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Bank officers cleared of fraud

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A federal judge has thrown out fraud accusations against a group of financiers involved in a bank collapse that spread from Caracas to Miami and was the start of a devastating financial crisis five years ago in Venezuela.

In a decision Thursday, U.S. District Judge Shelby Highsmith ruled in favor of four Venezuelan bank officers, dismissing the Venezuelan government's accusations of fraud and racketeering over the failure of Banco Latino International in Miami, an affiliate of Banco Latino in Venezuela.

In his decision, which came just five days before the civil trial was scheduled to begin, Highsmith noted that after five years of court battles and millions in legal fees, Venezuelan authorities were "left asserting, in a blanket fashion, an array of vague fraud based claims against a hodgepodge of its former officers, directors and advisors."

"None of these claims can stand scrutiny," Highsmith wrote in granting summary judgment in favor of the four subjects of the lawsuit.

Banco Latino played a pivotal role in the banking crisis that hit Venezuela in early 1994, and any court ruling in this case is of keen interest in that country, where the issues of political power and corruption became entwined in the banking crisis.

Banco Latino, besides being the country's second largest bank at the time, was the first bank to be seized and closed by the government, which said it was insolvent. The move triggered protests by depositors and spurred panic runs on bank deposits in other institutions until more than half of the country's banks had fallen into government hands.

The closure of Banco Latino in Venezuela also set off an unusual run on the Brickell Avenue Banco Latino International, which as an Edge Act corporation accepted deposits only from non-U.S. residents. The bank filed and emerged from bankruptcy, then restored deposits to depositors.

Banco Latino also was the highest

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profile banking collapse in Venezuela, with authorities and street demonstrators singling out its former president, Gustavo Gomez Lopez, for blame in the problems.

Gomez Lopez, who was cleared by Highsmith's decision, insisted that former President Rafael Caldera wanted to punish Banco Latino because the bank had supported Caldera's opponent, Osvaldo Alvarez Paz, in the 1993 presidential race.

Gomez Lopez, who has been in South Florida during the pre-trial hearings, referred queries to his attorney Luis Delgado.

Delgado said the judge's decision showed that Venezuelan authorities had no case against his client. "He did find there was no fraud," Delgado said.

The Venezuelan govern-

ment has the right to appeal. Its Washington attorney did not return a telephone call from The Herald.

In an earlier ruling on March 28, Highsmith also cleared Eloy Montenegro, former Banco Latino International director, dismissing all claims made by the Venezuelan government. "They couldn't get around the legal arguments," said Joseph A. DeMaris, Montenegro's Miami attorney who filed the first request for a final judgment. "He was totally vindicated."

Venezuelan authorities filed the lawsuit against scores of former Banco Latino officers and owners in 1995, listing numerous charges. But in the first decision, a federal judge dismissed the government's claims involving events in Venezuela, saying the United States had no jurisdiction.

The only remaining charges involved Banco Latino Interna-

tional in Miami, claiming that the Edge corporation had been harmed by the practice of lending to its parent company using third parties as fronts for the loans.

But Highsmith, noting that Banco Latino International not only collected interest, but lucrative fees, said that at worst, these "third party placements" were an attempt to deceive U.S. regulators.

The recent decisions, while important, are unlikely to close the book on the case in the court of Venezuelan public opinion. The country is still in the throes of economic and political upheaval that some trace in part to the banking crisis.

"I am not saying if they [the bankers] are guilty or not," said Alejandro Sucre, a Venezuelan economist in Caracas. "People hold their own opinion, regardless of what the courts say."

Ruling dismisses fraud accusations