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U.S. AND CAYMANS SIGN CRIME PACT

By Nathaniel C. Nash, Special to the New York Times

The United States and the Cayman Islands signed a mutual legal assistance treaty today in which they agreed to aid each other's law enforcement efforts in narcotics trafficking, money laundering, tax fraud, insider trading and securities fraud.

It was the first such treaty signed with a Caribbean island and came only two months after the Securities and Exchange Commission, with the cooperation of the Bahamas Government, charged Dennis B. Levine, the Wall Street investment banker, with making \$12.6 million in illegal profits in the largest insider-trading scheme on record.

The treaty with the Cayman Islands, which covers only acts that are criminal offenses in both countries, was the result of three years of negotiations between the Justice Department and Cayman Islands' officials. The treaty was signed after a United States court began imposing huge fines on the United States branches of banks whose affiliate operations in the Cayman Islands had refused to cooperate with United States investigators.

Similar Agreements

Stephen S. Trott, head of the Justice Department's criminal division, said that similar agreements with other Caribbean islands would follow, including Jamaica, the Turks and Caicos Islands, the Virgin Islands and the Bahamas.

These islands, with strict bank secrecy laws, have been a thorn in the side of United States law enforcement officials, who have complained that drug traffickers, money launderers and white-collar criminals have been able to hide their illicit profits in accounts in banks on those islands.

Currently, banks operating in countries with strict bank secrecy laws are subject to criminal prosecutions if they turn their records over to United States enforcement officials. In the S.E.C.'s Levine case, a Swiss banking subsidiary in the Bahamas used by Mr. Levine was told by the Bahamian Attorney General that he would not prosecute the bank if it cooperated with the S.E.C. investigation.

More Willingness

Indeed, in recent years, countries with bank secrecy laws have shown more willingness to cooperate in fighting internationally orchestrated crimes.

“All crime has taken on an international dimension and I think these countries realize it is in their best interest to discourage it within their borders,” Mr. Trott said. No special inducements were granted the Cayman Islands to get their cooperation, he added.

Under terms of the agreement signed in Georgetown, Grand Cayman, United States and Cayman officials will cooperate in providing bank, business and government records; the taking of testimony of depositions of witnesses; searches and seizures of evidence, and the transferring of individuals in custody for testimony.

In addition to drug trafficking, money laundering and insider trading, the treaty permits the Cayman Islands to turn over bank records in cases involving tax fraud, false tax statement filings and securities frauds, such as stock manipulation and theft. The treaty, however, will not cover simple tax evasion, since the Cayman Islands do not have any tax laws.