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Following the old money trail

In Beirut, a case of missing millions--and allegations of a slick government coverup.

By Edward T. Pound

For someone who earned a salary of just \$1,000 a month, Rana Koleilat managed to live a pretty nice life. She traveled by private jet, took along her servants and hairdresser, and stayed at the poshest hotels in London and Paris. Back home, in Beirut, Lebanon, she lived in a three-story penthouse. To anyone who asked how she lived so well, she replied that she had a "rich uncle."

Actually, Koleilat helped manage a private bank in Beirut, and thereby hangs a tale. Two years ago, the Bank Al-Madina collapsed in scandal. At center stage was none other than Rana Koleilat. The chairman of the bank, a man named Adnan Abou Ayyash, says he lost more than \$1.2 billion, and he blames Koleilat and a few cohorts. Depositors lost another several hundred million dollars. Lebanese authorities have charged Koleilat, Ayyash, and eight others in one of the biggest banking scandals in Lebanon's history.

Interesting stuff, to be sure, but behind the scenes there's an even bigger story--how the bank allegedly funneled money to powerful Syrian and Lebanese officials, laundered funds for Iraq's Central Bank when Saddam Hussein was in power, and funded Hezbollah, the Lebanon-based terrorist organization.

Lebanese authorities have shown little curiosity in unraveling these ties or in answering questions. The Lebanese Embassy in Washington did not respond to questions submitted by U.S. News in mid-March. Likewise, Syrian officials did not answer the magazine's inquiries. Perhaps that's understandable. The Al-Madina bank scandal is a major embarrassment for both governments, providing a rare glimpse inside the corrupt profiteering long understood to be a by-product of Syria's 30-year occupation of Lebanon. Neither President Emile Lahoud nor Syrian President Bashar Assad, close allies, has been implicated in the scandal. But Syria increasingly finds itself in the cross hairs of the international community. Many Lebanese believe Syria and its allies in Lebanon played a role in the assassination in February of former Prime Minister Rafiq Hariri. In a report last week, a United Nations fact-finding team said President Assad threatened Hariri last summer with "physical harm" if he continued to press for Lebanese independence. The U.N. team stopped short of blaming Syria for Hariri's death but said its interference in Lebanon had contributed to the climate of violence that led to Hariri's murder.

Lebanon has a population of only 3.8 million, but it has a robust banking system. The Al-Madina bank was controlled by Adnan Ayyash and his brother, Ibrahim, both Lebanese natives. Adnan Ayyash, who made a fortune in construction and engineering projects and lives in Saudi Arabia, bought control of the bank in 1984, installed himself as chairman, and tapped Ibrahim as vice chairman to run the operation. Years later, after things went

awry, Adnan Ayyash hired a private firm in New York, **Fortress Global Investigations**, to find out what happened. **Fortress Global** made its findings available to U.S. News, including legal papers filed in Lebanon and New York. Adnan Ayyash also agreed to be interviewed.

Friends in high places. Lebanese authorities have accused Ayyash of writing more than \$50 million in bad checks. Ayyash says he is innocent of that charge and insists he did not participate in the looting of the bank. Authorities also charged Ibrahim Ayyash in the bad-check case. He, too, maintains his innocence.

The principal figure in the case, Koleilat, now in her late 30s, says she did nothing wrong. She is also suing Adnan Ayyash. Through her Beirut attorney, Ali Safa, she declined to be interviewed. Safa said Lebanese authorities have accused Koleilat, who is free on bond, of embezzlement, forgery, fraud, and writing bad checks. "There has been no final judgment against her," Safa says, "and she says she is not guilty." As for assertions by Ayyash that Koleilat used bank funds to pay off Syrian and Lebanese officials, Safa said, "I know nothing" of such payments.

Until its collapse, the Al-Madina bank appeared to be a going concern. It had 22 branches in Lebanon, and the Ayyash brothers expanded their related operations into resorts, insurance, and other businesses. Koleilat seemed a big part of that success--as Adnan Ayyash put it, "the bank owners' most entrusted person."

Born to a family of modest means, she was just 18 when she became Ibrahim Ayyash's secretary, in 1985. Over time, she gained the confidence of the Ayyash brothers and wielded considerable influence in the bank. Koleilat lived extravagantly, Adnan Ayyash says, buying expensive cars and yachts. The money, she claimed, came from a rich Egyptian uncle, according to the report prepared by **Fortress Global** investigators John Walzer and Thomas Vinton, former senior FBI agents.

Koleilat also seemed to have friends in high places. She "claimed she was backed by high-ranking government officials and Army intelligence officials," **Fortress Global** reported. Indeed, the investigators say, they uncovered evidence that during a one-month period ending in January 2003, Koleilat used Al-Madina funds to pay \$941,000 to the brothers of Gen. Rustum Ghazali, then the powerful chief of Syrian intelligence in Lebanon. Citing a confidential source, **Fortress Global** says that the following March, Koleilat arranged a \$300,000 "donation" for General Ghazali from bank funds. She also moved \$100,000, in November 2002, through an account at a sister bank of Al-Madina's to a Lebanon bank account of Mustapha Tlass, then the minister of defense and the deputy prime minister of Syria, according to **Fortress Global**.

Its report cites other "questionable" deals. In 2002, the report says, Koleilat transferred, at no cost, a lavish Beirut apartment to a close friend of Khaled Kaddour, identified as the office manager for Syrian Lt. Col. Maher Assad. Assad is the brother of Syrian President

Assad. Koleilat also used bank funds, the report said, to buy a villa from Elias Murr, then Lebanon's interior minister and the son-in-law of Lebanese President Lahoud. Koleilat paid \$10 million for the property, and placed it in the name of her boyfriend, **Fortress Global** says. When the villa was later taken over by Lebanese authorities, the investigators say, it was valued at \$2.5 million.

Cash crunch. In a lawsuit filed in federal court in Manhattan, Ayyash alleges that Koleilat laundered money for Saddam Hussein's government through a secret Al-Madina account. He also charges that she funneled \$3.5 million to a political front for Hezbollah, the terrorist organization. The Al-Madina bubble burst two years ago, after the bank experienced a severe shortage of cash, according to the New York lawsuit, other records, and Ayyash. Between 1998 and early 2003, Ayyash says, he pumped \$1.2 billion into the bank. He later discovered, he says, that Koleilat had duped him into believing she was crediting his funds to an account in his name. That account, he says, did not exist.

According to Ayyash's New York lawsuit, Koleilat's "corrupt enterprise" included members of her family, her boyfriend, and other officers of the Al-Madina bank. Apart from his own losses, Ayyash says, depositors are out an additional \$800 million. Where all the money went is anybody's guess. Lebanese authorities might be able to answer that question, but Ayyash believes they don't want to dig too deeply. The reason? Money was "siphoned to very prominent figures in Lebanon and Syria," he says. "They are trying to cover it up."