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## J.P. Morgan Chase to end services for diplomats; other banks ready to follow

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UNITED NATIONS - Dear foreign diplomats, U.S. banks might not want your business.

On March 31, [J.P. Morgan Chase](#) plans to shut down its division serving the banking needs of New York- and Washington-based diplomats as well as foreign governments. In a terse letter, Chase recently wrote that "we recommend that you open a bank account with another financial institution, and begin using it immediately in order to minimize any disruption."

The move by Chase - which came without explanation - marks the latest instance in which an American financial institution has cut off services to a foreign mission. In November, [Bank of America](#) cut off five accounts held by the [Angolan](#) Embassy in Washington, and several other banks have told U.S. officials they plan to get out of diplomatic banking.

Diplomats say they now fear they won't be able to carry out their most basic functions in the United States.

So far, Chase and other banks have not explained why they are curtailing services for the diplomatic community. U.S. and foreign diplomats say they believe banks are simply trying to avoid the high costs associated with monitoring accounts for signs of money laundering or terrorist activities.

Indeed, banks have faced mounting pressure from lawmakers and federal regulators to ensure that they are not helping foreign leaders and their representatives launder ill-gotten gains around the world.

In a measure of American concern about the impact of the banks' actions on foreign embassies and missions, the State Department will dispatch Patrick Kennedy, the U.S. undersecretary of state for management, to the United Nations on Thursday to help governments find alternative ways of meeting their banking needs. In an interview, Kennedy said banks have simply determined that banking for diplomats is not sufficiently profitable.

"Dealing with a foreign government is more complex than dealing with Joe's Pizza Parlor," he said. "If there is a potential for greater risk, they are going to be a little more concerned."

Already the closure of diplomatic accounts has had an impact on scores of countries, including powerful and wealthy governments such as [France](#) and [Singapore](#), which will probably have little trouble finding a new bank to handle their affairs. Poorer governments, particularly those in Africa, are struggling to find banks to manage their accounts.

Even those whose accounts have not been closed worry they could be next. "What happened with Chase can also hurt us," said Atoki Iлека, Congo's ambassador to [the United Nations](#). Congo banks at [Citibank](#). "To tell you the truth, Citibank is looking very closely at the way I'm banking. Sometimes when they see I have an unexpected amount of money coming in they call me to ask where it has come from. It's a bit humiliating, but we have to be very calm and very diplomatic to deal with these kinds of issues."

One of Washington's most storied lenders, Riggs Bank, was at the center of a political scandal after revelations that it had channeled money through [Saudi Arabia](#) to two terrorists linked to the Sept. 11, 2001, attacks.

In May 2004, Riggs Bank agreed to pay \$25 million in civil penalties for what federal regulators called the "willful systemic" violation of anti-money-laundering laws in its dealings with the embassies of Saudi Arabia and Equatorial Guinea.

In recent years, Senate investigators have mounted high-profile investigations into the efforts of government officials in Angola, Gabon and Equatorial Guinea to channel through U.S. banks millions of dollars potentially tied to corrupt activities.

"My sense is that this has much to do with the general crackdown on illicit financing," said Matthew Levitt, a former deputy assistant secretary of intelligence and analysis at the Treasury Department. "There is a building global appreciation for the need to protect oneself from risk."

The decision by Bank of America to close down Angola's accounts - which was first reported by Foreign Policy's Cable blog - was made without explanation. It came months after the Senate subcommittee on investigations, chaired by Sen. Carl M. Levin (D-Mich.), conducted a probe into Angola's transfer of illicit funds through U.S. banks.

The investigation noted that Bank of America opened at least 30 accounts in Scottsdale, Ariz., for Pierre Falcone, an Angolan ambassador who was sentenced to six years in prison for arms trafficking.

A spokesman for the bank, Jefferson George, declined to discuss the decision, saying: "Due to confidentiality, we can't comment on specific client relationships. What I can tell you is that Bank of America-Merrill Lynch is actively committed to providing banking

services for the diplomatic community. We're still working with the diplomatic community and have no plans to change now. "

A spokesman for J.P. Morgan Chase, Thomas Kelly, declined to comment on the bank's decision.

The banking giant told diplomats in its Sept. 30 letter - which was first reported by the Wall Street Journal - that its decision to get out of the diplomatic banking business was not taken in response to improper behavior on the part of its clients.

"This business decision does not reflect on your organization or how you have handled your accounts," the letter said. The bank also pledged to continue to service diplomats' personal accounts.

The Obama administration has said it has no authority to require private commercial entities to do business with foreign banks. But under a 1947 U.N. agreement, the United States, as the United Nations' host country, is obliged to ensure that foreign missions have access to "necessary public services."

Kennedy said the State Department is trying to persuade banks that have cut off service to diplomats to reconsider their decision and to persuade other banks to get into the business.