

Greece to tighten up supervision of banks

By Kerin Hope in Athens
and Stefan Wagstyl in London

Greece's central bank has stepped up measures to counter money-laundering amid international concern about Greek banks' role in handling funds for Slobodan Milosevic, the former Yugoslav president, and his associates.

Officials from the Bank of Greece's supervision department are examining customer and transaction records at three Greek banks suspected of doing business with Mr Milosevic. Another three banks, including a Greek-Cypriot operation, are due to be investigated.

"We're tightening up," Panayotis Thomopoulos, deputy central bank governor, said in an FT interview. "Last year, some banks failed to reply to requests for information about accounts held by Yugoslavs and others gave incomplete replies. We have sent in a supervision team to collect details."

The central bank's move comes as the new authorities in Belgrade try to widen their investigations into the transfer of funds overseas during Mr Milosevic's rule. Mladjan Dinkic, the Yugoslav central bank governor, says that initially he is targeting four states - Cyprus, Greece, Israel and Switzerland. But he is also seeking co-operation in investigations elsewhere, including in the UK, and is working with international bodies investigating Yugoslav money flows, notably the international war crimes tribunal in The Hague.

The money to which the Milosevic regime had access includes some \$4bn in hard currency confiscated from private accounts in the early 1990s and about \$1bn raised later by the privatisation of

Telecom Serbia, the telephone monopoly. Business people close to Mr Milosevic also made money from commercial activities, such as the black market in imported cigarettes and alcohol, generating profits which may have been hidden overseas.

But Mr Dinkic says there is no way of knowing how much money was retained by individuals in the regime. Economists in Belgrade say the great bulk was almost certainly spent by the government importing fuel, arms and other goods in the 1990s and propping up the domestic economy through aid for state-owned enterprises.

Mr Dinkic says that the largest amount so far found is SFr120m (\$70m) frozen by the Swiss authorities in the accounts of about 35 people, among them Mirko Marjanovic, the former Serbian prime minister. He hopes the Swiss authorities will soon provide more names and details.

Earlier this month, Mr Dinkic visited Cyprus. Working in co-operation with the Central Bank of Cyprus, where more than 7,500 Yugoslav offshore companies are registered, he unearthed at least one active bank account belonging to a close relative of Mr Milosevic. A Cypriot banker said the account appeared to belong to his son Marko.

But it is a rare success. "We can't find accounts under the name of Slobodan Milosevic and we don't expect to," says Mr Dinkic.

In Greece, the names of the banks under investigation will not be made public, Mr Thomopoulos says. International scrutiny has focused on Popular Bank of Cyprus, the second-biggest Greek-Cypriot bank, and its



Police in Belgrade prevent hundreds of workers marching to parliament yesterday to protest against the government's strict fiscal policy

AP

Bush faces heavy lobbying over whether to approve more funding for Belgrade

President George W. Bush is facing three days of intense diplomatic lobbying as the deadline approaches for his decision over whether Belgrade's new government is fit to receive up to \$100m of new funding, agencies report from Washington and Belgrade.

Mr Bush has been authorised by Congress to rule by March 31 on whether Yugoslavia is passing a series of democracy tests

that have been tied to the disbursement of financial aid. However, the tests include co-operating with the International War Crimes Tribunal in The Hague, which wants the country to hand over former president Slobodan Milosevic for trial.

On Monday it was the turn of Hubert Vedrine, French foreign minister, to press Colin Powell, US secretary of state, for leniency.

"I told [him] that we in

France believe that we have to reaffirm and stress once more the international obligations of Yugoslavia, including full co-operation with the tribunal," Mr Vedrine said. "And at the same time [we have to] have a policy that will consolidate the work of President Kostunica and prime minister [Zoran] Djindjic to support democracy in the country."

The Yugoslav government

has said it wants to try Mr Milosevic itself, probably for corruption, but is divided over whether it should pass him on to The Hague.

Separately, Serbian police this week arrested eight of his former allies for questioning over fraud and other crimes, in what many see as the tightening of a net around Mr Milosevic.

The Interior Ministry said that Uros Suvakovic, a former department head of

Serbia's State Security and right-hand man of Mr Milosevic's wife, Mirjana Markovic, was held for questioning for "possible abuse of power and fraud".

Last week, Vlado Blatic, Serbian justice minister, and his Yugoslav counterpart, Momcilo Giubac, went to the Hague to assure chief war crimes prosecutor, Carla del Ponte, that Belgrade was serious about fulfilling its international obligations.

Athens-based subsidiary, European Popular Bank, recently re-named Popular Bank (Greece).

A Nato report claimed earlier this year that Popular Bank of Cyprus was involved in money-laundering for Serbian interests.

Mr Thomopoulos said the accounts investigated in Greece all appeared to be dormant. "They contained small amounts, a few thousand dollars or drachmas,

but it was clear they hadn't been active in the past three or four years."

The Milosevic family's links with Greece go back to the early 1990s, when Greek companies supplied oil to Serbia in defiance of United Nations sanctions. Costas Mitsotakis, then prime minister, hosted the Milosevics at his villa in Crete. The family acquired a house in Athens and kept their yacht at a Greek marina.

Under Costas Simitis, the current pro-European Socialist prime minister, Greece distanced itself from the Milosevic government. But the government has been slow to crack down on illegal business operations run by Serbians based in Greece. Greece faces international criticism for failing to investigate the activities of Mr Mitsotakis and a group of Greek businessmen who traded openly with Serbia while sanctions

were in place. The Milosevic government is understood to have taken advantage of weak controls on cash transfers in Greece, with money being driven across the border from Macedonia for deposit in Greece.

In a report on international money-laundering published last month, the US State Department for the first time included Greece in a "primary" category of countries targeted by inter-

national organised crime groups as a channel for money-laundering. Greece's money-laundering law is criticised as ineffective. It takes a decision by a committee of government and bank officials before a prosecutor can launch an investigation into a suspicious banking transaction. The committee last year stepped up its activities, ordering more than 200 investigations into suspected cases of money-laundering.

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