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Greece pressed to explain role in Milosevic cash probe

By Kerin Hope in Athens and Stefan Wagstyl in London

The Greek justice ministry was last night under pressure to explain its role in an international investigation of the financial links of Slobodan Milosevic, the former Yugoslav president.

Fears of a political cover-up have emerged with the publication of a United Nations report that says the Greek central bank was by-passed when prosecutors from the Hague tribunal wanted to step up their investigation after the end of the Kosovo conflict.

The bank was at that time headed by Lucas Papademos, recently appointed deputy head of the European Central Bank.

The ministry last year agreed to co-operate in the first probe authorised by Carla del Ponte, the prosecutor at the UN war crimes tribunal in The Hague. The investigation subsequently unearthed transactions exceeding DM1.5bn (€770m) including deals for military equipment from US, Russian and Israeli suppliers. Ms Del Ponte requested Greece's

co-operation via the justice ministry. In the initial stages, the ministry asked the central bank to collect information about accounts at Greek- and Cypriot-owned banks and at the Athens branch of Citibank of the US.

After the central bank had provided a certain amount of information, the justice ministry excluded the bank from a follow-up investigation requested by Ms Del Ponte last autumn. Instead a Greek prosecutor asked the banks concerned to provide information directly.

Mr Papademos, said the bank had "done everything it was requested to do".

The report compiled by Ms del Ponte's investigator and released this month details eight Yugoslav front companies' transactions in Cyprus at Popular Bank

of Cyprus and Hellenic Bank. The companies also held accounts at the European Popular Bank of Cyprus (EPB), the Popular Bank's Greek subsidiary.

Ms del Ponte's investigator says he was unable to secure access to all records of the eight companies' accounts in Greece.

A Greek central bank official confirmed yesterday that the bank's supervision department had examined transactions made by several alleged front companies with accounts at EPB and passed the information to the justice ministry. Officials at the justice ministry could not be reached for comment.

"At no time was there any evidence whatsoever that the bank had been dealing with suspicious or illegal activities," said the EPB.