

The bank, the CIA, heroin and murder

INSIGHT



Hand: vanished

Paisley: shot dead

Nugan: shot dead

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LAST FRIDAY afternoon the Melbourne coroner issued a warrant for the arrest of Terrence John Clark on a charge of murder. Clark, a New Zealander, is alleged to have hired the killers of a young married couple named Wilson. The motive was revenge. The Wilsons were both shot in the head, then buried in a shallow grave near a Victoria surfing beach, where they lay undiscovered for almost two months.

Normally, a sordid murder in Victoria would merit scant attention beyond Australia. But this time more than local affairs are at stake. The coroner's move is only the latest development in an extraordinary affair that involves the collapse of an international merchant bank, drug trafficking, and the American CIA.

Nor are the Wilsons the only ones to have died. In the last two years the Nugan Hand affair, as it is known, has been punctuated by a series of mysterious disappearances and violent deaths around the world. One of the dozen or so victims—a New Zealand heroin trafficker named Christopher Johnstone—was found in Britain last October, at the bottom of a flooded quarry near Chorley in Lancashire. His hands had been cut off.

Police on four continents are trying to find the exact link between these deaths, the CIA and the collapse of a Sydney-based bank, Nugan Hand International.

As yet, many of the pieces of the puzzle, like the records of the bank, are missing. But from the findings that have so far emerged, and from our inquiries, it is clear that the story has a plot worthy of John le Carré. The initial conclusions are startling:

- Nugan Hand, which boasted offices or representatives in a dozen countries and an annual turnover of £500 million, was a banker for the heroin trade.

- And there is evidence that the bank was nurtured, and may even have been set up by the CIA.

Nothing encapsulates the biz-

ness better than the death of John Arthur Paisley, whose bloated body was fished out of Chesapeake Bay, Maryland, in September 1978. He had 40lb of diving weights strapped to his waist and a bullet hole behind the left ear.

The Maryland police decided that Paisley had set out alone in his 31ft sailing yacht Brillig and had committed suicide because of "personal problems." That explanation might have been accepted, but for some curious discrepancies.

The CIA immediately acknowledged that Paisley had been on its staff, but it lied about his rank and status. The agency portrayed him as a not-very-important analyst who had retired in 1974. In fact, as deputy head of the Office of Strategic Research he was, perhaps, the CIA's most senior analyst of Soviet military strength—and he had never really retired.

It has now emerged that on his last voyage Paisley took with him current and highly classified CIA documents. It has also emerged that Brillig was equipped with advanced electronic equipment, including a transceiver far beyond the requirements of the average yachtsman.

These, and other, puzzling aspects of the case, led the US Senate to call for an investigation into the "troubling questions" that hang over Paisley's death. So far there has been no proper investigation, and no explanation of what Paisley was really up to. But now one small clue has surfaced that links Paisley to the Australian imbroglio.

The link was Paisley's close friendship with an "international economist" named Walt McDonald. On his own admission, McDonald was a "consultant" to the CIA for 25 years. He was also a consultant to the Nugan Hand Bank.

Last Friday, McDonald—who lives on Chesapeake Bay—told us he had been given the task of finding a bank in Florida that Nugan Hand could buy, in keeping with its ambitious plans for expansion.

In fact, such a move would have been beyond Nugan Hand's resources. But then there were always huge discrepancies between the bank's aspirations and the reality behind it.

Founded in 1976, the Nugan Hand bank's first branch consisted of little more than a brass plate on an office door in the Cayman Islands. But from its Sydney base it claimed to specialise in "flexible, secure and highly liquid money market instruments" and offered "complete security and confidentiality... in the best traditions of Swiss banking."

Its co-founder, Frank Nugan, 37, son of a Spanish immigrant to Australia, adopted a matching lifestyle. According to Walt McDonald, Nugan "never took a taxi when he could hire a limo, never flew tourist when he could go first-class, never flew first-class when he could charter a plane." But Frank Nugan's world ended on January 27 this year, when he was found shot dead in his Mercedes-Benz sedan on a lonely road in the Blue Mountains, 100 miles west of Sydney.

His death was officially declared a suicide. Sydney police gathered little forensic evidence at the scene—like the Maryland police, they assumed from an early stage that they need not look beyond suicide.

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Nugan's death thrust into the limelight his 38-year-old American partner Mike Hand, who was soon telephoning the bank's business associates with a dire message: "You're not going to believe this," he announced, "but it looks like Frank ripped off a stack of money."

Then, one day last June, after calling in a liquidator, and blaming his former partner for everything that had gone wrong, Hand disappeared.

With both senior partners gone, only chaos remained. The liquidator called in by Hand found many of the bank's records missing, others written in an opaque private code. Estimates of the bank's debts range up to £25 million.

Most puzzling of all, apart from two Australian city councils, and some hapless American investors in Saudi Arabia, almost no creditors have publicly emerged to stake their claim. Why?

One explanation is that Nugan Hand's chief client was the CIA, and that the bank was set up to move covert funds into South-East Asia.

There is a firm precedent. Until 1975, the CIA employed another outfit based in the Cayman Islands, the Castle Bank, to finance its activities against Cuba and Latin America. And what is notable about Nugan Hand is the remarkable proportion of its associates who prove to have US intelligence backgrounds.

Foremost was Hand himself. He arrived in Australia in 1967



Colby: denial Moynihan: wanted

after serving with the US Special Services in Vietnam. (He won the US Congressional Medal.) He soon set up a company named Australasian and Pacific Holdings, most of whose directors or shareholders worked for Air America, the CIA-controlled airline involved in nefarious activities in South-East Asia.

When the bank was set up in 1976, with its principal overseas branch in Hong Kong, Hand soon enlisted other American officials as consultants and representatives. They included Admiral Earl Yates, the bank's first president, and General Ed Black, "Hawaii representative" who had served with the OSS (a forerunner of the CIA) and been a commander in Vietnam.

Nugan Hand's man in Taiwan was flight services manager for Civil Air Transport, another CIA-owned company. And the Manila "consultant" was General Roy Manors, a Vietnam veteran, who is now helping the CIA to analyse the failed attempt to rescue the American hostages in Iran.

Another US employee of Nugan Hand was George Farris, who served with the US forces in Vietnam. Then there was the CIA's "retired" consultant Walt McDonald—and, possibly his dead friend, the analyst Paisley.

McDonald denied to us any knowledge of a connection between Nugan Hand and the CIA. He also denied that Paisley was linked with the bank. But there is the intriguing coincidence that Paisley's wife, Maryann, also worked for the CIA. Her job was in the Requirements Division—which finances clandestine CIA activities overseas.

Last, there is the curious fact that a visiting card found on Nugan's body bore the name of William Colby, director of the CIA from 1973 to 1975. Colby says he was simply Nugan's US legal adviser. "There was no connection between Mr Nugan and my intelligence background," he said.

Of course, the CIA may not have been involved at all. One interpretation of the gathering of intelligence men on Nugan Hand's payroll could be that Hand merely offered retired former colleagues a valuable business opportunity. But even so, their association with Nugan Hand must now be acutely embarrassing to them. For, whatever else it was up to, one of Nugan Hand's sidelines was acting as banker to big heroin traffickers.

Rod Hall, Victoria's assistant commissioner for crime, says he has seized 23 cases of documents from a Sydney solicitor's office that prove that Nugan Hand handled money for suspected traffickers. An Australian Royal Commission report published two weeks ago says one of those believed to be involved is the British peer Lord Moynihan, formerly of Stowe College and the Coldstream Guards, who is wanted in this country for fraud. He now lives in Manila.

Others implicated include Australian politicians. But, undoubtedly, the senior and most sinister trafficker linked to Nugan Hand was Terrence Clark, the New Zealander now sought in connection with the murder of the Wilson couple.

Hall claims that Clark imported 48 kilograms of heroin—worth £1 million a kilo—into Australia in just nine months. Clark himself boasted that he had so much money he was unable to spend the interest.

There was no firm evidence against Clark until early 1979, when the Wilsons, who were working for him as couriers, agreed to tell all to the police.

When Clark was first told by a solicitor's clerk, that the Wilsons had "grassed," he refused to believe it. But he soon received incontrovertible proof. In his pay were two senior "narcos," agents of Australia's Federal Narcotics Bureau. They handed him tapes of the Wilsons making their statements.

By then, Clark had left Australia. But last Friday, Melbourne's coroner said he was in no doubt that Clark hired hitmen to kill the Wilsons.

Events seemed to reach a climax when Frank Nugan took his last car-ride in January and Mike Hand disappeared in June. Since then, however, Nugan Hand's representative in Saudi Arabia has also vanished.