

HOW BCCI WAS CLOSED

EVEN THE GOVERNMENT OF ABU DHABI WAS READY TO PAY BACK ALL THE AMOUNTS DUE, BUT THE BANK OF ENGLAND DECIDED TO CLOSE IT DOWN.

The following article published in "Takbeer", an Urdu weekly in its issue of September 21, 1995.

The Article is written by Dr. Shahid Hasan Siddiqui, a prominent Banker of Pakistan and former Vice President of World Bank. He was associated with the BCCI in 1984 and in 1987 he was Deputy General Manager of France and African region. He analyses the threadbare BCCI issue.

Late Agha Hasan Abedi first started the United Bank Limited in Pakistan and then in 1972 he established BCCI (Bank of Credit & Commerce International) with the capital of \$2.5 million. Very soon under his guidance the Bank established its 400 branches all over 70 countries of the world and its capital exceeded over \$40 billion with the staff from 80 countries of the world.

In 1986 a loss of \$430 million was shown in treasury branch of BCCI London. That was the first shock, however controlled very efficiently.

In 1987 when I met with Agha Hasan Abedi he was depressed and said that he will not allow any one to destroy his 40 years of hard work. Ex.-United States President Jimmy Carter, Ex.-United States Budget Secretary, Burt Lance and Ex.-United States Defence Secretary Clark Cleyford were Agha's close friends and somehow Agha got the hint that Government of America wanted to take action against the Bank. He was very much upset then.

Another shock was received by him when branches of BCCI London, Paris and Miami were raided by Police in October 1988 and charged the Bank's involvement in Drug Money. I was Deputy General Manager, France and African region at that

time and one manager from Paris was arrested. In fact American custom's agent introduced themselves as Drug Dealers to Bank Officers, gave them some bribes and turn their 'Black Money' in 'White'. It clearly shows that ^{the} who were the officers of BCCI involved in the case and proved that Bank was not involved in these types of businesses. So it was evident that if the case was taken to the court of law the Bank could have won the case but instead of fighting a case, a penalty of \$14 Million was paid under an agreement with Americans. This created the disastrous effects on the bank afterwards.

It was however correct that local Bank Laws were not followed by bank officers to promote deposits and to get quick progress. Also the volume of bad debt were increased enormously and the Bank officers were deeply involved in unlawful activities. At last in 1990 Sheikh Zaid of Abu Dhabi bought the 77.4 per cent shares of BCCI. An agreement was made between Bank of England and Sheikh Zaid. It was decided to divide the BCCI in three different Banks with the Central Offices in Abu Dhabi, Hong Kong and London. But at the last stage Bank of England, with some other country's central Banks, decided to close it down. The decision created a panic in Third World/Islamic Countries and the account holders. There was only one opinion at that time that this is a conspiracy of America and England because it was the view that BCCI was helping ~~to~~ Central Banks of some countries and playing the role of IMF, a challenge for Western monopoly.

Bank of England blamed BCCI Board of Directors' involvement in fraud and Bank Auditor's 'Price Water House' were also blamed and criticised from different circles in this connection. Price Water House in their report of March 1990 discussed some unlawful activities in bank affairs but this report was altogether different from their previous reports in which they declared bank affairs 'OK'. Their March 1990 report said that \$2 billion were paid to some people or organisations in the form of loans which were doubtful, against the law and could be non-refundable. Then Bank of England claimed that the BCCI Bank losses more than \$6 billion. In International Press an impression was created that these losses are due to Pakistani Officials, which was totally wrong. BCCI Board of Directors was responsible for all affairs which were comprised of one American Bankers of France origin, one Swiss Banker, one Banker

rom Holland and only one Pakistani Director i.e. Agha Hasan Abedi. There is no doubt that Board of Directors were not successful to perform their duties properly.

Proposal and approval of big loans were first cleared by Bank's Credit Division, then approved by Bank's Central Credit Committee and then presented to Board of Directors for final approval. In fact the Bank loans were approved by 'Banks Central Credit Committee' headed by Chairman Mr. P.C. Teochin who was also the Bank Director. Mr. Teochin could be the only person more effective in the Board of Directors as far as the matters regarding loans were concerned. If the records of previous years, before the closure of BCCI, checked it will reveal that billions of dollars of loans were approved by Board of Directors so the volume of bad debt increased and no action was taken by BCCI Board of Directors.

One of the important member of BCCI Board of Directors was Mr. Lumash who was also the Chairman of an French Bank BAIL. He also took some loans from BCCI Paris against the laws of France and Central Bank of France made objection on that.

The another member of BCCI Board of Directors was Swiss Banker Alfred Hartman. After the closure of BCCI he said in a statement that all the papers were presented to him looked cleared and were according to rules and regulations. But this was not correct because all the request for loans which were presented at that time for approval were looking 'sick' if checked only at a glance. But these people approved all the loans. The two BCCI Directors Mr. Teochin and Mr. J.D. Oven were full time employee of the Bank and taking big amounts, sitting in the Central BCCI London and if they said they know nothing what is going on in Bank affairs, it has no value.

The loss of \$430 billion in BCCI treasury department was not investigated properly and when after this incident one of the top official was terminated, he was given \$30 million. Bank of England also did not take any action and only the department was transferred to Abu Dhabi from London. This shows that Board of Directors did not fulfilled their responsibilities.

Sheikh of Abu Dhabi was ready to invest a big amount and guarantees to save the Bank. But the decision of Bank of England to close BCCI was against all the professional ethics and practices.

The most expensive liquidators were appointed in 1991 after the closure of BCCI. Their expenses were too high on bank's part. It is very important to know that closure of any bank needs lot of money and high legal expenses. Some of bank's loan which are recoverable in normal condition can not be recovered after the closure of the bank. So it is wise in the condition of bankruptcy to get investment and guarantees to save the bank. If these things are available along with the proper staff then it is a wrong step to close the bank as it happened in the case of the BCCI. Sheikh Zaid was ready to invest more money, already he invested the money and proper staff was available. Following steps should be taken at the time to save the BCCI.

1. To change the Board of Directors.
2. To change the Auditor's Price Water House.
3. To Terminate the Senior Executives involved.
4. To appoint a new Chief Executive.

In my opinion the Governor Bank of England should have demanded the Abu Dhabi to take the above said action. I never understand why the Bank of England hesitated because that was the only way to save the Bank, the account holders and the 14,000 employees of the Bank.

After the closure of BCCI the auditor's Price Water House was strongly criticised by BCCI Board of Directors. Beside that the Head of a Sub-Committee of American Senate Mr. John Gerry and a Senior Official of Abu Dhabi also criticised the Price Water House.

Price Water House were the auditors of BCCI Overseas for the last 15 years and Earnest and Young were the auditors of BCCI-S.A. In 1987 Earnest and Young's services were terminated and Price Water House were became the Group Auditors. Uptil 1989 all the reports from Price Water House were cleared and okayed. But in 1990 when Bank accepted its involvement in drug money then Price Water House indicated in their 1990 report some frauds and mishandling of funds in the part. This clearly shows that they knew it in the past but deliberately they kept quiet because of big amounts paid to them by BCCI beside the annual audit fee. One can understand the behaviour of Price Water House in details.

When the Central Office was shifted to Abu Dhabi I became the member of Central

night.

- June 27, 1991: Bank of England prepared another report and in this report they declared the proposal of dividing the BCCI in three parts, as 'impractical'. Earlier this proposal was accepted in principle.
- June 28, 1991: Deputy Governor, Bank of England presided a meeting and recommended not to divide BCCI in three parts. Same day Governor, Bank of England preside another meeting and decided that Central Banks of other countries specially Luxembourg Monetary Institute should be taken into confidence to close BCCI. They also informed Federal Reserve Board of America.
- Saturday-Sunday, June 29 & 30, 1991: In London meeting was held between Deputy Governor, Bank of England and William Taylor of American administration. They decided to call the meeting of Central Bank of different countries.
- Monday, July 1, 1991: A meeting was held between Bank of England representatives of Central Banks of 4 countries. In this meeting the report of Auditors Price Water House was distributed. (Later, the Price Water House made an objection on this because the report was in draft form). In the meeting the participants were agreed with the Bank of England suggestions including the closure of BCCI. (Important representatives of two Central Banks were not present in the meeting).
- July 2, 1991: Another meeting was held in London, between representatives of Bank of England, Luxembourg Monetary Institute, Spain, France, Hong Kong and 2 American Observers participated and decided to send a Mission to Abu Dhabi immediately for the closure of BCCI.
- July 3, 1991: Price Water House representative told Bank of England that decision to close BCCI is not in the interest of Account Holders and also the Sheikh of Abu Dhabi, who was the major share holder and already invested a huge amount as per advise of Bank of England, will be very angry. Sheikh of Abu Dhabi was ready to give more \$7 billion to strengthen the position of Bank of England.
- July 4, 1991: In another decisive meeting in London. The Governor, Bank of England told the participants of other Central Banks that he just visited the prime minister of England. He submitted another draft which said all Central Banks and American Federal Reserve Board must take immediate action to freeze the

audit Committee. I wrote a letter as a member that this committee has approved the loans in wrong ways. I also indicated that past loans given may be illegal but Board of Directors approved all the loans and no correcting measure for improvement were taken.

In 1991 I suggested some proposals which were given to 12 banks senior officers of London, Abu Dhabi and Hong Kong by President of the Bank for their suggestions. But before further steps were taken the Bank of England announced the closure.

It seems that Bank of England had already decided to close the BCCI years before and was waiting for the appropriate time. The Bank of England deliberately gave the chance to BCCI to involve in wrong affairs and more losses and then when the ^{RIGHT} ~~write~~ time came they pull the rope.

Recently Bank of England has saved the 'Bearings Banks' and proper action were taken. So it is very clear that the decision to close the BCCI was cruel, unjust and based on prejudice against Muslims. BCCI was closed for the sake of account holders but they are not paid a single penny in some countries since last 4 years.

NOW CAREFULLY WATCH THE LAST 14 DAYS ACTIVITIES BEFORE THE CLOSURE OF BCCI.

- Saturday, June 22, 1991: Price Water House submitted its report to bank of England under section 41. Report was given to Guard because of holiday.
- Monday, June 24, 1991: At noon Mr. Koven of Price Water House told Bank of England that this report is in draft form and not complete. Bank of England declared this report very serious and in reply Mr. Koven said that this report mostly based on last year's reports and he suggested that administrative changes on large scale are required.
- June 25, 1991: Officers of Bank of England discussed the situation of BCCI. They also reviewed the different reports regarding BCCI given by their officers. Bank of England also contacted Luxembourg Monetary Institute.
- June 26, 1991: A report along with the report of Price Water House was submitted to a Senior Officer of Bank of England Mr. Comen, which he studied the same

accounts and all assets of BCCI Overseas and BCCI-South Africa, Luxembourg. It is clear that this decision was different from previous decision in which it was decided to send a delegation to Abu Dhabi. At least one of the Central Bank's representative insist to send a delegation to Abu Dhabi but finally the representatives of Bank of England approved the decision to close BCCI.

I personally think that BCCI could be saved if this delegation could have gone to Abu Dhabi and arranged important and necessary funds and reservations by Sheikh of Abu Dhabi for which Sheikh was already agreed.

—July 5, 1991: A pre-scheduled meeting held in Luxembourg and in this meeting representatives of Abu Dhabi was the participant with the hope that the decision to divide BCCI in three parts will be approved in this meeting. (Because he was completely unaware that what had happened in different meetings held in London in previous days). He was so surprised and shocked when he was requested to cooperate in the process of closure of BCCI. He told the meeting that Abu Dhabi is ready to give all the guarantees to Account Holders if the Bank is not closed. But he was told that there is no need of further discussion. After that representative of Price Water House was invited and representative of Abu Dhabi went outside from the meeting.

On the same day London High Court appointed 3 partners of Tosh Roch Co., as Liquidators of BCCI, upon the request of Bank of England. Same procedure adopted in different countries.

In that way A BIG MUSLIM INTERNATIONAL BANK WAS CLOSED BY A CONSPIRACY.

— TRANSLATED BY M. SOWLEHEEN

