Nicholas L. Deak, the Hungarian “James Bond of the world of money”

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An article on Nicholas Deak published in the June 12, 1964 issue of Time magazine is the source of this sobriquet. What was/is the popular view of the characteristics of James Bond? According to Vanity Fair the goal of Bond’s creator was “to show audiences how stylish and thrilling life could be.”

Yes, there are similarities between James Bond and Nicholas Deak, e.g. the languages spoken: English, French, and German, and the stylish life, e.g. expensive ski vacations, but the “perils” faced by Deak were not created by guns, but by the financial markets and then later by the US government. It is worth noting that Deak’s resume shows several similarities to that of Ian Fleming’s, the creator of Bond: they were about the same age, both were born in the early 1900s, had worked for intelligence services, had one son born to each of them in their 40s, and both were very successful in their careers.

A brief biography of Nicholas Louis Deak

Most of the information on Nicholas Deak’s life and his US military carrier comes from files kept on him by the Office of Strategic Services or OSS. The files had been declassified and were sent to me when I requested them through the Freedom of Information Act. Nicholas Louis Deak was born [to Louis Deak and Malvin (Billitz)] on October 8, 1905 in Hátszeg (today’s Hateg, Romania), Austro-Hungarian Monarchy. He earned his doctorate in economics in 1929 from the University of Neuchâtel, Switzerland. In his completed Personnel Placement Questionnaire filed with the War Department in 1943 he claimed to have served in the Romanian Air Force as a pilot in 1933 and 1936. On the same form he lists his college studies to have been completed in Vienna, Austria and Nancy, France, before earning his Ph.D. Deak also lists his employment history to
include running the foreign exchange and bank security department of the Bucharest branch of the British-Hungarian Bank (1934-1938) (Angol Magyar Bank Részvénytársaság) and being an employee of the Romanian Government at the League of Nations in Geneva (1937-October 1939) assigned to writing economic analysis. Deak gave the reason for leaving the League as the breakout of the war. Parallel to his assignment at the League, Deak taught, as an adjunct, two classes in economics, and international affairs at the Universal Esperanto Association.

He entered the USA on a Romanian quota in 1939, arriving in New York on October 15, 1939, sailing from Genoa on passenger ship Rex. Deak married Liselotte Maria Potter on Dec. 21, 1939 (born on Dec 13, 1919). In the 1940 census Deak and his wife appeared twice. Once living in Larchmont, in the household of John Potter who declared his birthplace as Austria, and his residence on April 1, 1935 to have been in Romania and a then current occupation as importer, owning his own business. Deak is listed as a son-in-law with 2 years of college education and occupation of foreign exchange (dealer). Deak and his wife were also listed as renting an apartment on Riverside Drive, in Manhattan, NY where he gave his occupation as a banker and she as a student. In this filing he reported 4-years of college education and an income for 1939 of $2,300. Although all later newspaper reports list Deak entering the USA in 1939, according to the manifest of the ship President Harding, Deak entered (visited?) the USA on March 27, 1937. His occupation then was recorded as lawyer and that he spoke English, Romanian, French and German.

Deak’s first employment in the USA was in the field of education. He was a part-time teacher (“visiting lecturer”) at the Perkiomen School, a traditional college preparatory school in Pennsburg, PA between 1940-1942, where his annual pay was $3,000. ($50,578.16 in 2014 dollars — not bad!) In 1941, Deak was also a faculty member at City College, NY, where he earned $3.25/hour. We know this from three sources, the membership lists of the AAUP (American Association of University Professors), the AEA (American Economic Association) and his military personnel form. In September 1941, Deak became VP and financial advisor in a part-time basis, to Korody and Co., Inc. (44 Beaver Street) for an annual salary of $6,000 ($96,211.81 in 2014 dollars).

In October 1942 he registered for the draft and was originally classified as 3A (deferred service; men with dependents, not engaged in work essential to national defense). In December, as an officer candidate, he started training at the OSS Paratrooper School at Fort Benning, Ga.
(Deak was naturalized on April 10, 1943 and his wife became a naturalized citizen on May 11, 1944.)

In September 1943 he was promoted to the rank of First Lieutenant and was assigned to the Middle East Theater. The original “assignment” he was given on September 27, 1943, was that from Cairo, he “will enter Romania, promote and organize partisan groups... and supply necessary weapons for resistance.” This did not happen. Deak’s service was not without blemish. His Theater Service Record completed on November 25, 1944 states that his “use in the OSS” should be terminated because of his unsatisfactory rating with working with others. His leadership qualities were also only rated “satisfactory.” The report also mentions, in one sentence, that Deak did some intelligence work for Special Operations in Syria and Palestine, but did not do Special Operations work in the Middle East. At the end of December 1944, Deak was assigned to the Research and Analysis Outpost of the Chinese Burma India (CBI) Branch. The memo of this transfer states “it is our opinion that his present assignment will probably utilize his abilities and that one major criticism of his behavior in his previous assignment is unlikely to become apparent in his assignment with this Branch.” Deak’s name was first mentioned in the American newspapers in connection to this posting to the Chinese Burma India Theater. He was assigned to safeguarding American holdings in Singapore. He was also credited with the discovery of insurance industry files.⁶

William J. Casey, who worked for the OSS and then was the head of the SEC (1971-1973), then was under-secretary of economic affairs (1973-74), then was the chairman of the Export-Import Bank (1974-76) - in his introduction of Deak in 1975, to The Newcomen Society sponsored lecture, recounts the story that Deak “was in charge of an OSS unit... that accepted the sword of surrender of the Commanding General of the Japanese forces in Burma.” (Sep.13, 1945 (?))

The postwar successor to the OSS (Office of Strategic Services) was the S.S.U. (Strategic Services Unit, established on October 1, 1945). In November 1945, the China branch established itself at General Wedemeyer’s China Theatre headquarters in Shanghai.⁸ Deak, now ranked as captain, was assigned to this theater March 1946.

Nicholas Deak returned to the USA in May 1946 and was “separated” on August 17, 1946 with rank of captain.⁹ His son, Robert Leslie, was born on January 22, 1951. In early December 1984 several of the Deak’s firms filed for protection from creditors under Chapter 11 of the US bankruptcy laws.
Nicholas Deak was murdered on 18 November 1985 by a 44 year-old homeless woman, Lois Lang. Conspiracy theories abound on the internet that the murder was either organized by the CIA, because Lois Lang was a subject of various brain experiments, or that it was directly organized by the CIA because Deak did not go along with his CIA handlers. Although no proof exists that the CIA was directly implicated in his murder, Deak, even in his life time, was accused of and a proven participant to several shady CIA actions.

The firm... building an empire

Deak & Co., Inc. was incorporated on September 26, 1946 as an export-import firm. The firm took over Korody and Co. Inc., Deak’s employer before his enlistment.

Deak & Company first made news in 1947 when it announced that the Hungarian Weiss Manfred Steel and Metal Works wanted to enter the US markets through them. The following year seemed to be a successful year for Deak’s firm; Hungarian freight car sales to Germany were negotiated through the firm, as were the trade agreements with Argentina for $300,000 worth of goods. The firm acted as middleman in aiding American firms to attend the Budapest Industrial Fair in 1948. In 1949 an optimistic Deak represented Hungarian interests to sell low quality manganese in the US, and stated that his firm represented Hungarian interests in the Americas and the Far East.

The concentration of political and economic power in the hands of the Communist Party in Hungary, and the falling iron curtain, forced Deak’s firm to look for additional avenues to make money. In representing Hungarian interests Deak realized that businesses were hindered by foreign exchange restrictions, had difficulties in sending remittances between countries and felt that he had “comparative advantage” with his knowledge of languages and the financial landscape in Europe. Currency exchange business seemed to be a logical next step. In 1949 Deak was interviewed on the market rate of the new Eastern European currencies which were handled in the US by foreign exchange firms (like his) and gave the example that the 10Forint which was officially worth $0.87 was sold for $0.36. Deak did not specialize in Eastern European currencies, his firm bought and sold all currencies; for example, from 1950 the Times of India reported the price of the rupee in New York every week by quoting Deak & Co.
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The currency exchange business was not developed to help the tourists travelling from one country to another, but to help businesses get around strict currency controls imposed by virtually every country after World War II. In each country capital controls were sanctioned to prevent currency crises, but the growing volume of trade made the official system untenable and avenues had to be found for financing and paying for trade and for surplus capital to earn higher interest rates.

The currency exchange businesses facilitated the flow of ‘hot money’ around the world. ‘Hot money’ are funds that are held in one currency but are liable to switch to another currency quickly in search of the highest available returns. It is often used to describe the money invested in currency markets by speculators.18

Economists often talk of two kinds of hot money, “speculative capital movements” meaning movement due to anticipated changes in exchange rates; while “flight movements” are movements of funds because of anticipated war, communist insurrection, new higher taxes, capital levies, and/or imposition of exchange restrictions, etc.19 The hot moneys in this period represented capital flight.

Deak’s business must have been doing well, as the company opened its first office outside NY in Washington DC in 1950 which was reported by the Washington Post on October 14, 1950 and a new, second office was opened in NYC, the following year, as reported by the New York Tribune on June 30, 1951. The January 2, 1954 issue of The New York Tribune/Herald announced the sale of Perera Co. to Deak & Co. Inc.20 Over the following years this new firm opened offices at airports all over the world. Some examples: New York (Idlewild), Miami, Los Angeles, San Francisco, Hawaii, Toronto, San Juan, PR, Toronto, London, Macao, and Hong Kong. In an article by Bernard Kalb in 1955, Deak is touting the safety and the great rates offered by his firm for travelers needing foreign currencies.21 A natural outgrowth of this business was the sale of foreign currency denominated travelers’ checks.

As the business expanded the Deak offices made the headlines a few times because of burglaries in their offices in 1957 and 1958.22 While the thieves took off with relatively small sums, more significant events in the company’s history were ignored by the American press.

The foreign exchange units were operated like banks, but were non-banks.23 They accepted deposits from foreigners, paid interest and transferred funds between various points in the world. But as the American definition of a bank required, they did not make loans, and they accepted money only from foreigners. To attract more funds, to provide “full-
service” to his customers, Deak entered the banking business. In the USA he purchased a small national bank, First National Bank of Fleischmanns in 1957, and founded the Foreign Commerce Bank in Zurich, Switzerland in 1958. This small American bank, renamed Deak National Bank, attracted a “lot of depositors from Latin America because of the devaluation of their currencies” said the head of the international division in an interview. Deak claimed that this Swiss bank was established because the commissions paid to handle their business was more than it cost to do it themselves.

To add to his empire, Deak purchased another European bank, in 1966. This was an old Viennese bank, Bankhaus Mayer-Loos and this bank’s name was changed to Bankhaus Deak. In an interview given to the New York Times, Deak explained the need for this new bank: were the changing Swiss bank laws due to central banks and government pressures, “foreign tax collectors and anti crime forces”… making “Austrian banks… even more effective in protecting foreign money from prying eyes than those of Switzerland.” In this interview Deak enumerated how Austrian laws encouraged the flow of funds into the country as they allowed interest payments on accounts larger than $10,000, which the Swiss did not; did not force account holders to convert funds into the local currency, again which is something the Swiss often did; the negative interest rates that the Swiss charged on large deposits and taxed interest earned on large savings accounts were also avoided by depositors in Austrian banks.

Another benefit of this new Austrian bank, and Deak’s other foreign subsidiaries, was that they could participate in underwriting as shown in 1972 and 1974 tombstone ads, as in America the laws separating investment and commercial banking were still on the books. In 1972 Bankhaus Deak who is one of the underwriters for Lafayette Academy’s stock offering; in 1974 it was Deak and Co (Ontario) helped bring the Hungarian National Bank’s euro-currency borrowing to the market.

To attract business Deak advertised in trade publications. For example, an ad in the American Bar Association’s Journal in June 1963 read “FOREIGN FUNDS, BLOCKED ACCOUNTS, Foreign Money Transfers, Financing of International Transactions. Deak & Co., Inc., 26 Broadway, New York 4.” This ad appeared monthly in the journal.

Deak did not hide his methods of money transfer. In an interview published in the March 3, 1966 issue of the Wall Street Journal, Deak was quite open about the way he transferred funds between countries. Two examples were cited in the article, one method was to accept payment in local currency into Deak’s account in the country with blocked funds, then
finding a foreign partner who needs the local currency and can pay in USD to Deak. Another method used was buying and selling airline tickets. The airline tickets were purchased in countries with nonconvertible funds, then smuggled out of the country and then sold to individuals or cashed in at airline offices outside the purchase country. Deak is quoted in the article that “most of the rubles he was selling went to Latin American diplomats, who smuggled them into Moscow and used them for private purchases.”

But by the end of the 1960s the world was changing, more and more players entered and competed for funds. As a 1971 Federal Reserve Bank publication explained:

In the 1960s, European and Japanese exports became more competitive with US exports. The US share of world output decreased and so did the need for dollars, making converting those dollars to gold more desirable. The deteriorating US balance of payments, combined with military spending and foreign aid, resulted in a large supply of dollars around the world. Meanwhile, the gold supply had increased only marginally. Eventually, there were more foreign-held dollars than the United States had gold. The country was vulnerable to a run on gold and there was a loss of confidence in the US government’s ability to meet its obligations, thereby threatening both the dollar’s position as reserve currency and the overall Bretton Woods system. With inflation on the rise and a gold run looming, Nixon’s administration coordinated a plan for bold action.31

President Richard Nixon ended international convertibility of the US dollar to gold on August 15, 1971. The Smithsonian Agreement of 1971 allowed the dollar to be devalued and the boundaries in which exchange rates could fluctuate increased to 2-¼ percent. In 1973 under the so-called Smithsonian Agreement II, the exchange rate boundaries were eliminated altogether. This change effectively allowed exchange rates of major currencies to float freely. To allow businesses and individuals to participate in this new world of freely floating currencies, the Chicago Mercantile Exchange opened a futures trading floor for currencies in 1972.32

Deak reacted to the regulatory changes in two ways, on one-hand he continued to advocate for hard currency, on the other, he introduced new financial certificates backed by precious metals. This was ‘offered’ to individuals who do not want to deal with the “cost of storage, assay, fabrication, shipping, security and sales taxes.”33
In 1976 in a speech given to the Empire Club of Canada, Deak summarized his views, by saying that the answer to the double deficit and the loss of value of the dollar “smart people... have already put their money into better currencies, or in gold or silver or some other form of investment.”\textsuperscript{34} To emphasize his point on the loss of value of the US$, in the July 6, 1973 issue of the \textit{Los Angeles Times}, Deak was quoted as saying “that his gardener has asked to be paid in Italian lira because ‘the dollar is bound to sunk lower.’”

Of course, his firm has acted previously, for example, to aid flight capital, the Deak National Bank and the Bankhaus Deak offered checking accounts denominated in gold in the late 1960s. (For US citizens the private ownership of gold certificates was legalized in 1964. They could be openly owned but were not redeemable in gold. The limitation on gold ownership in the U.S. was repealed by President Gerald Ford in December 31, 1974.) After Americans were legally allowed to own gold bullion, the firm advertised its ability to buy and sell both bullion and coins. While owning gold and silver coins exempted the owner from sales taxes, the owners of gold deposit certificates do not have to report their holdings to the IRS.\textsuperscript{35}

Americans could participate in the gold market in several ways, by buying bullion, gold coins, or jewelry. The July 22, 1979 issue of the \textit{New York Times} explained that investors could also participate in the gold market by using the options or futures markets or by buying gold certificates. Gold certificates represented gold deposits in the issuers’ banks (Deak was one of the issuers). Gold bank accounts were regular checking or savings accounts based on the value of the underlying gold value the bank purchases or sells for the account holder. Deak National Bank was one of the banks offering this type of account. On January 21, 1982 Amex started trading in gold coins “many of its members in the securities business have customers who want to buy coins now and then as part of their investment portfolios.”\textsuperscript{36}

The closing of the gold window in 1971 and the opportunity for Americans to own gold opened a new money making avenue for Deak. He was favored speaker at several seminars on gold, for example in February 1974 (advertised in \textit{Barron’s}), several seminars and investor workshops advertised in the \textit{Wall Street Journal}. In 1979 both \textit{The New York Times} and the \textit{Los Angeles Times} ran articles about the booming business of investment seminars. On discussing the goal of the seminars, Deak, said “I prefer to be a gold bug rather than a paper worm.”\textsuperscript{37}
Another avenue for gold ownership was by buying gold coins, especially Krugerrands initially. The Krugerrand is a South African gold coin, first minted in 1967 to help market South African gold and produced by the South African Mint.\(^3\) It was legal tender in South Africa. On January 1, 1975 Americans could again legally own bullion and parallel to the changing US laws, the South Africa’s Chamber of Mines began an advertising campaign to convince Americans of this “unique” hedge against “currency fluctuations and inflation.”\(^3\) \(^9\) Deak was one of the first companies to advertise the availability of this new “product.” As the public sentiment against the apartheid regime increased, protests and rallies were held all over the country. In 1985 there were several protests in front of Deak’s various offices against the sales of Krugerrands.\(^4\) On August 8, 1985 Deak &Co suspended the sale of Krugerrands “due to public pressure.”\(^4\) (President Reagan banned the importation of Krugerrands after October 11, 1985.\(^4\)) Of course, after the introduction of gold coins by other nations, like the Canadian Maple Leaf, in 1979, and the US Gold Medallions in 1982, Deak added them to his firm’s portfolio.\(^4\)

While on one hand the late1960s not only meant competition for funds for the banks, but because of the double “menace” of inflation and increasing deficit, on the other, foreign banking institutions came under scrutiny. The one day hearing on December 9, 1968 held by the House Committee on Banking and Currency defined its goal as a “number of court cases, newspaper stories, and other reports of proceedings against individuals, involving the illicit manipulation of huge sums of money. We are especially concerned about the number of instances where the use of foreign bank accounts in countries with strong bank secrecy laws constitute an important phase of the illicit operation.”\(^4\)

Based on the hearings, Wright Patman, the committee’s chair, introduced the “Banks Records and Foreign Transactions Act,” popularly known as the Bank Secrecy Act, which was passed in 1970. The focus of the act was, on one hand to regulate the record keeping of domestic banks and financial institutions, and on the other, the use of Americans of secret foreign bank accounts outside US jurisdiction.\(^4\) The Act required that cash movements of $10,000 or more be reported. This Act, and its amended versions, together with the Congressional hearing leading to the passage of the Foreign Corrupt Practices Act will be the downfall of Deak & Co.

The first scandal to involve the firm is yet to be reported in the press, it will be in the mid1970s (the Lockheed scandal), the coverage of the firm is still positive; e.g. the formation of the new Deak Investment Corporation, a real estate company, which was founded in 1972, with a
goal of buying and developing properties in California, New York State and Hawaii.

With the end of the direct U.S. military involvement in Vietnam in 1973 and the capture of Saigon by the North Vietnamese Army in 1975, Vietnamese refugees were in the news. Wealthy refugees brought out their life savings in gold. The refugees were housed in camps in Guam and on several air force bases in the USA. The Christian Science Monitor reported that “air force officers… expressed concern that they might run some risks on the street of American cities. The officers advised the Vietnamese to convert their gold into dollars…”46 One of the firms participating in this gold buying program is Deak & Co. In the same article Deak was reported to have admitted that on the first day in Guam the company purchased $500,000 worth of gold. Two months later, in July, the New York Times reported that business was still brisk.47

A sign of respect and success in the banking world that in 1974 Deak is one of the invited guests at the Ford White House for the dinner in honor of Austrian Chancellor Bruno Kreisky.48 In 1975 Deak was one of the candidates for the regional Federal Reserve Bank’s Class A directors’ spots.49 He lost the election.

Another development as a result of the changing US bank laws were the rapid rise in offshore financial centers (OFC). These “are broadly defined as markets in which financial operators are permitted to raise funds from nonresidents and invest or lend the money to other nonresidents free from most regulations and taxes. Most commonly, the designation “offshore” financial market is used to describe the wholesale international financial market, previously known as the Eurodollar market.”50 For North American banks, doing business in London was expensive and the Caribbean OFCs offered a cheaper and equally attractive regulatory environment free of exchange controls, reserve requirements, and interest rate ceilings, and in the same time zone as New York. In a letter to the editor to The New York Times, on Apr 11, 1979, Deak argued that New York City should create a “bankers’ trade zone” as this would achieve several goals. It would make New York a more important banking center than London, and it would “create additional employment” in New York, as facilities maintenance and records for transactions would be completed here. Deak also argued that this new zone would “help our balance of payments” and would also allow the Federal Reserve Bank to supervise and regulate American banks. As he wrote “it is not dignified for respectable American banks to set up quasi-banking operations on small islands,… in order to circumvent the Federal Reserve Q regulations and
reserve requirements.” This letter was signed by Deak, as an adjunct professor of international banking at NYU’s Law School. In 1981 the Federal Reserve approved the creation of International Banking Facilities (IBF) on American soil, which allowed American banks to offer services to foreign residents and institutions free of some Federal Reserve requirements and some state and local income taxes.

In 1980 Nicholas Deak and Yehudi Menuhin were the George Washington Awards winners given by the American Hungarian Foundation. Forbes magazine started publishing the wealthiest 400 list in 1982. In 1983 and 1984 Nicholas Deak made this Forbes list, with a personal wealth of $400 million.

The scandals that bought down the firm

In August 1975 Time magazine reported that Lockheed Corporation “admitted under prodding by the Securities and Exchange Commission that it has slipped at least $22 million under the table to foreign government officials and political organizations.” The Deak firm was investigated for facilitating this bribery, which became known as the Lockheed Bribery Scandal. A detailed investigating report tying Deak to Lockheed was published by Tad Szulc in the April 10, 1976 issue of the New Republic. In the Interim Report to the President and the Attorney General, subtitled The Cash Connection: Organized Crime, Financial Institutions and Money Laundering (1984) summarized the Lockheed case as follows: Lockheed was accused of bribing Japanese officials. On page 12 of this Interim Report the following summary is found: “Lockheed Aircraft’s illegal payments totaling $25.5 million between 1969 and 1975 were disguised through false accounting entries and the utilization of cash and “bearer” drafts payable directly to the foreign officials. Deak-Perera Company in Los Angeles facilitated the Japanese briberies by wiring $8.3 million to its Hong Kong office, where the US dollars were changed to Japanese yen and presented to Deak personnel for delivery in Japan.” In the US press more salacious details were reported, namely that in “Hong Kong, where a Spanish-born priest representing Lockheed took the cash and carried it to Japan in a flight bag or in cardboard boxes labeled “oranges.” In Japan, the scandal resulted in the criminal conviction of a former Prime Minister, Kakuei Tanaka. Leslie Deak, Nicholas Deak’s son, as the company’s VP, reacted to the scandal by saying “Lockheed Corporation came in and asked us to make a payment … We made a payment. The fact that the money was used later for bribes is Lockheed's shame, not ours.” Deak’s firm was not
fined or punished in this case, as the Foreign Corrupt Practices Act will only be passed in December, 1977, but the damage to the firm was devastating.\(^\text{57}\) “In 1995 Lockheed Corp. agreed to pay a record $24.8 million in penalties and pleaded guilty to violating the Foreign Corrupt Practices Act — a federal law that stemmed from a Lockheed overseas bribery scandal in the 1970s.” \textit{Los Angeles Times}, January 28, 1995. In 1976 the IRS began probing the Deak’s San Francisco office for “possibly illegal currency dealings….The investigating was begun here when currency totaling $1,233,988 was found in envelopes labelled ‘documents’”.\(^\text{58}\) In 1977 the San Francisco Office manager and the Deak firm was indicted by the Grand Jury for transferring $10.9 million from the Philippines to the USA.\(^\text{59}\) The company was found guilty and was fined a total of $20,000.\(^\text{60}\)

In a frank interview, following the reports on the IRS investigation, with the \textit{Washington Post}, Deak detailed how exchange controls were broken by his firms (and others). Controls are broken three ways, Deak was quoted as saying. The three methods were: “the most obvious method is to try to smuggle cash out of the country either on your person, through the mail or by courier. Another method would be to locate a broker who would exchange dollars for local currency and profit either by discounting the local currency or by marking up the cost of the dollar. The individual seeking the dollars would be responsible for smuggling the cash out of the country. The last method is that commonly used by Deak. An individual would inform Deak, possibly by mail, that he has a certain amount of local currency that he wants to exchange for dollars and that he also wants Deak to help him remove the dollars from his country — in violation of controls. Deak then will quote a rate of exchange and instruct the individual whom to contact in his country. The contact, or broker — in effect a Deak agent — makes money by discounting or marking up the rates, and so does Deak.”\(^\text{61}\)

Luckily for Deak & Co. the 1977 Koreagate faded fast from the headlines. “In 1977, Mr. Park was charged with 36 counts of conspiracy, bribery, mail fraud, failure to register as a foreign agent and making illegal political contributions. A long investigation found that he had concocted a scheme, with the help of high-ranking Korean Central Intelligence Agency officials, to collect inflated commissions from sales of American-grown rice to South Korea, and to use some of the money to buy support for South Korea in Congress. The charges were later dropped, after Mr. Park agreed to testify at Congressional hearings and in front of federal grand juries. His testimony led to ethics proceedings and criminal charges
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against several members of Congress." The Nov. 2 1978 issue of the Wall Street Journal reported that an American company paid $200,000 to a Korean official through Deak & Co., Hawaii.

The most damaging charges against the firm were the money laundering accusations. In 1982 nine firms, including Deak-Perera were accused of laundering more than $100 million in drug sales. The lead “launderer”, Eduardo Orozco, (and six other Colombians living in NY and one woman living in Columbia were named in the indictment) was arrested in November 1982. Orozco was accused of running two money laundering schemes, one for Colombian coffee merchants to help them avoid paying taxes, and one for washing cocaine money. His cover was that he was a New York commodities trader. He was charged and convicted running the largest money laundering operation to that date.

The Presidential Commission found that “more than two-thirds of the money moved by Orozco — approximately $97 million — went through his accounts with Deak-Perera...In fewer than sixteen months, this account received 232 cash deposits totaling almost $97 million. These deposits were carried in cardboard boxes to Deak-Perera New York City branch.” Orozco was sentenced to eight years and was fined $1 million on June 30, 1983. (President’s Commission, p.36) Although Deak refused to testify before the Presidential Commission, which had no subpoena power, on money laundering, as “he had given all the information [the investigators] had asked for.” In 1986 when the company was coming out of Chapter 11 bankruptcy, Arkadi Kuhlman the president and CEO of the “new” Deak International, said the money laundering charges “were gross distortions.”

When the newspapers began reporting on the findings of the President’s Commission Deak-Perera was tied to another money laundering case, that of Isaac Kattan. The report said that an IRS audit discovered several irregularities regarding Kattan’s account, which were held in the name of Jose Vega. (President’s Commission, 42). Deak’s attitude towards money laundering was best summarized by him “You don’t refuse a customer just because his money isn’t clean.”

On December 7, 1984 Deak & Co, filed for bankruptcy protection “citing severe liquidity problems.” (The holding company’s assets were $62.2 million, while its liabilities were $95 million.) The firm’s securities trading (Deak-Perera Securities Inc.) and futures trading units (Deak-Perera Futures), and the Deak National Bank were not included in the bankruptcy filing. The bankruptcy-court petition also didn't include Deak-Perera U.S., the firm’s non-bank currency and metals trading unit. The
connections between the parent and the subsidiaries were murky, wrote BusinessWeek in 1984. In a 2012 interview reexamining the Deak murder, published by Salon.com, on the company organization the then chairman said “the company was compartmentalized in a way that only the CEO fully understood.” The firm explained the need for bankruptcy protections: “Mr Deak said many of the clients of the two Deak subsidiaries covered in the court filing withdrew their money after a U.S. presidential commission claimed that a subsidiary was used for money laundering by South American drug dealers.” He further charged that “the firm’s competitors used news articles about the commission report to panic our clients, causing a run.”

Even after the firm filed for bankruptcy protection, the firm made negative news, Deak & Co. Macao Ltd and the company’s Hong Kong subsidiaries were “under fire” in late 1984. The Macao operations were closed, the Hong Kong government revoked the license of Deak-Perera Finance and the court ordered the liquidation of Deak-Perera Far East and the police issued a warrant for Nicholas Deak’s arrest.

Nicholas Deak did not see his firm re-emergence from bankruptcy. He was murdered on Monday, 18 November 1985 by a 44 year-old homeless woman, Lois Lang. The AP wire reported that the murderer was “claiming some financial injustice was done to her in the past by this company.” The London Times reported that Lois Lang supposedly “claimed she was a part owner of the company and was owed money.”

What happened to the best known entities in the Deak empire?

On May 6, 1986 the Deak companies emerged from bankruptcy. The Washington Post reported that “creditors will receive 48 cents for every dollar owed to them. Deak-Perera U.S. which was not involved in the bankruptcy proceedings will be called Deak International and will become the parent company. The former holding company, Deak & Co., becomes a subsidiary…. former subsidiaries Deak-Perera Wall Street Inc. and Deak-Perera International Banking Corp., both of which were part of the Chapter 11 proceedings, become subsidiaries of Deak International.”

Deak National Bank changed its name to American National Bank on June 17, 1985. In spite of the name change, the mostly South American depositors withdrew their money, the bank failed and closed its doors on January 24, 1992. Foreign Commerce Bank, Zurich was sold in 1985 to a Singapore investment group. Bankhaus Deak was purchased by Foreign Commerce Bank in 1983. In 1988 Royal Trust Bank of Canada took over
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the bank and then it was sold to the Anglo Irish Bank in 1995. In 1998 the bank was again sold to the Austrian subsidiary of Credit Lyonnais Bank. In September 2008 Valartis Group purchased the bank; the new company is called Valartis Bank.

110-branch North American Deak foreign exchange, travelers check and precious metals retail network merged with Thomas Cook Currency Services, Inc. in 1990, and parts of this new firm were taken over by Travelex Currency Services in 2001. This is still an active company today.

Deak International Inc. started its new life with acquisitions. In 1987 it purchased far-east gold-refining subsidiary and precious metals operations and the metal dealing operations of Johnson Matthey Commodities Inc. in London and New York to be able to produce bullion and precious metal products under its own hallmark and to have 24-hour trading capability in the world’s three major metals and currency trading markets. After several bad decisions, the company merged out in 1994. Barclays Bank PLC acquired the precious-metals and copper trading operations of Deak International Trading in 1991.

Conclusions

In the already mentioned 1964 Time article, Deak was compared to James Bond because of his ties to the secret service. But, maybe, there are other comparisons that should be made to a James Bond story, esp. to his 1964 nemesis, Goldfinger. In this movie James Bond must outsmart and outgun the Goldfinger, a bullion dealer and gold smuggler, who plans to raid Fort Knox and irradiate the American gold supply. Goldfinger was supposedly named after “the architect Ernő Goldfinger, the husband of a cousin of Ian Fleming’s golfing partner,” a Hungarian; James Bond was assigned to fight to keep gold pure and the existing trading system safe.

In the movie, Colonel Smithers of the Bank of England explains the gold market to Bond:

Supposing you have a bar of gold in your pocket about the size of a couple of packets of Players. Weight about five and a quarter pounds. Never mind for the moment where you got it from – stole it or inherited or something. Now, the law says you have to sell that to the Bank of England at the controlled price of twelve pounds per ounce. That would make it worth around a thousand pounds. But you are greedy. You’ve got a friend going to India. Your friend flies to Bombay and goes to the first bullion dealer in the bazaar. He will
be given about one thousand seven hundred pounds and you’re a richer man than you might have been.

A more detailed explanation of the method used is given in the book.  

Goldfinger, in the movie, is more like Deak than Bond, and not only because they are both eastern Europeans. (In the movie Goldfinger is Latvian.) Goldfinger arrived in England in 1937; Deak arrived in the USA in 1939. Goldfinger used the system by getting the necessary licenses to do his business and by employing middlemen, so did Deak. Deak and Goldfinger exploit the existing system of currency controls by moving gold and currencies around the world, and both believed currency control systems should be abolished.

Had Goldfinger achieved the destruction of Fort Knox, the fixed exchange rate system would have had to be reevaluated, as the dollar price of gold would have had to be raised. When the dollar gold fixed exchange rate was abandoned by Richard Nixon this is exactly what happened. In the movie, Goldfinger was killed, and so was Deak.

Nicholas Deak was a believer in hard money, money backed by precious metal. As the banking regulations changed Deak’s business model also changed; the firm expanded from being a money changer to owning full-service banks in New York and in Europe. The company can be credited with several financial innovations, like free travelers checks and the creation of gold certificates. Deak also minted gold and silver ingots taking advantage of his “name” was an assurance that these ingots did not have to be assayed. The complicated web of interconnected companies was brought down by changing US and foreign laws and Deak’s arrogance.

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An interesting side-note to the Deak saga

On googling Nicholas Deak on the internet, a gold coin with Deak’s likeness pops up. What is its history? Deak & Co. did issue gold and silver ingots; but it did not produce this gold coin, called ‘Deak Fivepiece’. This coin was issued by the Gold Standard Corporation, which was founded in 1976 by Conrad J. Braun in Kansas City, Missouri. Between 1979 and 1984 the company minted five gold coins, named after famous people/economists, Harwood, Hayek, Hazlitt, Adam Smith and Deak, all believers — to a certain degree — in the gold standard. The Deak Fivepiece
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contained 1/20th ounce of gold, and it was the smallest gold coin minted by the company. It had promotional statements/slogans on each side; around Deak’s portrait the coin said “The internalization of sound money”, while on the ‘tail’ — “For integrity there is no substitute.” The coins were advertised in Barron’s and other papers. If an ounce of gold is valued at $1,200, then the melt value of this coin is about $60.

NOTES

1 http://www.vanityfair.com/hollywood/2012/10/fifty-years-of-james-bond
2 http://www.ianfleming.com/ian-fleming/
3 Dissertation: Österreichs Holzindustrie. Email information received on June 25, 2014 from the University’s Librarian.
8 On October 27, 1944, General Wedemeyer was assigned command over U.S. forces in China. He was also named Chief of Staff to the Generalissimo Chiang Kai-shek.
9 U.S., Department of Veterans Affairs BIRLS Death File, 1850-2010

14 The New York Times, Aug. 18, 1948;
17 See an example at: The Times of India, Nov. 28, 1950.
18 http://www.economist.com/economics-a-to-z/h/node-21529795
20 The Perera firm has a long illustrious history. It was founded by Lionello Perera as a private bank in 1914 and folded in 1932. The Perera Corporation was founded in 1928 by his son.


23 In the USA, the Glass-Steagall Act, also known as the Banking Act of 1933, defined a bank that both accepts demand deposits (deposits that the depositor may withdraw by check or similar means for payment to third parties or others) and is engaged in the business of making commercial loans. [http://legal-dictionary.thefreedictionary.com/Glass-Steagall+Act](http://legal-dictionary.thefreedictionary.com/Glass-Steagall+Act)

24 This is a bank with a very long history. It was established in the late 1890s as the Bank of Griffins’ Corner. In 1910 it became the Citizens’ Bank of Griffins’ Corners, which was merged with First National Bank of Griffins’ Corner. This bank becomes a national bank — First National Bank of Fleischmanns in 1930. [http://zeitungsarchiv.nzz.ch/neue-zuercher-zeitung-vom-28-10-1958-seite-a8.html?hint=55910473](http://zeitungsarchiv.nzz.ch/neue-zuercher-zeitung-vom-28-10-1958-seite-a8.html?hint=55910473)


26 Deak, Deak-Perera Group, 15.


29 *The New York Times*, January 28, 1972. Lafayette Academy, Inc. owned and operated a vocational home-study school, which participated in the Federal Insured Student Loan Program (FISLP). In 1979 Lafayette Academy and its two subsidiaries came under investigation and were sued by the US G. for possible fraudulent practices in connection with their participation in FISLP. The Academy won on technicalities.


31 [http://speeches.empireclub.org/61997/data](http://speeches.empireclub.org/61997/data)


33 [http://tinyurl.com/ktkyfmb](http://tinyurl.com/ktkyfmb)

34 [http://speeches.empireclub.org/61997/data](http://speeches.empireclub.org/61997/data)

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38 https://www.bullionvault.com/gold-news/buy_gold_coins_Krugerrands_081720073

http://www.aba.com/Compliance/Documents/07cbe87f05f94aa8b84faa573c790ba5AppendixC.pdf
49 The New York Times, December 9, 1975. Each Federal Reserve Bank has 9 directors, the 3 Class A directors are bankers elected by member banks, 1 representing large banks, 1 representing medium sized banks, and one representing small banks. Deak was in the running for the small bank “spot.” The 3 Class B directors represent agricultural and/or commercial interests and the 3 Class C directors cannot be bankers, they represent the public.
52 http://newsok.com/magazine-lists-400-wealthiest-americans/article/2040956
61 Washington Post, Aug. 22, 1976
63 Wall Street Journal, November 17, 1982
Susan Glanz

67 Business Week, Dec. 24, 1984  
72 http://www.apnewsarchive.com/1985/Woman-Claimed-Injustice-In-Death-Of-Financial-Firm-Chief-Police-Say/id-c59f61900aa1f82399044be64e39bd70  
75 http://www.apnewsarchive.com/1985/Bankruptcy-Judge-Approves-Deak-Sale/id-1bd918f7661924cd0bec678588561591  
79 American Banker, Apr. 9, 1991  
81 Ian Fleming, Goldfinger, (California Books, 2014) http://tinyurl.com/o9f9h2q