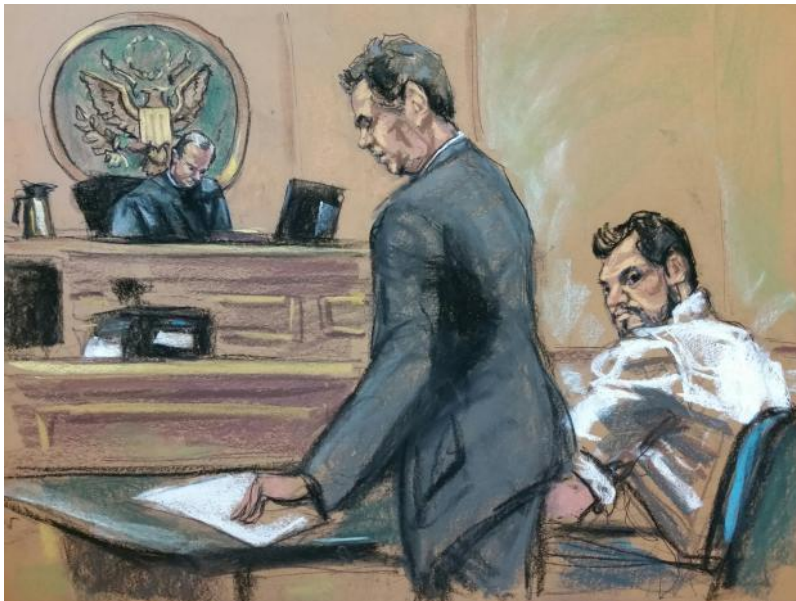


Does the arrest of a Turkish State Bank official in New York further complicate US Turkey Relations?

by Jerry Gordon



Mehmet Hakan Atilla (R), a deputy general manager of Halkbank, is shown in this court room sketch with his attorney Gerald J. DiChiara (C) as he appears before Judge James C. Francis IV in Manhattan federal court in New York, New York, U.S., March 28, 2017. REUTERSJane Rosenberg

The FBI arrested on Tuesday, March 28th, 2017, Mehmet Hakan Atilla, Deputy Chief Executive Officer of the Turkish state-owned Halkbank after he was taken into custody at JFK airport the day before. He was charged with a multi-year conspiracy evading US sanctions against gold bullion trading with Iran in a deal that the Obama Administration permitted under a loophole because it went through "private individuals." That was back in 2013, when the US was in intense negotiations with Iran via the P5+1 JCP0A deal that gave Tehran a guaranteed

pathway to a nuclear bomb.

The private individual in question, who facilitated the multi-billion dollar illicit gold trade, was 33 year old Iranian Turkish Azeri, Reza Zarrab, who was [arrested](#) last March while on a vacation in Florida. He was [arraigned](#) in the New York Federal Southern District Court in October 2016. Zarrab's arrest probably enabled the FBI to complete its investigation as to the Halkbank involvement in the gold for gas sanctions evasion scheme with Iran. Jonathan Schanzer and Mark Dubowitz exposed the violation nearly four years ago in a May 2013, Foundation for Defense of Democracies report, "[Iran's Golden Loophole](#)".

Bloomberg.com [noted](#) following the arrest of the Halkbank deputy chief executive officer the shares on the Turkish Istanbul stock exchange plummeted:

The shares of [Turkiye Halk Bankasi AS](#), as the lender is formally known, fell as much as 19 percent in Istanbul, knocking 2.1 billion liras (\$576 million) off its market value. Traders exchanged almost 153 million shares by 4:56 p.m., the most since the shares were listed, according to data compiled by Bloomberg. Mehmet Hakan Atilla, the deputy chief executive officer now detained in the U.S., faces charges including conspiring to evade trade sanctions on Iran and banking fraud.

Investors [have been](#) on tenterhooks since Reza Zarrab, an Iranian-Turkish gold trader accused of running a scheme to help the Iranian government launder hundreds of millions of dollars, was arrested in the U.S. last March. Tapes released in a previous corruption investigation in Turkey (2013) showed Zarrab coordinating with Halkbank officials including Atilla.

Note who the previous investigation involved and how it ended from this Dutch *Kom News* [report](#):

Reza Zarrab, the 33-year-old Iranian-Turkish dual citizen was arrested in Istanbul on December 17, 2013 as part of a corruption investigation involving the sons of three ministers from Erdogan's cabinet as well as Egemen Bagis, former minister for EU Affairs and Turkey's chief negotiator in accession talks with the European Union. Zarrab was accused of bribing ministers (through their sons) with millions of dollars in cash and gifts to help facilitate trade in gold with Iran. A parliamentary investigation committee was formed to decide whether the ministers would be put on trial or not but members of Erdogan's party, holding the majority in the committee voted against a criminal proceeding.

This arrest occurred just prior to US Secretary of State Tillerson's one day meeting with Turkey's President Erdogan who doubtless winked at the gold trading by Zarrab, as someone in his family may also have benefitted from the illicit business. This February, Trump advisor former New York Mayor Rudolph Giuliani and former Bush Attorney General Michael Mukasey journeyed to Ankara, Turkey to allegedly meet with President Erdogan regarding their law firm's defense of Zarrab.

Because of the timing of the latest development, it is likely that former US Attorney Preet Bharara and his staff were pursuing both cases against Zarrab and Atilla. Mukasey's son Mark is being considered as a replacement for Bharara as US Attorney in the New York Southern District.

Note these details from the US Department of Justice [press release](#) on how the evasion was accomplished under the guise of humanitarian aid:

Acting U.S. Attorney Joon H. Kim stated: "As alleged, Mehmet Hakan Atilla, a Turkish banker, participated in a years-long scheme to violate American sanctions laws by helping Reza Zarrab, a major gold trader, use U.S.

financial institutions to engage in prohibited financial transactions that illegally funneled millions of dollars to Iran. As alleged in the criminal complaint unsealed today, Atilla worked with Zarrab to create and use fraudulent documents to try to disguise prohibited Iranian financial transactions as food that would qualify under the humanitarian exception to the sanctions regime. United States sanctions are not mere requests or suggestions; they are the law. And those who use the American financial system to violate the sanctions laws, as Atilla is alleged to have done, will be investigated and prosecuted aggressively. I thank the FBI and the career prosecutors in my Office for their tireless work and dedication in this and other important investigations of alleged sanctions violators.”

FBI Assistant Director-in-Charge William F. Sweeney Jr. said: “Iran continues to illustrate it will use whatever means necessary to evade sanctions and violate U.S. law. Our work in this case shows the unscrupulous behavior by exposing how the men charged allegedly moved massive amounts of money through U.S. banks disguised as humanitarian efforts to feed people in need. In this instance, they allegedly utilized a Turkish national and a financial institution that knowingly shielded the true nature of the transactions. The FBI and the U.S. Intelligence Community have dedicated investigators and analysts who won’t stop weeding out every action Iran takes to continue its alleged illegal activity.”

The Turkish Justice Minister suggested the timing of Atilla’s arrest was “political”. He was cited in a *Reuters* [report](#) today on the arrival of Secretary Tillerson in Ankara:

The arrest in the United States of a top Turkish banker charged with participating in a multi-year scheme to violate sanctions against Iran is a “completely political” move, Turkish Justice Minister Bekir Bozdog said on

Thursday.

The Halkbank (HALKB.IS: [Quote](#)) executive is accused of conspiring with Turkish-Iranian gold trader Reza Zarrab, who is already on trial. Bozdag said there was no evidence incriminating Zarrab or Turkey.

The arrest escalates a case that has fuelled tension between the United States and Turkey. President Tayyip Erdogan has said he believed U.S. authorities had “ulterior motives” in prosecuting Zarrab, who was arrested in March 2016 in Miami.

“There is nothing legally sound there and Turkey is facing a completely political plot,” Bozdag told broadcaster A Haber. “It aims to tarnish the Turkish state, government and president.”

Despite the Turkish Justice Minister’s comments, we suspect there is more to come from the trials of both Zarrab and Atilla in New York. Stay tuned for developments.