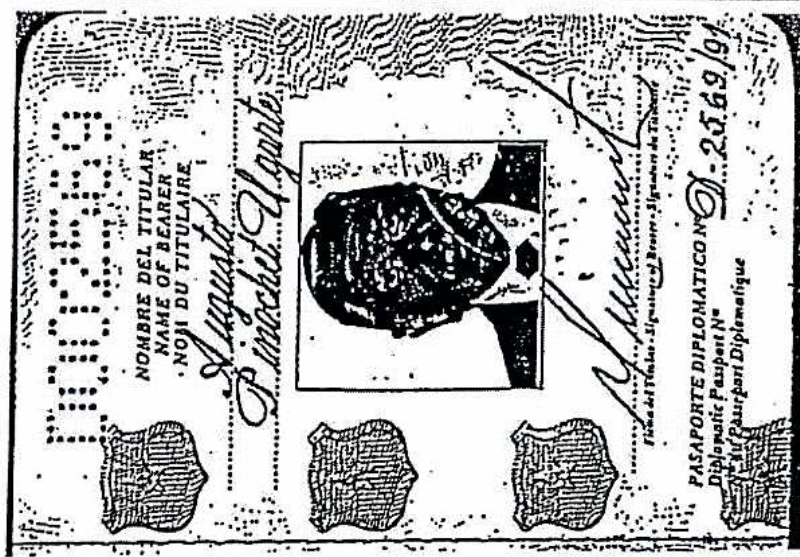
Given Name: Augusto Jose Ramon Pinochet Ugarte

- Augusto P. Ugarte
- A. Ugarte
- A.P. Ugarte
- Jose Pinochet
- Jose P. Ugarte
- Jose Ugarte
- Jose Ramon Ugarte
- J. Ramon Ugarte
- Jose R. Ugarte
- Daniel Lopez

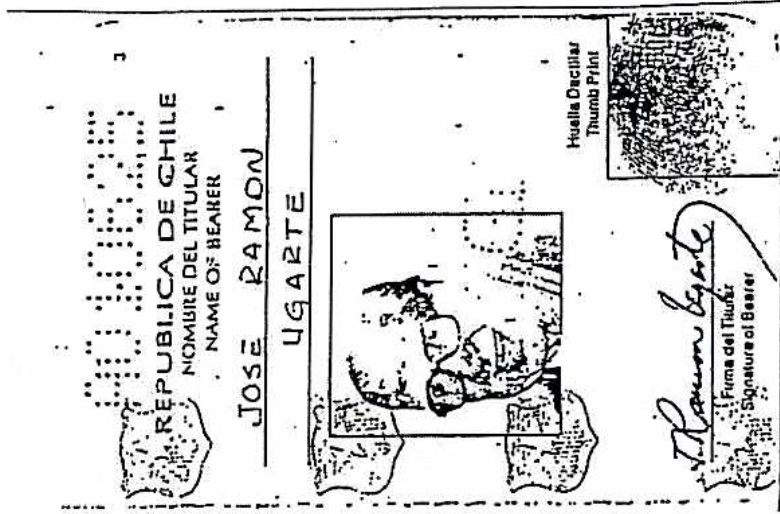
# Pinochet Account Identification



Riggs Bank Miami



Riggs Bank London



Citibank New York