

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

June 30, 1987

The Honorable Alfonse D'Amato
United States Senate
Washington, D.C. 20510

Dear Senator D'Amato:

Thank you for your recent letter dated June 24, 1987 regarding the adequacy of the mechanisms that domestic financial institutions employ to deter and uncover the laundering of drug proceeds.

I see from the story in Monday's Wall Street Journal that one of the primary subjects of your letter, Mr. Arnold Phelan, executive vice president in charge of E.F. Hutton and Co.'s futures division, has been placed on a leave of absence pending a management review of allegations that he warned drug traffickers that they were under federal investigation.

My feeling, at the moment, is that U.S. Attorney Rudolph Giuliani is doing an excellent job investigating the issues you raised in your letter. I believe that we should await the outcome of his ongoing efforts in these areas and at the same time continue to closely monitor E.F. Hutton's own management review of the allegations before scheduling any hearings on the subject.

If you feel differently, I would be pleased to work with you and your staff, as well as Mr. Giuliani's office in setting up a hearing later in the year.

Sincerely,

Donald W. Riegle, Jr.
Chairman
Subcommittee on Securities