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WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

0072

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) / /

Name of Correspondent: Edward M. Sills

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Civil Redress for losses through Conspiracy of Banca Nazionale del Lavoro and Rafidain Bank (Iraq) to defraud the United States

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>Quigley</u>	<u>ORIGINATOR</u>	<u>91 04/08</u>		<u>C</u>	<u>91, 04/19</u>
<u>CUAT 27</u>	<u>Referral Note:</u>	<u>91, 04/09</u>	<u>DJRV</u>	<u>A</u>	<u>91, 04/19</u>
	<u>Referral Note:</u>		<u>letter to Sills</u>		
	<u>Referral Note:</u>				
	<u>Referral Note:</u>				
	<u>Referral Note:</u>				

ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure

- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
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 Secondary Subject Codes: _____

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C	_____	_____	P.
DSP	_____	_____	Media:

SIGNATURE CODES:

- Cpn - Presidential Correspondence
- n - 0 - Unknown
- n - 1 - George Herbert Walker Bush
- n - 2 - George Bush
- n - 3 - George
- CLn - First Lady's Correspondence
- n - 1 - Barbara Bush
- n - 2 - Barbara
- n - 3 - Bar
- n - 4 - Mrs. Barbara Bush
- Cbn - Presidential & First Lady's Correspondence
- n - 1 - Barbara & George Bush
- n - 2 - Barbara & George

MEDIA CODES:

- B - Box/package
- C - Copy
- D - Official document
- G - Message
- H - Handcarried
- L - Letter
- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

THE WHITE HOUSE

WASHINGTON

April 19, 1991

Dear Mr. Sills:

I have been asked to respond to your letter on behalf of the President. Thank you for sharing your views concerning the Banca Nazionale del Lavoro. Although we appreciate your concerns, White House practice is to not comment on matters that are the subject of an on-going criminal investigation.

Sincerely,



Ronald E. vonLembke
Assistant Counsel to the President

Edward M. Sills, Esq.
90 West Street
New York, New York 10006

EDWARD M. SILLS
ATTORNEY AT LAW

COUNSEL'S OFFICE
RECEIVED

APR 5 1991

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90 West Street, New York, N.Y. 10006

C. Boyden Gray

April 1, 1991

Hon. George Bush, President
The White House
Washington, D.C.

Subject: Civil Redress for Losses Through Conspiracy
of Banca Nazionale del Lavoro and Rafidain Bank
(Iraq) to Defraud the United States

My dear Mr. President:

I write as a citizen sorely troubled that while officials of an Italian bank conspired with functionaries of an Iraqi bank to defraud the United States into extending excessive Commodity Credit Corporation guarantees, I can find no sign or evidence that the Attorney General has or will pursue the civil claims of the United States to recover the losses from such fraud though they may mount to \$2 billion and should be able to be recoverable now from at least one of the major architects of this bank fraud.

Motivated to probe the facts when I read "U.S. Faces a \$2 Billion Loss on Unauthorized Iraq Loans" (N.Y. Times, October 10, 1990, copy attached), I have obtained, read and analyzed a transcript of the October 16, 1990 hearing in Washington, D.C. by the House Committee on Banking, Finance and Urban Affairs at which representatives of the U.S. Department of Agriculture and of the Italian bank testified, and more recently the admirably constructed Criminal Indictment 1:91-CR-078 in the United States District Court for the Northern District of Georgia, Atlanta Division, entitled United States of America vs. Christopher P. Drogoul, et al., filed by the United States Attorney on February 28, 1991, detailing the Lavoro conspiracy.

While the House Committee hearing does not present a searching exposition on the issue of fraud*, it's easy to conclude

* To contrary effect, a staff member stated in a telephone conversation that there was no fraud in the guarantees, and an Associate Administrator, Foreign Agricultural Service, Commodity Credit Corporation testified "(T)he guarantee is to the exporter. I have no knowledge of any way we would be able to walk away from that obligation." Dickerson, p. 73

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from the Criminal Indictment that apart from a crime, a civil fraud was indeed perpetrated upon our people. The road map, all the elements of such fraud, are expressively and clearly laid out in the true bill. The guarantees would not have been made were it not for the fraudulent loans, and the fraudulent loans were made and other fraud was practiced on the U.S. by bank officials of the Banca Nazionale del Lavoro.

The Italian bank was not named a defendant in the criminal indictment. There appears to have been some justification for such an omission. Attorney General Dick Thornburgh is quoted as saying that the Atlanta branch of the Banca Nazionale del Lavoro was "a victim of this criminal enterprise rather than a participant." (N.Y. Times, March 1, 1991, copy attached).

On the other hand, however compelling the rationale for exculpation from criminal responsibility, the bank by this liberation cannot and under all the relevant facts should not be relieved from civil accountability for the extensive monetary losses of the United States caused by its officials in the course of their employment, even though they deliberately exceeded their internal authority.*

I am certain you would expect the Attorney General to prosecute civil claims, as well as criminal charges, whenever appropriate. When a foreign bank does business on our shores, it should be held to the same responsibility required of a domestic institution. In this case the same documentation supporting the indictment appears more than sufficient to substantiate a civil complaint against all the co-conspirators who defrauded the United States. Unlike the indictment, such a complaint should name the Banca Nazionale del Lavoro as a defendant, because its officials deliberately gulled ours. No further investigation is needed, and an action should be commenced promptly.

I presume to bring this to your attention as an attorney who's practiced for over fifty years and is still fascinated by some of the interrelations of law and government, as one of your "points of light" concerned with the obligations of citizenry, and because I believe it's important enough.

I respectfully ask you to inquire and I'd welcome some

* The Supreme Court in Pacific Mutual Life Insurance Co., Petitioner v. Haslip, et al., No. 89-1279, decided March 4, 1991, has just affirmed a jury verdict of punitive as well as compensatory damages against a principal for the intentional fraud of an absconding agent who had acted as an agent within the scope of his apparent authority.

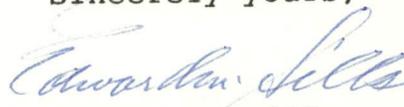
EDWARD M. SILLS

Page Three

advice from your staff as to whether ample consideration is being or will be given to pursuing the action I suggest.

Thank you indeed.

Sincerely yours,



Edward M. Sills

encl.

WEDNESDAY, OCTOBER 10, 1990

N.Y. TIMES

U.S. Faces a \$2 Billion Loss On Unauthorized Iraq Loans

By MARTIN TOLCHIN

Special to The New York Times

WASHINGTON, Oct. 9 — Congressional investigators said today that the Federal Government stood to lose \$2 billion because it had guaranteed unauthorized loans to Iraq made by the Atlanta branch of an Italian bank.

"The agreements, although unauthorized, were legally binding," Dennis Kane, one of three investigators with the House Banking Committee, told the panel in a public session that was protested by the Attorney General and the Director of the Federal Bureau of Investigation.

The Federal officials cited "national security concerns" and said the panel's investigation could undermine a Federal investigation of the Atlanta branch of the Banca Nazionale del Lavoro, which is 85 percent owned by the Italian Government.

The bank made \$2.8 billion in unauthorized and unreported loans to Iraq, of which \$2.1 billion was guaranteed by the Federal Commodity Credit Corporation, ostensibly to buy commodities.

Although the bank was authorized by the parent bank in Rome to lend only \$200 million, the branch bank's top management lent the \$2.8 billion to Iraq and went to the Commodity Credit Corporation for the guarantee.

The loans were made over a period of years ending in 1989. Iraq has still not repaid \$2 billion, so the Commodity Credit Corporation, a Federal agency, must repay it to the bank.

Representative Henry B. Gonzalez, the committee chairman, said the loans "certainly could involve the financing of armaments that were sold to Iraq over the past several years." He added, "At a minimum, these unauthorized loans increased Iraq's credit capacity and permitted Iraq to spend more of their scant hard currency on the very weapons that are now aimed at our children."

Reached by telephone, the manager of the bank, A. DiGiovanni, said, "We are not going to comment on any investigations." He declined to provide his first name.

Last month, Attorney General Dick Thornburgh wrote to Mr. Gonzalez, a Texas Democrat, saying: "This is a sensitive case with national security concerns. A decision to proceed with these interviews and the hearing at this time significantly diminishes the department's ability to successfully prosecute this matter."

A similar protest was made by William S. Sessions, the head of the F.B.I., said Mr. Gonzalez, who added that he had told each official that the hearings would discuss only public documents and published reports.

N.Y. TIMES - MAR. 1, 1991

7 Indicted on Fraud Charges Over Big Bank Loans to Iraq

By MARTIN TOLCHIN

Special to The New York Times

WASHINGTON, Feb. 28 — A Federal grand jury indicted three former officials of the Atlanta branch of an Italian bank and four Iraqis today on fraud charges involving more than \$4 billion in loans to Iraq.

The Government suspects that some of this money may have made its way from the United States to Iraq for military equipment.

One Iraqi defendant was the director general of the economic department of the Ministry of Industry and Military Production, and another was the director general of an industrial complex controlled by the ministry. Also indicted were an Iraqi bank, a Turkish trading company with offices in New York and an executive of the trading company.

Attorney General Dick Thornburgh said the 347-count indictment handed up by an Atlanta grand jury exposed "an international white-collar scam with dire global consequences." He

said the illegal transactions, made from 1985 to 1989, were maintained in a secret set of "gray books" and not reported in the Italian bank's official records.

Mr. Thornburgh said most of the transactions involved "purported agricultural purchases." But the Attorney General added that "the final resting place of these funds" and how they were used remained to be seen.

He said the Justice Department was continuing to investigate whether Iraq used some of the money to buy weapons, putting the defendants in violation of Federal laws.

The Atlanta branch of the Banca Nazionale del Lavoro, which provided the loans, was "a victim of this criminal enterprise rather than a participant," Mr. Thornburgh said.

Of the loan funds, \$1.9 billion involved credits to the Iraqi Government through the Government-owned Rafidain Bank, one of the defendants, for the purchase of agricultural com-

Continued on Page D7

Name	Date
Bill Otis #2607	7/28/92 Counsel