

Lord Justice Bingham,
BCCI Inquiry,
Queen Anne's Chambers,
28 Broadway,
London,
SW1H 9JS.

October 4, 1991

Lord Justice,

As depositors, creditors and employees of BCCI we are addressing this letter with full confidence that more than anything else the BCCI Inquiry ("the Inquiry") shall have already been undertaken against the background of the enormous anxieties to which all of us and our families have been subjected to since July 5, 1991. In our state of helplessness and despair we have no other than yourself to appeal to for a fair and honest assessment of the facts presented by the Bank of England ("the Bank") to justify the action to wind up BCCI worldwide. We felt that our real apprehensions about the Bank's action not being just and equitable should be made known, as otherwise the Inquiry could focus undue attention on just whether the Bank had acted timeously in winding up BCCI whereas it is of greater importance for us to determine whether the Bank was wrong not to consider other options.

Lord Justice, we are convinced that the Bank of England by its abrupt action triggered by the Price Waterhouse Report has at a stroke jeopardised all our interests rather than protected them as the Bank has made it out to be. This was no doubt a hasty and illconceived act whose implementation was thankfully averted by the wisdom of the Vice Chancellor of the High Court. Had BCCI in the U.K. been subject to proper regulation and controls, more certainly during the period BCCI was not granted banking status by the Bank then the extent of their loan losses and other serious irregularities would have been more limited and would have

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come to the Bank's attention much earlier. This must also be seen as a failure of the Bank to detect and take preventive action and widespread concern expressed much earlier both within the Bank and in the banking community throughout the Western World.

BCCI founder President's vision was to build BCCI into one of the largest profit earning financial institutions in the world. In its short history, BCCI did cause a banking revolution - it had more branches in Africa than any other commercial bank, it had a presence in 72 countries around the world, it was the first among the new international banks to be granted a banking licence by the People Republic of China. It developed the concept of real management, it focused attention on the North-South divide, it launched the first environmental Green Card in the U.K. and so much more. However, as Ronnie Lessem described in **Global Management Principles**, "Both BCC and Bodyshop have such a mature vision, but because of their relative youth, they still have to develop, and to integrate, many of the immature parts. Both lack, in particular, the degree of order and freedom that a well established adult organisation, with appropriately soft and hard edges would possess". Considering that significant progress had been made by BCCI's majority Shareholders in sorting out a well constructed new course of action supported by the Bank. It was expected that the Bank, as a well established adult organisation, would have provided mature advice and genuine help to the Abu Dhabi Government in resolving any real doubts on BCCI's restructuring, regardless of its difficulties, thereby averting the necessity of winding up BCCI. Sadly, such consideration appears not to have been shown by the Bank.

Lord Justice, the terms of reference of the BCCI Inquiry, amongst other issues, will no doubt look into the Bank's supervisory role and consider whether the action taken by the Bank was appropriate and timely. On the issue of the

Bank's supervisory role, we have raised a number of questions in this letter and the lack of a single regulatory authority should be seen against the background of supervision by the "College" of four regulatory authorities chaired by the Bank, to which BCCI submitted itself for consolidated supervision of the BCCI Group. On the issue of the Bank's action being appropriate and timely, the opinion in general held by all of us, including the majority Shareholders, is that winding up of BCCI was not an appropriate option which the Bank should have adopted for BCCI considering that when the Bank was already close to finalising the restructuring plan with the majority Shareholders. This restructuring plan envisaged not only a change in BCCI's Senior Management, but also injection of substantial monies by the majority shareholders to save the depositors from losses arising from problem loans. If the Bank had no trust in the representatives of BCCI and the majority Shareholders, there is no reason why the Bank could not have taken the Abu Dhabi Government into its confidence. It would certainly seem that the Bank did not act in the best interest of the depositors on 5 July 1991 as it was only after this date that the Bank Governor, Leigh Pemberton visited Abu Dhabi i.e. 16 July 1991, to seek financial support to rescue BCCI depositors.

One needs to ponder whether the Bank, as a result of its action, has indeed strengthened the financial practice and structure of the UK and simultaneously the World by taking their action or shattered it. Furthermore, the disrespect shown by the Bank to the economies of many Third World countries is in no way in keeping with their expected role of the guardians of public finance. We therefore wish to draw attention of the British people and the British Government to the action of the Bank Governor who should be questioned as to whether the Bank has served the public interest or destroyed it. It is also necessary to question the shortsighted, illconceived and completely mediocre step

taken by the Bank and establish whether their action in winding up BCCI demonstrated a lack of wisdom required to play the supervisory role expected of the Bank in the City of London.

Lord Justice, we do not condone any irregularities which are alleged to have taken place in BCCI, we strongly believe that the Bank has possibly misrepresented facts to suit their purpose. In particular, some of the statements made in the First Affidavit of John Bartlett to support the Bank's action indeed need to be investigated thoroughly. We append our comments on this affidavit.

Para - Ref:

5. HISTORY

QUOTE

The principal managers of BCCI who are subject to criticism are _____ and _____ . In October 1990 _____ resigned from the Board as a result of disclosures of certain irregularities in the affairs of the Group.

From the scale and complexity of the deception, which I explain in more detail below, it appears that most of the Senior Management ought to have been aware of it. However, there is no indication, with the possible exception of _____ that the present board of directors were aware of the major irregularities.

UNQUOTE

OUR REMARKS

This statement is in contrast to the remarks made by the Governor to the House of Commons Select Committee about the criminal culture in BCCI and the justification, if any, given to the other regulatory authorities that there was "widespread fraud" in BCCI," on the basis of which the Bank as obliged to take the action for the winding up of BCCI worldwide."

The scale of fraud, both in number of staff alleged and amount, needs also to be seen against the total number of employees of BCCI, (12,000), and the total amounts transacted by BCCI in its eighteen year history.

The Bank has incorrectly reported to the High Court that only one of the alleged principal managers of BCCI had been removed by the majority Shareholders where both persons have been removed. Subsequently the new Chief Executive of the Group has fully co-operated with the Bank. The new BCCI Chief Executive informed Price Waterhouse and the Bank on a voluntary basis of the irregularities including those relating to unrecorded liabilities of \$600 million and loans to Credit and Commerce American Holdings (CCAH) for First American Bank Shares, etc.

This however, does not conform to a "Criminal Culture".

7.9.10 CAUSES OF CONCERN

QUOTE

For some time it has been of concern to the

regulatory authorities that BCCI grew so rapidly.....of particular concern to the 'College' has been what is known as the Treasury functionrun by BCCI in London until

1985....In 1985 the Central Treasury moved to Abu Dhabi. The 'College' has also expressed its concern about the adequacy of the Senior Management of BCCI in terms of the capability to manage an international bank such as BCCI.
UNQUOTE

OUR REMARKS

If the Bank was seriously concerned about BCCI for some time and given that the Treasury function at BCCI London operated under the Bank's jurisdiction for a number of years, one needs most definitely to examine whether the Bank was negligent in performing its supervisory role at BCCI during these years. The Bank had also conducted its own audits where the present concerns were not expressed nor were specific changes requested by the Bank for the removal of any member of the Senior Management not considered capable to manage BCCI.

Incidentally, the Treasury moved to Abu Dhabi in 1986 and not 1985.

11.12.13 THE NEED FOR REFINANCING

QUOTE

In preparation of their audit of the accounts for the year end December 31, 1989, Price Waterhouse

were concerned about the Group's provision for bad debts. The college was similarly concerned. Price Waterhouse were not prepared to sign off the accounts until further capital support had been given.

This support took the form of an injection of capital of US\$400 Million by the Government of Abu Dhabi..... Having injected further capital into the Group, the Government of Abu Dhabi carried out a reorganisation process of the affairs of the Group

In the course of the preparation of the audit of the Accounts for the year ended 31 December 1990, the Chief Executive of the BCCI Group informed Price Waterhouse and informed the Bank that there were potentially US\$600 Million in unreported liabilities.....further losses were uncoveredAs a consequence of the irregularities and uncertainties which they create.....it is not clear to what extent the Government of Abu Dhabi would reimburse the Group in respect of the unrecorded liabilities, but there must be a real doubt that they will be prepared to underwrite them in full. UNQUOTE

OUR REMARKS

The Bank has omitted, perhaps intentionally, to state that the Government of Abu Dhabi has issued to the College through BCCI Holdings a comfort letter of \$600 million to cover the unrecorded liabilities should these become payable. This along with the earlier injection of \$400 million and subsequent take over of problem loans amounting to nearly \$4 billion clearly

demonstrated the commitment of the Abu Dhabi Government to stand behind BCCI. Therefore the Bank's statement that there must be real evidence of Abu Dhabi's support has no 'real' basis.

18.

PRICE WATERHOUSE REPORT

QUOTE

The Court should be aware that Price Waterhouse, as auditors, may be concerned less it is alleged that they should have discovered these irregularities sooner. UNQUOTE

OUR REMARKS

It is widely being said that there has been a deliberate effort by Price Waterhouse to cover up their omissions as auditors and to absolve themselves of responsibility for BCCI's past problems. Their awareness as heightened early this year when Price Waterhouse asked the Abu Dhabi Government to commit itself on an unqualified basis, which would have absolved Price Waterhouse totally from any liability to the BCCI Management, Shareholders and Depositors for undiscovered losses by Price Waterhouse

audits. It is alleged that Price Waterhouse produced their damaging report on BCCI after the Abu Dhabi Government had refused to commit itself on an unqualified basis. Please note that the 1989 Report of Price Waterhouse to the shareholders did not specify problems of this nature within BCCI.

Incidentally, since 1988, Price Waterhouse has been assisting in the restructuring of BCCI's

Credit Division for improving and strengthening the approval procedures. They have been actively involved in projects for improvement of operation managements in major BCC locations including Grand Cayman.

It is also being mentioned in public that during BCCI's history, Price Waterhouse had been paid fees totalling nearly US\$100 Million for their audit work and for special projects carried out by them for BCCI.

20. JUST AND EQUITABLE GROUND

QUOTE

The Bank is seriously concerned that BCCI has been managed and may still be managed in a dishonest and fraudulent manner. The Bank is and continues to be concerned that the true financial position of BCCI has been and continues to be concealed by BCCI from the Bank and other regulatory authorities.....UNQUOTE

OUR REMARKS

The Bank has expressed an untenable opinion. Certain details in the Price Waterhouse report on which the Bank based its action to wind up BCCI, have not been corroborated and the point that irregularities ceased in 1990 appears to have been deliberately overlooked by the Bank in their submission to the High Court. The Bank has also misled the Court by not giving due importance to the fact that information on irregularities, rather than being concealed, has in fact been volunteered by the new Chief Executive of BCCI to Price Waterhouse and to the Bank since December

1990 with a view to determine the true financial position of BCCI before restructuring. No doubt if this fact was highlighted to the Court then the Bank's case to wind up BCCI on a just and equitable ground would have been considerably weakened.

The Bank has also omitted to mention whether other regulatory authorities shared the same concern. The Bank's concern regarding the true financial position being concealed from other regulatory authorities is not substantiated by the annual accounts of locations or by the exchange of correspondence between them and BCCI. Indeed enquiries in some countries suggest that BCCI enjoyed a good relationship with the regulatory authorities.

20. JUST AND EQUITABLE GROUND

QUOTE

It appears from the Price Waterhouse report that the account records have completely failed and continue to fail to meet the standards required of institutions authorised under the Act. It further appears that there is no proper or adequate system or controls for managing the business of BCCI. UNQUOTE

OUR REMARKS

This is not supported by Price Waterhouse 1989 report as auditors to the shareholders of BCCI Holdings (Luxembourg) SA which reads as under:

"We have audited the consolidated accounts of

BCCI Holdings (Luxembourg) SA on pages 28 to 40 in accordance with International Guidelines. These accounts have been drawn up on the basis described in Note 1.

In our opinion the consolidated accounts give a true and fair view of the financial position of the Group at 31 December 1989 and the result of its operations and changes in financial position for the year then ended in accordance with International Accounting Standards.

Signed, Price Waterhouse & Co.
Luxembourg
April 30, 1990".

It is pertinent to mention here that all the BCCI Annual Reports since inception have carried an unqualified auditors report. The only exception occurred was in 1988 when the accounts were qualified due to the uncertainty regarding the litigation in USA.

20. JUST AND EQUITABLE GROUND

QUOTE

As a result of the information provided to it, the Bank has no trust or confidence in the Senior Management of BCCI which is essential to the relationship between regulator and the regulated bank. UNQUOTE

OUR REMARKS

If the Bank's submission is to be accepted, the Bank must clarify whether they had exhausted all avenues for enforcing necessary changes in the Senior Management of BCCI and whether the Bank had no confidence in the Abu Dhabi Government plans, leaving the only option being to wind up BCCI, world wide, irrespective of the disastrous consequences to the depositors, creditors, employees and shareholders of BCCI. It is also not clear why the Bank had cleared the appointment of Mr. K. Kingshott as Chief Executive of the new U.K. Bank, plus two other senior officials.

It could be argued that the Bank acted deceitfully by continuing to meet regularly with the Senior Management of BCCI and the majority Shareholders representatives until July 5, 1991 notwithstanding that the Bank had no trust in them

21. JUST AND EQUITABLE GROUND

QUOTE

As a supervisor of BCCI the Bank is concerned that the interest of depositors will be jeopardised if the affairs of BCCI are left in the hands of its managers and it has formed the view that the interest of depositors will be best served by the winding up of BCCI. In these circumstances the Bank believes that it would be just and equitable to wind up BCCI UNQUOTE

OUR REMARKS

The Bank has given no substantive reasoning why they did not confide in the Abu Dhabi Government (if there was no trust in the majority Shareholder's representative) and work out a complete change in BCCI Management on BOARD and let BCCI operate normally with close scrutiny of the Bank, rather than seeking an

immediate winding up of BCCI.

There appears to have been a serious misjudgment among the Senior Officials of the Bank that winding up of BCCI with problem loans amounting to \$4 billion without the support of the Abu Dhabi Government would be in the best interest of the depositors to be a well structured and viable plan supported by the Abu Dhabi Government. If the restructuring plan had been allowed to proceed the majority shareholders have no doubt that no depositor's money would have been lost. In fact, the winding up will take several years with the problem of numerous jurisdictions which is likely to cause a big mess. After meeting costs, the depositors will most certainly stand to lose most of their money. The Bank is now, after the winding up action, advocating that the depositors, creditors and staff are going to get their full dues if the Government of Abu Dhabi takes upon itself to pay these amounts outside the net assets of BCC Group. This leads one to reason that the Bank was not fully conversant with BCCI's global business and the resultant consequences that its abrupt action might have for the depositors world wide when forming the view that the interest of depositors would be best served by the winding up of BCCI.

Futhermore, the winding up of BCCI in the U.K. would have only compensated Sterling depositors to a maximum of £15,000 under Britain's Deposit Protection Fund. The large majority of other Sterling depositors are not entitled to any compensation at all. Hence, it is impossible to fathom how the Bank could have assumed that it was just equitable to wind up BCCI in the best interest of the depositors!. Did the Bank;s action help the depositors or did the action put the depositors money into greater danger!

There is still a mystery about the rationale behind the Bank Governor Mr. Leigh Pemberton's visit to Abu Dhabi after July 5, 1991 to seek the financial support of the majority shareholders for any shortfall after liquidation. The question asked in Abu Dhabi is, why did the Bank Governor not deem it fit to visit Abu Dhabi before taking the action?

23.24 INSOLVENCY

QUOTE

If BCCI is liable for more than US\$38 Million of unrecovered liabilities, it is insolvent.

In July 1991, the Abu Dhabi Government indicated to Price Waterhouse that it was not prepared to commit itself to providing further funds for BCCI to meet all its liabilities on an unqualified basis. Given the present uncertainty surrounding BCCI's liabilities, it is fair to conclude that there is no real prospect of sufficient funds being made available within such time as the relevant regulators might require.

- 5 *In all these circumstances it appears to the Bank to be likely that BCCI is insolvent. Accordingly, BCCI ought to be wound up on the ground that it cannot pay its debts as they fall due.* UNQUOTE

OUR REMARKS

The Bank's statement is both short-sighted and untrue. It has already been contradicted in the public advertisement taken out by the majority shareholders on July 16, 1991, wherein they have stated, (hence this must have been known to the Bank), that the majority shareholders had been prepared to support

the plan with such further injections of capital as would have been required.

Given that the Bank was fully aware of the financial support extended by the Abu Dhabi Government for BCCI's problem loans of \$4 billion and that the Bank was meeting with the representatives of the majority shareholder on an ongoing basis, it should have been incumbent on the part of the Bank to have verified the correctness of the Price Waterhouse statement if there was any doubt that the Abu Dhabi Government was not willing to provide the necessary support to BCCI.

Also questionable is whether Price Waterhouse was correct in demanding that the Abu Dhabi Government should commit itself on an unqualified basis as it might have been seen by the Abu Dhabi Government that this was an attempt by Price Waterhouse to absolve itself of responsibility for not having discovered the irregularities during earlier audits. It may be stressed that Price Waterhouse have been auditors of BCCI overseas since 1975 and of the entire BCCI Group since 1987.

The Bank's interpretation of insolvency is also based on a questionable theoretical computation which has no bearing to the real practice. The Bank ought to know (indeed it would be surprising if the Bank did not) that many commercial banks, including the large money centre banks, on occasions, find themselves short of funds at the end of a day (hence they could be deemed to be insolvent at that time), but in the normal course of business they would borrow funds to tide them over till the next working day. it would therefore not be difficult for anyone with a mischievous intent to reason that Midland Bank, Citibank and others are technically insolvent if all their dealings are abruptly suspended. BCCI was no

different and it has yet to be proven by the Bank that BCCI had failed, due to lack of funds, to pay its debts as they fell due during its 18 years of banking operations.

Moreover, if there was a real doubt about the solvency of BCCI, it would be pertinent to ask whether the Bank also had a real doubt about the solvency of the Government of Abu Dhabi, in particular for US\$ 38 Million on unrecovered liabilities!!

Lord Justice, the Bank's action to wind up BCCI despite its earlier approval; of the proposed restructuring plan which could have saved the depositors, was unjustified and inequitable. Also questionable is the Bank's decision to close BCCI instead of exercising the other options of taking appropriate action against those who committed irregularities and instituting a new management as has been done by the regulatory authorities in the past in the case of many other banks accused of wrongdoing. In the case of BCCI, the Bank should have acted with a greater sense of responsibility and understanding, not just on matters of finance but also considering implications on the essential banking services provided by BCCI to a very large number of people and businesses worldwide.

Lord Justice, in the context of the foregoing we would like to highlight below some of the important issues and unanswered questions on the conduct of the Bank and we are sure that the Bank Officials who dealt with these issues leading up to the decision to wind up BCCI worldwide would be called upon to cooperate with the BCCI inquiry:

1. Did the Bank make serious efforts between June 22 and July 5, to discuss their concerns with the Abu Dhabi Government, (not just the majority Shareholders representatives), and to resolve any real doubt as to the extent of any forthcoming support from Abu Dhabi.

It is quite evident that the Abu Dhabi Government's prescription for restoration of BCCI to health had proposed taking over all the problem loans of BCCI and restructuring BCCI, while the Bank's reaction on the other hand was to shut down BCCI. Long term concerns were covered by the agreements of the Abu Dhabi Government.

2. Discussions did take place between the Bank and the majority shareholders representatives on the restructuring of BCCI, in particular the appointment of Mr. L. Kingshott as Chief Executive of the UK Bank along with two other UK Nationals. These appointments were made on the recommendations of the Bank. Even the name of the proposed new bank i.e. Commercial Bank of Europe was said to have been cleared by the Bank as late as end June 1991. Detailed discussions on BCCI's restructuring had been held with the Bank and other regulators who were kept informed of developments at every stage.
3. Whether there was any impropriety behind the Bank's reasoning to wind up BCCI immediately after a scheduled remittance of US\$600 million was announced by the Abu Dhabi authorities to support the operations of BCCI. A commonly held view is that the Bank had deliberately led the majority Shareholders representatives into believing that the Bank was prepared to support the restructuring plan so that the Abu Dhabi authorities would inject substantial funds to be subsequently seized on July 5, 1991 by the Bank for small Sterling depositors only. It is implausible to provide another explanation of the Bank's deception when at the request of the Bank and the Luxembourg Monetary Institute, the latest draft of the restructuring plan was sent to them by the majority Shareholders on July 3, 1991 only two days before the

Bank applied for the winding up of BCCI. Surprisingly, this request of the Bank and LMI to the majority Shareholders was sent several days after the Price Waterhouse report dated June 22, 1991 had been received by the Bank!

4. The extent to which the Bank consulted with all other regulatory authorities needs to be corroborated. It would appear that the vast majority of the countries where BCCI is present were not consulted and those who were consulted were not asked for their opinion or given any choice.

The Bank's action was taken without any consultation whatsoever with the Central Bank of U.A.E. a member of the "College".

France is said to have also disclosed that they were not consulted.

It is interesting to note that Pakistan, Hongkong, India, Bangladesh, Jordan, Yemen, Egypt, Germany, Holland, Canada and Spain are some of the countries who are said to have given a clean bill of health to BCCI operations. The Bank Governor in his statement to the Parliament also said that the "UK operations of BCCI were asset-rich and clean". Infact, in a report published after an investigation of the UK branches of BCCI by the Bank eighteen months ago, it was stated that "the branches were better run than those of many other banks".

5. Why had the Bank failed to re-interview present and previous BCCI Management officials to corroborate and seek proper explanation for the irregularities alleged in the Price Waterhouse Report? Was the failure to do so a deliberate wilful act on the part of the Bank.

6. Whether the Bank was negligent in not expressing their concerns to the other regulatory authorities and financial institutions who were dealing with BCCI. It is pertinent to mention that the depositors, creditors and employees of BCCI have been devastated both financially and personally by the fact that until 5th July 91 the Bank, had allowed the Managers of BCCI and other regulatory authorities as well as the banking community in general to believe that the restructuring plan supported by the Abu Dhabi Government was being supported by the Bank. In fact, as recently as June 1991, the Bank is understood to have conveyed opinions to several major commercial banks, at the behest of BCCI, without giving any adverse comments. Based upon the Bank's opinion these banks continued to deal with BCCI actively until July 5, 1991.
7. Whether the Bank acted in the best interest of the depositors, creditors and employees as well as the Shareholders, by allowing the Senior Management of BCCI, in whom they had lost trust for some time, to continue to be Managers and meeting with them until July 5, 1991 on the BCCI restructuring plan.
8. The Bank cannot deny previous knowledge of fraud. Mr Robin Leigh Pemberton, the Bank Governor told MPs that the Bank was warned about possible fraudulent activities of Bank of Credit and Commerce International as long ago as April 1990. The Bank did not deem it fit to commission a report at that time and permitted BCCI Central Office and BCCI Senior Management in London to move to Abu Dhabi in September 1990 without instituting any investigation under the Bank's supervision during the interim months while all persons needed to be interviewed were still in London.
9. Mr Robin Leigh Pemberton was obliged to remark "if we close down a bank every time we had a fraud, we would

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have rather fewer banks than we have".

In effect does the Bank not have a different set of rules for some banks such as National Westminster Bank (Blue Arrow Affair), Midland Bank (Trade Finance Unit), Banc Nazionale del Lavoro (Iraq L/Cs), Banco Ambrosiano, Fuji Bank, Salomon Brothers, Nomura Securities, etc., all of whom have been involved in massive frauds, but no action has been taken to wind up these institutions.

10. Price Waterhouse's report was based on files running to some 6,000 pages/files which had been kept by Mr Naqvi, the bank's former Chief Executive, the Governor said. These files were part of the office records maintained in BCCI Central Office and it is understood that the office records were always accessible to the auditors whenever access to these records was required. This is contrary to the impression conveyed by Price Waterhouse and the Bank.
11. Since 1987 BCCI has submitted detailed Consolidated Annual Report of the Group's affairs to the "College" which included the Bank of England. BCCI officials met them formally twice a year. We understand that this report listed all borrowings in excess of US\$25 million, yet we are all given the impression that all large loan accounts were perhaps concealed from Price Waterhouse and the Bank. Other than expressing concern about the high concentration of lending to a small number of individual clients and the need to reduce these lendings, no concerns were expressed on the transactions conducted in the clients account. This includes borrowings secured on CCAH shares.

In July 1989, the meeting of the "college" to discuss the BCCI Group was chaired by the Bank and among various key matters discussed were:

- Comments by BCCI/PW on the 1988 results and performance in 1989 to date.
- Quality of loan portfolio, including large exposures.
- Treasury restructuring proposals.
- Management structure.
- Shareholders.

May we record in this respect that BCCI submitted to the supervision of the "College" readily and voluntarily when the "College" was formed.

Lord Justice, one must be aware that in September 1990 the Senior Management and Central Office of BCCI was relocated to Abu Dhabi in order to be closer to the supervision of the majority Shareholders and to reduce costs. The Bank was fully briefed throughout and it is therefore incumbent to also speak to the representatives of BCCI and those of the majority Shareholders to make the BCCI Inquiry meaningful and complete. A visit to Abu Dhabi must therefore be undertaken. There is a need for you to seek also the views of the Central Banks of the countries in which BCCI had its operations, as well as meeting with depositors and the banking community with whom BCCI has had active dealings.

Lord Justice, we hope the BCCI Inquiry would not be diverted by the media attention that has also been diverted to sensational issues which have little bearing on the real reasons for closing BCCI and the role of the bank in this matter. An outstanding example is the cover reports the Time and Newsweek magazine, alleging an entirely false concoction of terrorist activities and training.

Lord Justice, few doubt that BCCI became the most influential global financial institution to emerge in recent times, with a presence in 72 countries. Not surprisingly, all the known complaints come from inside the old banking establishment. Rivals also charged that BCCI took away business from them by the unethical competition which represented personalised service to clients, paying better rate of interest on deposits, etc. The Bank in particular has used its influence to wind up BCCI for its success and what happened in BCCI demonstrates the vulnerability of any South Third World Institution and individual to global competition, presently dominated by the North. Clearly, BCCI's aggressive business practices had set off bad vibes and in hind sight, (words used by Price Waterhouse to justify their past omissions), it could be said that BCCI might also have avoided certain problem transactions.

Lord Justice many of the innocent staff and depositors have been victimised personally by the abrupt action of the Bank, and also by the uncaring remarks of Mr Leigh Pemberton. The BCCI employees who will lose their jobs are finding it extremely difficult to find alternative employment due to the remarks made by Mr Leigh Pemberton alleging "Criminal Culture". It would not be surprising if some form of legal action is taken by the staff to claim damages from the Bank on the basis that any monies that could be claimed successfully would be used for the benefit of the staff of BCCI to mitigate their untold financial hardship.

Lord Justice, if there is any redeeming feature of the Bank's abrupt action, it is the unequivocal support of the Abu Dhabi Government and the generosity shown by the Ruler, His Highness Sheikh Zayed Bin Sultan Al Nahyan to aid the hapless depositors and keeping alive the matter of restructuring the viable parts of BCCI, despite the indifference of the Bank. The sheer size of the debacle

caused by the Bank made a quick solution difficult and the 1.25 million account holders of BCCI, face a long period of uncertainty. As depositors, creditors and employees of BCCI, we are sorry and fully understand that without any sign of support for the coming from the Bank, the Abu Dhabi Government could not alone take responsibilities for any restructuring after July 5, 1991. Even at this stage the Bank has said that it would be studying the effect that the Abu Dhabi Government's decision would have on small Sterling depositors thus reaffirming that the Bank's action worldwide was never intended to protect the interest of depositors outside UK. We would not be surprised if the Abu Dhabi's Government decision was a direct reaction to the abrupt action taken by the Bank to wind up BCCI without consulting the Abu Dhabi Government.

Lord Justice, it is now apparent that London, as a major European and International Financial Centre, provides no comfort to those other than small sterling depositors as they do not qualify for any compensation under the UK Deposit Protection Fund. If the confidence of depositors worldwide is to be fully restored in London's money centre banks, the terms of the UK Deposit Protection Fund should be expanded sufficiently to match the high level of compensation offered to all depositors by some European countries. If the intention of the Depositors Protection Trust is to ensure confidence in small depositors then it should be extended to cover other currencies deposited in the UK. We hope that this would be a major recommendation of the BCCI Supervisory enquiry.

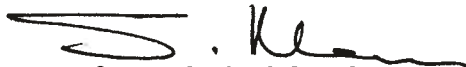
Lord Justice, the BCCI Inquiry into the Bank's action would not be complete without a proper investigation into Price Waterhouse's conduct during their close association with BCCI for a number of years. There is no satisfactory explanation as to how Price Waterhouse could have remained ignorant of transactions and problem loans involving such large amounts unless it was due to gross inefficiency or

failure to observe the high standard of audit expected of them. The Inquiry must be able to also look into the allegation that Price Waterhouse may have precipitated the action taken by the Bank by giving a biased report to the Bank after the failure to get the Abu Dhabi Government to commit itself on an unqualified basis.

Investigations continue and undoubtedly there will be further disclosures during the coming months which will lead to further submissions. We would wish to make those as far as we feel necessary. We believe it would also be of benefit for us to attend you in oral hearing and look forward to the opportunity to do so.

As you know depositors and employees await your report with urgency. It is with regret, that we learnt that it is unlikely to be published before June 1991. We would implore you to report as soon as possible. If the delay is unavoidable we ask whether it would be appropriate that an interim report is published.

With kind regards,



For and on behalf of

Depositors, Creditors and Employees of BCCI

c.c. His Highness Shaikh Zayed Bin Sultan Al Nahyan.
 Rt. Hon. John Major M.P.
 Rt. Hon. Norman Lamont M.P.
 Rt. Hon. John Maples M.P.
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