

A red-light bank

WHAT DO YOU find at a red light bank? Answer: merchant wankers. The real question is for FirstRand CEO Laurie Dippenaar: are you running a bank or a brothel? Or is the difference just a question of semantics? In short are you prepared to turn tricks to make a rich client happy?

The reason for our question is the continuing Ansbacher saga. Originally a British owned private bank, operating in various offshore havens, Ansbachers already had a smelly reputation when FNB (now FirstRand's banking division) acquired it in 1993. FNB chairman Basil Hersoy didn't seem to mind.

Way back in nose13 (August 1995!) we reported that the Ansbacher branch on the British Virgin Islands operated several accounts on behalf of Hugo Biermann, son of apartheid-era SADF chief Admiral Boozie Biermann. Dad had set Hugo up in the offshore arms trade, so we could all guess where the millions that flowed through them came from.

A 1995 ad announcing Henry Ansbacher & Co's admission to the London Stock Exchange invited prospective clients to contact either David Crook or Michael Lawless. We laughed and weren't surprised, when, some two years later, the UK Securities and Futures Authority announced that Crook, the bank's senior dealer in South African gilts, had been banned from working in the City of London for "grossly improper" conduct. Ansbacher was fined for "supervisory and procedural failings".

In nose43 we observed that US investigative journal, Mother Jones had described the reputation of Ansbacher's Caribbean branches – amongst Americans wanting to hide their ill-gotten gains from the police and the taxman – as "a South African financial firm that is a little easier to work with".

It was Ansbacher's criminal adventures in Ireland in 2002 that really made headlines everywhere – except in South Africa. (FirstRand persuaded the local press that the Irish scandal was "largely pre-FNB's ownership" and of no consequence.) Ansbachers had conspired with some of Ireland's top brass (including its then prime minister) to hide their off-the-record fortunes – and defraud the taxman of millions. Irish deputy prime minister Mary Harney was quoted as saying the investigation of Ansbachers had provided a damning insight into "a world of conspiracy, fraud and tax evasion".

Just then, in Johannesburg, FirstRand (which had long since absorbed FNB) was involved in a most inconvenient court action. Back in 2000 Ansbachers (sometimes also known as Origin) had announced the appointment of a world-renowned legal expert on off-shore finance to ensure that all its "products" were "legally compliant" wherever it operated. But by the end of 2001 the compliance expert had gone. In February 2002 he issued summons against FirstRand, claiming the bank owed him a lot of money for

terminating his contract. He also alleged the bank had seriously insulted him.

Had Ansbachers/Origin decided they didn't wish to "upset" their clients with this expert's advice that one of the offshore investment "structures" they had on offer did not comply with the law, and in fact amounted to round tripping? we asked. And what if he was seriously insulted that someone at the bank should have assumed he would be willing to approve a scheme to hide a Pakistani prime minister's corruptly acquired millions in SA?

By January 2003 the heat was clearly on: the court file containing details of the applicant's claims and hundreds of supporting documents, together with FirstRand/Ansbachers' reply, disappeared from the court registrar's office. It emerged that FirstRand's attorneys Deneys Reitz, old hands at collaborating at FNB's frauds – remember Crusader Life? – had taken the unusual step of removing the file "because of the substantial damage the bank would suffer were the file's contents to become public".

The applicant in the case was Professor Barry Spitz, an internationally recognised expert on international banking, tax and currency laws.

In FirstRand's 2002 annual report, under the heading "Financial Highlights" (sic), the directors attribute a decrease of 87% in Ansbachers after tax earnings to "the 11 September attack". (Thank you Mr Bush.)

The more obvious reason why Ansbacher clients were jumping ship in droves was that during the previous year Ansbacher had applied to the Cayman Grand Court for permission to release to the Irish authorities "information relating to the nature of the business Ansbacher did with Irish clients and how it was conducted".

A trust company that had formed part of the Ansbacher "structure", cried treachery, and rushed to oppose the application on behalf of Ansbacher clients. In bringing the application, it claimed, Ansbacher was seeking to obtain a "collateral" advantage for itself.

The Cayman court allowed Ansbachers to release information to the Irish inspectors that incriminated hundreds of its own clients for tax evasion – even though the tax evasion scheme had been devised and implemented by Ansbachers! Did FirstRand do a deal with the Irish authorities to save its own skin? No-one was saying. But no wonder Ansbachers wasn't so popular in the market anymore.

FirstRand soon announced that it planned to drop the Ansbacher name. Or, as they more discreetly put it: "The group will rebrand private banking operations in the new year."

So, the name changed. But did the nature of the business? Turn to page 10 and judge for yourself.

(Should the directors of Absa be tempted to experience a smug moment, they need only turn to page 7.)

The Editor