

Statement of Karon von Gerhke-Thompson, Vice President

First Columbia Company, Inc.

*Established in the District of Columbia in 1954*

*Consultants Representing the Defense Industry Sector in International  
Marketing, Strategic Alliance Formation and Government Affairs*

Prepared for Hearing  
Before the

COMMITTEE ON BANKING AND FINANCIAL SERVICES

UNITED STATES CONGRESS

One Hundred Sixth Congress

September 22, 1999

Thank you, Mr. Chairman and members of the committee, for extending an invitation to me to appear before this distinguished committee. Please permit me to express my gratitude. This is a unique, first time, experience for me. I have never had the privilege of appearing before a committee of the United States Congress so I thank you, Mr. Chairman and your distinguished colleagues, for this opportunity.

The importance of this hearing— an inquiry into allegations of Russian money laundering operations that may have tainted U. S. banking and international financial institutions—cannot be underscored.

From April of 1993 through September 1993, I served as an unpaid volunteer intelligence asset on a CIA operation to penetrate what the CIA, FBI, and DOJ knew was a KGB money laundering operation that had tentacles that reached into the Kremlin to President Boris Yeltsin. The target of the CIA operation was Alexandre Konanykhine, a Russian national whose first visit to the U. S. was as a member of Boris Yeltsin's first official visit with President George W. Bush in June of 1992. He alleged that he was a Kremlin "insider," a new reformer who had contributed \$10million (50% of the financing) in support of Yeltsin's presidential campaign. When he returned to the U. S. in September of 1992—two months after his first visit—he represented himself to be a stockowner and the U. S. vice president of Menatep Bank, a bank owned by Mikhail Khodorkovsky who is Russia's seventh largest oligarch.

L. Carter Cornick, Eugene Propper and Jonathan Ginsberg of the Washington, D. C. law firm of Ginsberg, Feldman and Bress, brought Konanykhine to my attention. Cornick is a retired deputy director of the FBI's Intelligence and Counterterrorism and Eugene Propper is a former prosecutor with the Criminal Division of the DOJ. Jonathan Ginsberg is an attorney and the son of one of the founders of Ginsberg, Feldman and Bress. a law firm that Propper joined after leaving the DOJ. I worked with Cornick and Propper on a classified law enforcement operation. They also teamed with me in representing Raytheon Corporation and Boeing Aerospace on marketing their defense products in Brunei.

Jonathan Ginsberg's father had long established business relationships with senior government officials in the former U. S. S. R. dating back to World War II. High-level Russia government officials with whom his father had long established ties referred Konanykhine to Jonathan Ginsberg. Cornick, Propper and Ginsberg represented to me that Konanykhine's bono fides were impeccable; that he was one of Russia's youngest, most brilliant, financial tycoons.

Konanykhine alleged that Menatep Bank controlled \$1.7billion in assets and investment portfolios of Russia's most prominent political and social elite; that one hundred of his clients had individual assets and investment portfolios in excess of \$100million (U.S.). Because of the uncertainty of the political and economic stability in Russia at the time, Konanykhine alleged that Menatep Bank wanted to establish an offshore bank to protect the assets of its clients with an initial capitalization of \$1billion and to purchase one hundred "naturalized" passports for preferred clients of Menatep, twenty five passports for employees of Menatep and fifteen diplomatic passports at any cost for very, very, special clients of Menatep.

He wanted to establish the bank and obtain the naturalized passports from a Latin American or Caribbean country that offered unrestricted repatriation of capital and stringent bank secrecy laws. He also wanted to obtain naturalized passports from a Latin American or Caribbean country with unrestricted or limited visa requirements that would enable Menatep's clients to travel freely into Eastern and Western European countries to manage their assets and business investments. Cornick, Ginsberg, and Propper wanted my help in gaining access to officials who could facilitate a favorable negotiating climate for the establishment of the bank and who could expedite the procurement of the passports.

Russia was in the early phase of its transition from a command economy to a free market economy. We had a pending appropriation bill before the Senate to provide Russia with \$4billion in foreign aid to assist them in their transition to a free market economy. The \$1.7billion Konanykhine wanted to move out of Russia and the \$100rds of millions of dollars of assets held by individuals raised a "red flag with me. No pun intended!

I telephoned a senior official with the CIA who had served as the director of the Soviet Eastern Division. Mr. Z of the CIA's National Intelligence Service returned my telephone call to him. Without identifying Konanykhine or Khodorkovsky by name, Mr. Z informed me that the CIA was extremely interested in obtaining intelligence on their activities. He advised me that I would be contacted by Mr. V. On the same day, I received a telephone call from Mr. V. He informed me the CIA believed they were engaged in an elaborate money-laundering scheme to launder billions of dollars stolen by members of the KGB and high-level government officials. Neither Mr. Z nor Mr. V identified Konanykhine or Khodorkovsky by name. It was not until after I learned Konanykhine and Khodorkovsky's identity through Propper that Mr. V confirmed the CIA and FBI had been monitoring their operations long before Konanykhine's arrival in the U. S.

It was evident Konanykhine was dissatisfied with the rather high fee structure proposed by Cornick, Propper and Ginsberg. He did not show up for three scheduled appointments. Mr. V proposed, and I agreed, that I would offer to represent them rather than lose the opportunity to penetrate the KGB money laundering operation. I volunteered my services and the use of my company, First Columbia Company, Inc., to collaborate with the CIA on what I was told was among the Agency's highest ranking operations. It was clearly understood that I was not in the passport procurement business, much less establishing offshore banks, and would have under no circumstances enter into a relationship with Konanykhine if it had not been for the implications to our national security interest that were conveyed to me by Mr. Z and Mr. V. According to Mr. V, Konanykhine was a member of the KGB who was moving money hundreds of millions of dollars out of Russia into Eastern and Western European banks—a war chest controlled by corrupt government officials and members of the KGB.

Mr. V, and his superiors, believed the intelligence that could be obtained through Konanykhine and his money laundering operation was vital to our national security interest. The CIA interest was in obtaining the names of the individuals, the names of the banking institutions they were operating through and the names and types of businesses in which they held

investments. The Agency was aware that billions of dollars was being laundered through offshore banks by the KGB and corrupt government officials with ties to Russian organized crime families. They believed corruption was so all-pervasive in Russia that it was posing a serious threat to genuine economic reforms and the transition to a free market. As early as July 1993, the CIA believed that financial aid from the U. S. and international lending institutions to support Russia's transition was being laundered through front firms into offshore banks. A substantial amount of the laundered money was believed to be in safe havens in offshore banks or was used to establish offshore businesses and joint venture partnerships with Western firms. According to Mr. V, Konanykhine and Khodorkovsky were key players to unraveling the ties between the KGB, senior government officials and Russian organized crime families.

I elicited the help of my business partner, Charles A. Ragan, a founding member and president of First Columbia Company, Inc. ("FCC"), who was based in Chevy Chase, Maryland. Ragan is a fifty-year veteran of strategic international marketing with a remarkably distinguished career. I was residing at my parent summer home in the Adirondacks at the time. Ragan was here in D. C. and available to attend the meetings with Konanykhine and his associate, Elena Cidorchuk-Heinz-Volevok (hereinafter "Cidorchuk"). Konanykhine was traveling extensively to Russia, Switzerland, Germany, Austria, Greece and Turkey. Mr. V informed me that the CIA and FBI were tracking his every move; that he was moving massive amounts of money out of Russia into Eastern and Western European countries. During his frequent absences from the U. S., Cidorchuk made decisions and authorized initiatives on behalf of Konanykhine. Mr. V confirmed my suspicion that she was calling the shots; that she was his boss and not vice versa. He told me that her orders were coming direct from a senior KGB official in Moscow; that she was relaying instructions to Konanykhine. He believed, as I believed, that she was his boss.

In late July, early August, obtaining the passports became a matter of urgency. Konanykhine and Cidorchuk put enormous pressure on us to begin the passport procurement process. I traveled to Washington for to formalize FCC's agreement with Konanykhine and to meet with officials with the

Embassy of Uruguay, the country that exceeded all other Latin American countries with respect bank secrecy laws and passport requirements. With Mr. V, I wrote a formal proposal which was presented to Konanykhine by Ragan on September 7, 1993. Everything was a go. I traveled to Washington for the formal signing of the contract but the meeting was cancelled. Chidorchuk said Konanykhine was in Moscow on business.

On September 21, 1993, I telephoned Chidorchuk to inquire about the status of contract they had solicited from us. For inexplicable reasons, she informed me that they had no intention of executing the agreement with us and requested that I not telephone their office again. Ragan telephoned her the following day, requesting to speak with Konanykhine. Chidorchuk informed him Konanykhine was in Turkey; that he had telephoned her from Turkey to instruct her to terminate any further communication with us. The reason she cited Konanykhine based his decision on was that I was a phony. She instructed Ragan not to attempt to contact them again.

In April of 1994, I was summoned to an urgent meeting by a CIA intelligence officer with the CIA's National Recruit/Washington office. He informed me that Mr. V had submitted a report that stated I had been compromised by Aldrich Ames on the operation. I arranged to meet with him the following day. Again he informed me that I had been compromised by Ames on the operation; that my name was on a computer as a CIA spy; that I would be killed or arrested if I ever traveled to Russia or any other communist country; and, that unless I wanted my photograph on the front page of the *New York Times* or *Washington Post* as a spy, he would not recommend that I travel to Russia. I telephoned Mr. V at his home who corroborated that he had, in fact, submitted a report for inclusion of the CIA's damage assessment on Ames espionage activities. He informed that the traffic on the operation had been routed to Ames and that I had been compromised by him.

In July 1996, following Konanykhine's arrest by the INS for allegedly filing a fraudulent visa, I learned from Tom Battaglia, then staff director of the Senate Select Committee on Intelligence ("SSCI"), that an FBI report

submitted to the SSCI confirmed that Konanykhine and Ames were in Turkey at the same time and same location. He pointed out, however, that no one saw them together. It is more than a coincidence that Ames and Konanykhine were in Turkey together at the same time and same location at the same time that Konanykhine allegedly issued the directive to Cidorchuk to cancel the contract with FCC on the basis that I was a phony. An SSCI report, entitled An Assessment of the Aldrich H. Ames Espionage Case and Its Implications for U. S. Intelligence: A Report of the U. S. Senate Select Committee on Intelligence, November 1, 1994 (Pages 56-57.63-63) stated that Ames downloaded onto his laptop computer the S. E. Division's classified operations and cables which he brought to Turkey in September of 1993 to his KGB handlers. It defies reason that he would leave the classified cables on the KGB money laundering operation that were routed to him by Mr. V on his desk at the CNC but bring the entire S. E. Division's classified cable with him. Mr. V was outraged. The operation was a coordinated interagency operation with the full participation of the CIA and FBI. From reports Mr. V received by his FBI counterpart, the FBI had also corroborated the Ames compromise. He was certain that the FBI report would "be clean" and would prove beyond a doubt that I had been compromised by Ames on the KGB money laundering operation.

The operation was not reported to appropriate congressional oversight committees as a significant failed intelligence operation as mandated under the National Security Act of 1947, As Amended. The failure to report the operation as mandated under the National Security Act of 1947, As Amended concerned me greatly. From reports I received from CIA intelligence officers, the operation was ranked among one of the CIA's highest priorities. According to Jeffrey H. Smith, former general counsel of the CIA's Office of the General Counsel, of all of the operations involving U. S. intelligence assets who were compromised by Ames, of which I was told there were many, my compromise was the only one that was not reported.

It singled to me that it was a “policy” verses “intelligence” failure. Konanykhine’s money laundering trail led directly to Boris Yeltsin. It was a politically unpalatable situation for the Clinton administration, the Yeltsin administration and the CIA who left Aldrich Ames in the catbird seat at the Counternarcotics Center monitoring Russia money laundering operations that was under the control of two of his former KGB handlers who also had direct ties to Konanykhine—Viktor Cherkashin who was responsible for recruitment and vetting of KGB assets and Leonid Sherbarshin, former chairman of the KGB who Konanykhine hired to work for him at the All Russian Exchange Bank—a bank established and controlled by the KGB.

Konanykhine is on the top of Russia’s most wanted return list. He is INS’ highest profile case and the FBI’s biggest quid pro quo with the Russian Military Procuratura. Konanykhine was a KGB asset conducting a KGB money laundering operation out of the Willard Hotel in downtown Washington, D. C. The money was being laundered through Menatep Bank that is alleged to be KGB owned and controlled, as is its wholly owned subsidiary Yukos Oil. Khodorkovsky of Menatep Bank is the subject of the investigation into the Bank of New York’s involvement in facilitating the laundering of an estimated \$10billion. Some of the \$10billion is believed to be money loaned to Russia by the I. M. F. Khodorkovsky and Konanykhine were also the subject of an investigation by the Federal Reserve Bank, Board of Governors, for their involvement in the establishment of the European Bank in Antigua, one of eight Russian banks in Antigua alleged to have been established for money laundering purposes.

Here is a man who conducted not one but two money laundering operations out of the Willard Hotel directly across the street from the Executive Office of the President of the United States—the KGB money laundering operation and the European Union Bank both of which were undertaken by Konanykhine on behalf of Khodorkovsky of Menatep Bank. The CIA, FBI, and DOJ were knowledgeable of the KGB operation and the FRB was knowledgeable of the European Union Bank. Surely all were knowledgeable of Khodorkovsky’s involvement in the money laundering through the Bank of New York.

Here is a man who first came to the U. S. as a member of Yeltsin's first official meeting with President Bush—a man who alleges he financed 50% of Yeltsin's presidential campaign, who Yeltsin then rewarded with a dacha previously owned by Mikhail Gorbachev, and who Yeltsin allegedly authorized his then chief of security, General Korzackov, to assign a Kremlin security detail for his personal safety and protection. Here is a man who was conducting a KGB money laundering operation with tentacles that reached to Yeltsin that was penetrated in 1993 by the CIA—the President's foreign intelligence operational arm—that was compromised by Aldrich Ames and no one told the Administration and no one reported it to appropriate congressional oversight committees.

I have only two heroes in my life. Foremost is my father who taught me respect, compassion and sensitivity for the human condition. My other hero is E. C. Harwood, founder and director emeritus of the American Institute for Economic Research of the Behavioral Research Council. He was my mentor; I his protégé. Following his death in 1992, a commemorative silver coin was minted in his honor. The inscription reads: "For Integrity There Is No Substitute." Integrity was the embodiment of his life and his greatest gift to me. They are acquired virtues. They cannot be found in Darwinian theories of survival of the fittest and they certainly cannot be found in a how to survive the politics of Washington, D. C. Like the Constitution and The Bill of Rights they transcend ideology and political partisanship.

They are what my objective is all about—integrity, respect, compassion, sensitivity for the human condition—all embodied in the Constitution and the Bill of Rights. It is not "We, The President in collusion with the Office of the Directorate of Operations, hold these truths..." It is "We, The People, holds these truths to be self evident." The Agency claims it is protecting the information in the interest of national security. That does not exempt them from reporting the operation as a significant failed intelligence operation to appropriate congressional oversight committees as mandated. Their authority to invoke national security authority over the release of information granted to the them under the president's constitutional

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authority is in conflict with my constitutional right to due process. My constitutional rights were violated to protect a hidden foreign policy agenda that at the end of the day aided and abetted corrupt Russian officials.