



**The American Committee on Africa**

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Testimony of  
Richard Knight  
American Committee on Africa  
on the proposed  
Rules for the Anti-Apartheid Classification of Banks  
and  
South African Activity of Particular Banks  
before the New York Department of Finance

December 19, 1991

Thank you for the opportunity to testify today in favor of the proposed amendments to the rules for depository banks and on the South African activities of particular banks. My name is Richard Knight and I am a Research Associate at the American Committee on Africa and its associate organization The Africa Fund.

Tomorrow will be an important day in the struggle for freedom in South Africa - the opening session of the Convention for a Democratic South Africa. There is now reason to hope that the system of apartheid will be cast aside and a new non-racial South Africa will be born.

But we should not believe that the struggle is over. The South African government is still seeking to maintain white privilege in a new form. It has proposed a constitutional model in which whites will maintain a veto over future legislation.

For this reason, it is especially important that the international community support the democratic movement at this time. The decisions that are made now will effect South Africa for decades to come. Because New York City has always been a leader and is still looked to as a policy setter, swift city action now implementing these rules is urgent.

Recently, African Nation Congress President Nelson Mandela has several times expressed to New York City officials the need for continued sanctions until an interim government - both on the important visit to South Africa by the Mayor and the Commissioner of Finance and during his recent visit to the United States.

An important part of the rules is the ability of the public to provide information on the activities of banks to the Commissioner of Finance. That is my main purpose today. Attached to my testimony is a chart I have prepared on the South African activities of banks designated as depositories of City moneys. The information is from a variety of sources ranging from press reports to information provided by the banks themselves. This information should assist New York City in ranking the banks according to the rules.

The information in the attached chart demonstrates that both Chase Manhattan Bank and Citibank are major violators of financial sanctions. Between them they have some \$944 million in outstanding loans to South Africa, approximately half of all outstanding U.S. bank loans. Furthermore, all of their loans have been converted to long term exit loans. Both have correspondent banking ties. New York City should stop doing business with these banks.

To date, I have not seen any of the information provided by the banks to the City. When banks do provide information to the City, including responding to the questionnaire, this information should be open to the public. I hope that the American Committee on Africa will be given a chance to review the information banks provide and make comments.

The challenge to the City now is to implement the rules. Already Jennifer Davis, Executive Director of the American Committee on Africa, has testified in favor of the Rules for the Anti-Apartheid Classification of Banks. The American Committee on Africa remains available to assist the City in whatever way we can. I would like to commend the rules and urge that New York City promptly move toward their implementation.

Thank you.

# The South African Activity of Banks Designated as Depositories of New York City Moneys

## KEY

TL = Trade Loans to South Africa are made by the bank.

NNL = No New Loans to any South African entity.

NLG = No Loans to the South African Government, policy does not prohibit loans to the private sector in South Africa.

NNC = No New Conversion of debt covered by the standstill to long term exit loans.

NA = Not Applicable NI = No Information GT= Greater Than LT = Less Than

Bank	SA Office	Loan Policy	Outstanding Loans	Loan Conversion	Corres- pondent Banking	ADRs	Other Ties	Comment
Amalgamated Bank of New York	No	NNL	None	NA	No	No	None	
Banko Central of New York	No	NI	NI	NI	NI	NI		No known South African ties.
Banco Popular de Puerto Rico	No	NI	NI	NI	I	NI		No known South African ties.
Bank Leumi Trust Co. of New York <sup>1</sup>	Yes	NI	NI	NI	NI	NI		Since Bank Leumi has a representative office in South Africa, it is likely that it continues to make loans to South Africa and has other business ties.
The Bank of New York <sup>2</sup>	No	NNL	GT \$1	NNC	No	Yes	No	

1. Bank Leumi Co. of New York is a subsidiary Bank Leumi Le Israel [Israel]. The information here is for the parent company. There may also be some direct ties from the U.S. bank.

2. The Bank of New York acquired Irving Bank Corp. in October 1988. Prior to the acquisition of Irving, the Bank of New York had a policy of making no loans to South Africa and did not have any outstanding loans. As a result of acquiring Irving, The Bank of New York told The Africa Fund that it does have outstanding loans but declined to give a figure. Some of Irving's loans were converted to exit loans prior to October 1988. The Bank of New York says "it is not our intention" to convert any additional loans to exit loans.

Bank	SA Office	Loan Policy	Outstanding Loans	Loan Conversion	Corres- pondent Banking	ADRs	Other Ties	Comment
Bankers Trust Co.	No	NNL	LT \$170 million <sup>1</sup>	No	No	No	No	
Chase Manhattan Bank	No	NNL	\$284 million	Yes, All	Yes	Yes	No	
Chemical Bank <sup>2</sup> (including Manufacturers Hanover Trust)	No	NNL	\$366 million	NNC, \$140 million converted before policy adopted.	Yes	NI		
Citibank <sup>3</sup>	No	NNL	\$660 million	Yes, almost all	Yes	Yes	Licensing <sup>4</sup>	
European American Bank <sup>5</sup>	No	TL	NI	NI	NI	NI		Acquired by ABN Amro Holdings N.V. [Netherlands].

1. Our latest information is that Bankers Trust had approximately \$170 million outstanding as of September 1988, all of which was covered by the South African government debt standstill imposed in 1985.

2. Chemical and Manufacturers are to merge as of January 1992. This entry reflects our understanding of what the status will be of the merged bank. Prior to the merger, both banks adopted policies of no new loans to South Africa and not to convert any addition outstanding loans to long term exit loans although both banks had converted some of their outstanding loans prior to adopting a no conversion policy. Chemical has \$200 million outstanding, of which \$65 million had been converted to long term exit loans. Manufacturers has an estimated \$166 million in outstanding debt of which \$75 million had been converted to long term exit loans. As of yet, Chemical has not issued official policy statements for the merged bank.

3. Citibank is a subsidiary of Citicorp.

4. A Citicorp official told The Africa Fund that its U.S. subsidiary Diners Club Inc. no longer has a franchising agreement with Diners Club South Africa (Pty.) Ltd. However, The Fund is still seeking clarification on the ties that exist with the U.S. Diners Club and Diners Club South Africa. U.S. Diners Club cards are honored in South Africa and Diners Club South African has access to the U.S. company's computers. Citicorp has promised further clarification. Diners Club South Africa is a subsidiary of Standard Bank Investment Corp. Ltd. [South Africa], which acquired it from Diners Club U.S. in 1987.

5. European American Bank is 100% owned by ABN Amro Holdings N.V. [Netherlands]. ABN Amro was created in 1990 by the merger of the Netherlands' two largest banks, Algemene Bank Nederland and Amsterdam Rotterdam Bank. ABN Amro is a large bank with offices in some 50 countries and may be involved in several types of business ties to South Africa such as trade finance. However, The Africa Fund does not have any specific information on the South African business links of ABN Amro. In October 1977, it was reported that European American adopted a policy "not to grant any credits to South Africa other than those for financing current trade."

Bank	SA Office	Loan Policy	Outstanding Loans	Loan Conversion	Correspondent Banking	ADRs	Other Ties	Comment
First New York Bank for Business	No	NI	NI	NI	NI	NI		No known South Africa ties.
Gateway State Bank	No	NI	NI	NI	NI	NI		No known South African ties.
Key Bank of Eastern New York	No	NI	NI	NI	NI	NI		No known South African ties.
Manufacturers Hanover Trust Co.- See Chemical Bank								
Marine Midland Bank <sup>1</sup>	No	NNL	None	NA	NI	NI		Parent company may have South African business ties.
Morgan Guaranty Trust Co. of New York <sup>2</sup>	No	NNL	LT \$195 million	NNC	Yes	No		
National Bank of New York City	No	NI	NI	NI	NI	NI		No known South African ties.
National Westminster Bank USA <sup>3</sup>	No	TL	Yes	Yes, 50%	Yes	NI		National Westminster USA is a subsidiary of National Westminster Bank p.l.c. [UK]
New York National Bank	No	NI	NI	NI	NI	NI		No known SA ties

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1. Marine Midland is a subsidiary of Hongkong and Shanghai Banking Corp. The status of Hongkong and Shanghai Banking Corp. is not known to the author. The information here is for Marine Midland only.

2. Morgan Guaranty Trust is a subsidiary of J.P. Morgan & Co. Inc. Morgan announced in April 1991 that it was withdrawing from processing ADRs for South African companies, a process that was completed in October 1991.

3. The information here is for the parent company, National Westminster p.l.c. [UK].

Bank	SA Office	Loan Policy	Outstanding Loans	Loan Conversion	Corres- pondent Banking	ADRs	Other Ties	Comment
Norstar Bank/Norstar Bank of Upstate New York <sup>1</sup>	No	NNL	None	NA	NI	NI		
Republic National Bank	No	NLG <sup>2</sup>	NI	NI	NI	NI	NI	
IBJ Schroder Bank <sup>3</sup>	NI	NI	NI	NI	NI	NI		
State Street Bank and Trust Co.	No	NI	NI	NI	NI	NI		No known South African ties.
Sterling National Bank and Trust Co.	No	NI	NI	NI	NI	NI		No known South African ties.
UMB Bank and Trust Co. <sup>4</sup>	NI	NI	NI	NI	NI	NI		
Union Chelsea National Bank	No	NI	NI	NI	NI	NI		No known South African ties.

Note: As of June 1991, outstanding U.S. bank loans to South Africa totalled \$2,015 million, of which \$1,555 million was owed to the nine money center banks. The money center banks include: Bank of America, Citibank, Chase Manhattan Bank, Manufacturers Hanover, Morgan Guaranty, Chemical Bank, Continental Illinois, Bankers Trust and the First National Bank of Chicago. Three of these, Bank of America, Continental Illinois and First National Bank of Chicago are believed to have almost no outstanding South African debt. The total listed on this chart for money center banks is \$1,675 million. The difference is probably due to timing and either the some repayment under the interim arrangement between the banks and the South African government and/or the sale outstanding loans.

The information in this chart is based on the *Unified List of United States Companies Doing Business in South Africa* by Richard Knight [The Africa Fund, 1990] and other research by The Africa Fund. Not all banks in this chart have been surveyed by the Fund.

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1. Both banks are subsidiaries of Fleet/Norstar Financial Group. The information included is for the parent company.

2. The bank has not responded to our latest survey.

3. IBJ Schroder Bank & Trust Company is owned 98.3% by The Industrial Bank of Japan Trust Company. The Africa Fund does not have any information on the South African business ties of the Industrial Bank of Japan.

4. UMB Bank and Trust Company is owned 99.9% by United Mizrahi Bank Ltd. [Israel]. The Africa Fund has no information on the South African business ties of United Mizrahi Bank.