

**Responses of Masihur Rahman
to the Extracts of the 'Report' of
Lord Justice Bingham
on BCCI**

MASIHUR RAHMAN - COMMENTS ON
JUSTICE BINGHAM REPORT
(June 1992)

REPORT REFERENCE: Page 1 - Section 9 - Para 144
Subject: B.O.E. Review of BCCI UK based Central Treasury

M.R. - COMMENTS:

Correct - No Amendments

- Mr. Walton's assessment in 1985 that "...BOE are effectively the prime supervisors of BCCI (not the IML) ... and everything happened in Leadenhall Street", is 100% correct. This was known to the Board and the external auditors and indeed BOE. Mr. Galpin's comment;"Probably an accurate assessment" is an understatement.
- In this context it is worth mentioning that in my meeting with Mr BARTLETT and Miss LATHAM in May 1991, when Mr Bartlett tried to keep the meeting brief by advising my solicitor Mr Adrian Watney that, "...it is better if his client (meaning me) should first understand the 'role' of the Regulator and the 'jurisdiction' of a Regulator(i.e.BOE) then the meeting will not be unnecessarily long" ,I was forced to comment:"Mr Bartlett, I'm 57 years old, 25 years plus in Banking,I know fully the role of Regulators and their jurisdiction,including that of BOE, but in BCCI everything that happened,year after year, happened under the very nose of BOE, a few hundred yards away. Indeed when the sun set the shadows of BOE building fell on our building.Furthermore several of the cases related directly to U.K.based clients i.e Sk. Ibrahim/ Islamic Banks etc.,which I discovered in March/April 1990,was fraudulently dealt with by Mr Basheer Choudhry -General Manager U,K,,who was then still in U.K. Notwithstanding this information NO action was taken on Mr. Choudhry and he was soon after able to flee from U.K.

REPORT REF.: Page 2-3 /Sec:18 /Para; 268.
First Meeting of The College (Apr - Sept '88}

- The summation is quite accurate. No amendment.
- A) I have repeated to every Investigating Agency in the U.S.A. and U.K. that these Regulators' meeting were just a ritual and became more and more so as the numbers of Regulators grew, and exactly the same few 'risk' clients got discussed...Same questions/ same answers(by Mr. Abedi & Mr. Naqvi).No action for repetitive defaults was ever taken or indeed threatened. ALL these cases were controlled by Mr. Naqvi (& Mr.Abedi) and his team, in gross breach of well laid-down CREDIT

procedures in the bank and all under the nose of the Directors, who were supposed to APPROVE EACH such case and take action if ANY were in breach , and ALL ,year after year, 'cleared by Price Waterhouse on Mr. Naqvi,s hearsay.

Given this view , which I have held for a long time, the comment: "**The management were not taxed...or timetable was sought**" is quite correct, except this constant effort to refer to Mr. Naqvi as "management" is a red herring.It was clear to PW and the Regulators that none of the other attending BCCI executives had any knowledge or involvement with these few cases.

- B) RE:CCAH - I have expressed the view to all U.S/ U,K. Investigators , that given the fact that ALL the loans granted to shareholders of BCCI against CCAH shares , since early '80s, was OPENLY recorded in Grand Cayman or parked from there and reported fully TWICE a year to the Regulators. Therefore they should have known or at least questioned about possibility of illegality. The comments made in the internal notes of IML.."**CCAH...to be seen as BCCI's stepping stone to set up in the U.S.**" is a clear confirmation of my view and must have been discussed between the Regulators.
- C) Opposition of Mr. Naqvi to the enlargement of the College is very correct. Nevertheless the College was expanded.

REPORT REF: Page 4 /Sec: 20 /Para; 20
The Third College Of Regulators Meeting
(Jan -July , '89)

- A) Where is the Second College of Regulators meeting in which also I was present?
- B) This paragraph does not relate to a full College of Regulators meeting but a separate meeting arranged by PW with BOE and myself only, to assess BOE's view on the application to BCCI of the BOE 'matrix' for loan loss provision against Sovereign Risks, primarily meant for U.K. Registered Banks. Notwithstanding the many sound arguments which we put forward as to why BCCI should NOT have to provide 80% - 95% on our purely trade related debts to these 3rd World countries, where we were directly operating, BOE forced us to make these U.K. Bank level of provision, costing hundreds of millions of dollars for a new small bank. This conclusively proves the power and authority of BOE over BCCI. Yet this authority was NOT exercised in the critical shareholder large loans which collapsed the bank.

REPORT REF: Page 4 / Sec: 20 / Para: 313
Regulators Meeting - 30 March '89

- A) This is probably the Third meeting of the Regulators referred to in the top heading. It contains the usual cases with usual questions and usual answers & responses.

It is interesting to note how wilful efforts are being made, even at this late stage, to protect PW. After having correctly noted : "Neither body (the Audit Committee /The Board) showed any determination to address the 'serious' concern which PW raised" (for the umpteenth time ?) it is immediately thereafter recorded ; "PW did not feel they had received the support they expected and required from the non - executive directors"....**HOW SAD INDEED !** As a direct result **ON THE SAME DAY - 11th April '89**, they **signed a clean - no qualification report** for the umpteenth time and collected their \$4 million plus fees and went home! However, they did **QUALIFY** the accounts, but on the unrelated Tampa case (possibly to protect the potential fall outs on them on a matter outside their control and that of Mr. Naqvi).

- B) The Price Waterhouse Reports on Annual Results were **ALWAYS** sent to BOE. **Who** has made the comment "Not copied to BOE"? Why and what proof??

Report Ref: Page 5/6 - Sec: 20 - Para: 320
Third - College of Regulators Meeting (con't)

- A) 19 people jamboree. Who said BCCI was NOT controlled
- B) This paragraph states; "ALL the Supervisors had received PW's report". This contradicts the statement in the previous paragraph since the PW's report to the Regulators is more or less identical to PW's report (of 30/4/89) to the Audit Committee.
- C) The SAME subjects each year and ALL casually dealt with each year in a few hours.
- D) I **TOTALLY DISAGREE** with the comment ; "On the more important issues BARNES posed well considered ,but complex multi-point questions to which NAQVI gave...with additional contribution by RAHMAN and FARUQI..." First, Mr. Barnes' questions were all standard questions, second, Mr. Naqvi gave his usual vague .. "We are planning to reduce large loans...." answers, and third, I totally limited myself to Balance Sheet matters and Operating Results. Mr Faruqi, being from the legal side, added nothing. Indeed **NOTHING** new or of consequence was raised or dealt with.

The comment; **"..,Although the Supervisors concern...and no attempt...timetable.."** summarises it all.

- E) I again note the blatant effort to protect PW and would be interested to know who provides these interesting comments. PW was negligent beyond words and the so-called 'side comments' of the BOE officials on: "PW...helpful, clear and well-written report.." is a lot of nonsense. It didn't save BCCI from facing disaster (over a few accounts) in less than a year's time

PW's silence is far better explained by their TOTAL lack of knowledge and lack of proper homework on these critical cases all in Grand Cayman (or parked out of there). **The real truth** is they had nothing to add . They had never bothered to meet these few clients or understand their business .They were happy to do all their AUDIT through discussion with Mr. Naqvi and his unreliable team, and a few skeleton files-As the TASK FORCE found out in a few weeks in March / April -1990.

**REPORT REF: Page 7 /SEC: 21 / Para:360
PW Meeting with SN / MR -11 /11 /1989**

- This entire statement is fabricated by PW to cover their years of default.
- While PW reports to AUDIT COMMITTEE / BOARD /REGULATORS were mostly pre-reviewed by us, I have NEVER asked them to make false statements or indeed water down their Reports. I have always, however, asked them for a balanced Report, which is quite normal. The lie in this statement is proved by the fact that ~~though~~ they are supposed to have kept the Report UNCHANGED. This unchanged report will clearly show that there is NOTHING dramatic or new in THIS REPORT as compared to many earlier PW Reports. Each year the Report contained hardly 20 pages (plus annexures) in the same format and so did this one. There was NOTHING in it to warrant such stupid and dramatic comments being made by me or indeed Mr. Naqvi. As stated above, this paragraph is a total red herring to dilute the Report and should be eliminated.

**REPORT REF : Page 7 /SEC : 21 /Para ; 362
Audit Committee Meeting - 13/11/1989
Re; SEPT '89 Audit.**

- A) This meeting was the most CRITICAL meeting , taking place as it did hardly a few months before the crisis of 1990 (Re; 1989)
- B) I have both the PW REPORT to the Audit Committee for this meeting and the MINUTES drafted by PW themselves on this meeting (and one should keep in mind that PW drafts were always more 'PRO' PW then the corresponding Minutes prepared by Mr. VAN OENEN for the AUDIT COMMITTEE)

- I first analyze the PW Report , coming only months before the crisis.

Total Number of Pages: 21 (Effectively 19 1/2 pages)

<u>CONTENTS</u>	<u>No. of PAGES</u>	<u>REMARKS</u>
- Analysis of 9 months financial Results of '89:	2	Obtained from GAD Group Accounts Division
- Outlook of year:	1	" " " "
- Inter Aff'l. Balances:	1/2	" " " "
- Accounting for Int. Fees: Commission Income	2	" " " " (and Field Audits)
- Valuation of Trading Sec./ EEC Seventh Directive:	1	General Comment
CREDIT		
- Major Loans 1/2	2 1/2	The cause of TOTAL disaster in BCCI covered in 2 1/2 pages at this late and critical stage
- CCAH 1/2		
- Limit Excess 1/2		
- Lack of Docs 1/2		
- Tfr. of Loans 1/2		
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- Loan Loss Provision		
- Specific 1/2	1 1/2	Obtained from GAD/ Local Audits
- Country Risk 1/2		
- General 1/2		
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- Treasury Operations (Including proposed reorganization):	4	Primarily statistical from accounting records
- Taxation:	2	Obtained from GAD
- Regulatory & Compliance:	1 1/2	Narrative
- Internal Control:	1 1/2	Narrative
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TOTAL:	19 1/2	
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(Followed by 11 pages of Appendices which are produced year after year as statistical data to "fatten" the Report)

Turning to the 2 1/2 pages on **CREDIT** I would challenge anyone (who also reads many of the earlier years reports with similar comments) to even SUGGEST that disaster is awaiting a few months down the road for the whole BCC organization, based on these 2 1/2 pages.

- Turning to the Minutes of the meeting (prepared by Tim Charge - Partner of Price Waterhouse), these are six pages long, of which the para "Year End Timetable" is less than 1/2 page. The essence of this paragraph is that Grand Cayman continues to be the problem (No new discovery). Mr. Naqvi is TOO OCCUPIED with U.S. case and also being CEO while overseeing Grand Cayman. Therefore, scheduled meetings between S.N. & P.W. delayed, therefore "E.W.H (Mr. Hoult) confirmed that we would do what we could to help but noted that he could not see the year end timetable being achieved with certainty, particularly as the issues were by NO MEANS NEW ...and all matters of judgement".
- Therefore the comment "All agreed that there was much to do if the accounts were to be issued by 31 March '90" is out of all proportion. Indeed, I was there and I fully recall Dr. Hartman being very upset at this suggestion of delay and he clearly stated: "Mr. Rahman, you will be responsible to see that ALL BCC locations, other than Grand Cayman are finalized on schedule (end Feb.'90) and Mr Naqvi - you please concentrate on Grand Cayman and find time for auditors and take assistance". This was agreed and was (probably) recorded in Van Oenen's version of the minutes.
- To make SURE that the time frame was kept to Dr. Hartman insisted that we meet again on January 10, 1990 to review outstanding issues (more or less all credit related from Grand Cayman). This is also recorded in T.C.'s minutes. The meeting NEVER took place suggesting that not only were ALL the global 'closings' on schedule, but indeed Grand Cayman audit was also 'on stream'.
- It is further worth noting that, (as I indicated many times), the global audit of the BCC Group was so scheduled that ALL locations finalized their annual audited position by mid (latest end) February and Grand Cayman which had 2 tiers of audit - one by PW Grand Cayman office and the second by PW (UK) office (which effectively "audited" PW Grand Cayman's work). ALWAYS took longer and invariably came in late in March.

These facts clearly show why there was nothing extraordinary in the discussions of November '89 Audit Committee meeting.

- C) Turning to the CRUCIAL issue of ICIC, and more particularly ICIC (Overseas) Ltd., - the 'Insider Bank', it is ASTONISHING that PW, being auditors of this Insider Bank from its INCEPTION (in the late 70's) even after seeing the diversion of deposits from the BCCI Group to this 'so called' bank (\$516 million by 1989 June), and the total misuse of the funds in such illegal acts as financing purchase of BCCI shares by nominees (June '89:\$337 m), false additional loans to the same shareholders

who already had loans with BCCI (June '89:\$107M), GAVE MORE OR LESS CLEAN AUDIT CERTIFICATION to this totally false bank, year after year, for more than 10 years and only found it "fit" to raise the issue with the Directors in November 1989 and even there, they are too ashamed to discuss it openly in front of the Chief Financial Officer of the Group (as they had done in ^{the same hiding up fact} regard to the diversion of funds from ICIC Staff Benefit Fund to cover illegal Treasury Losses which happened under their noses).

- Even in this belated meeting Mr. Hoult (PW) only "...repeats PW's concern about the connection between BCCI and ICIC and the possible effect on BCCI's capital, and Mr. Naqvi is left to "prepare a paper" on the subject. (Which of course never got done). These are the issues which CLEARLY show FRAUD and not just negligence on behalf of PW and will be decided in Court and not mildly dealt with in this Report.
- It is interesting to note that even when the "final" disclosures were brought out by PW to the Task Force in March 1990 (Briefing Note for Independent Task Force - in March 1990), ICIC and ICIC Overseas was NOT LISTED. It was only when I, on behalf of the Task Force, was making our presentation to the Board Members on April 6, 1990, did PW hurriedly (and as an afterthought) bring out for the first time the question of ICIC Overseas. WHY?
- In this particular context, I have also reported to all the Investigation Teams in the USA and UK and brought to your commission's notice in my separate note dated Jan. 7 1992, about my discussions with Mr Van Oenon on this particular subject, in April/May 1990. This is again recorded herewith:

When I first confronted Mr. Cowan (PW) why such an illegal activity (ICIC Overseas Ltd. - Insider Bank) was allowed under their audit, he stated, "We have informed the Directors several years ago." On hearing this, I confronted Mr. Van Oenon (who was one of the two Executive Directors physically sitting on the 4th floor of 100 Leadenhall Street - BCCI -CSO offices) and told him, "If this was true, he was in deep trouble and should get a good lawyer." Mr. Van Oenon asked me to ask Mr. Cowan to talk to him directly on the subject. This Mr. Cowan did and he confirmed to me soon afterwards. For several days the matter lay quiet. Then one day Mr. Van Oenon suddenly came over to my table (on the 4th floor) and said "Mr. Cowan has talked to me and said -"Don't worry, Mr Rahman can't prove a thing - everything's confidential and he has no papers". My response was shock and I said, "I now suggest you have 2 good lawyers". Indeed, soon after Mr. Van Oenon got himself a lawyer.

REPORT REF: PAGE 8 / SEC: 423 / PARA: 24
PW Audit : Jan - April '90

- A) This is the most crucial set of events and it is VITAL that there is accuracy of recording these events.

- B) The TRUE FACTS and sequence of events have been recorded by me with EVERY Investigation Agency in the USA and the UK. I repeat it AGAIN. ANY VARIATION will be challenged by me in Court.
- (i) The audit of all locations of BCCI other than Grand Cayman, was complete by end Feb. 1990 as per schedule. Only a few minor issues of National Bank of Oman and a few 'transactions' of Bahrain required finalization.
 - (ii) The results (including the preliminary results of Grand Cayman) indicated a strong Balance Sheet and reasonably good operating results for 1989 for the entire BCC Group.
 - (iii) NO indication was given, even at this late stage, of a diaster around the corner.
 - (iv) On Saturday 3 March '90 and again on Sunday 4 March '90, Mr Chris Cowan telephoned me at my residence to set up a meeting with the PW Partners 'panel' in their offices to discuss serious issues of BCCI ("recently discovered"). He refused to elaborate. I was totally surprised why this need for such a "private meeting". I was meeting PW Partners every day at that stage.
 - (v) I discussed this with my senior colleagues on the phone on Sunday (Mr. Ameer Siddiki / Mr. Saleem Siddiqui / Mr Dildar Rizvi - Mr. Naqvi was in Abu Dhabi). They all advised that I should go alone to PW offices on Monday as proposed.
 - (vi) I met Mr. C. Cowan and ^T Kim Charge on Monday 5 March 1990 at PW offices. After some initial discussions, Mr. Cowan took me to a separate room and started exploding one serious problem after another about BCCI - all involving Mr. Naqvi and his team - many obviously fraudulent.
 - (vii) I have handwritten NOTES of this meeting. (Supplied to you already). The notes clearly show my surprise and my distress and disbelief.
 - (viii) My first reaction was shock and horror and I tried to assess whether all this was merely "dramatics" to force me to increase the BCCI loan loss provision for 1989 (which at that time stood at around \$110-\$115 million) (A technique sometimes used by auditors).
 - (ix) I offered \$50 million additional provision to which Mr. Cowan replied: " \$50 million? It could be \$500 million or even \$1 billion".
 - (x) I insisted I will not be forced to face this horrible situation alone (as in January 1986 for Treasury loss disclosures of over \$400 million). I demanded that these facts and allegations should be repeated to Mr. Naqvi and then the Board directly.

- (xi) This was organized and Mr. Naqvi flew in early next morning from Abu Dhabi and he and I went straight to a second meeting with PW Partners on Tuesday 6 March 1990.

It was this meeting which is being referred to on page 8, ignoring the meeting of 5 March 1990.

- (xii) I have handwritten notes of this crucial meeting also (already supplied to your office)
- C) The "strongly worded summary" of PW is probably the paper from which Mr. Cowan was reading out the list of serious problems to me on 5 March 1990.
- D) I am convinced that at this stage PW were already "protecting their interest" by keeping both IML and BOE informed of these serious issues. The reference "He also indicated that the supervisors in Luxembourg (why not BOE?) had been in contact and were expecting very significant provisions..." indicates this further.
- E) Mr. Hoult's suggestion to create a special in-house investigating team - The Task Force, is correct. My handwritten notes read clearly as under:
- (TH) "...we need an independent team of senior officers of BCC who in conjunction with PW can get to the proper bottom of the matter. These senior officers of BCC should not be related to the cases. They should also determine what provisions required. MR should head the team..."
- (CC) "...Our problem is that PW has been misled in Grand Cayman and Bahrain. How far does it extend? This has created doubt in our mind..."
- (TH) "...The team being identified should be senior enough, professional, and independent. They have very heavy responsibilities. MR must take the lead..."
- (CC) "...We have to have confidence in them..."

REPORT REF: PAGE: 8 / SEC: 427 / PARA: 24
Task Force / PW Briefing Paper

- Correct

- But please note NO reference in this Briefing Paper to critical issue of Insider Bank - ICIC Overseas Ltd. and the gross misuse of funds.

REPORT REF: PAGE: 9-10 / SEC: 432 / PARA: 24
6 April meeting

- A) This para starts with a FALSE statement. This was **NOT** an Audit Committee meeting. This meeting was specifically arranged for the Board members to orally hear the 'preliminary' findings of the Task Force. The meeting was held in PW premises to allow them full input and also to keep the matter discretely quiet from the rest of BCC management and operation in Leadenhall Street.
- B) Mr. Cliff Twitchin - Director of BCCI **ALSO** attended.
- C) I was officially made Chairman - (referred to as Co-ordinator) of the Task Force. Hence, the malicious comment ("who was the self-appointed leader of the Task Force") should be **REMOVED** forthwith. It is a nasty and a blatant effort (probably by PW) to dilute my credibility and has **NO PLACE** in a serious Report of Lord Justice Bingham. The **TRUTH** will not be suppressed in this childish and slanderous manner.
- D) I have informed the various Investigating Agencies in the USA and the UK that because ALL the illegalities and frauds were obvious and directly concerned, the President (Mr. Abedi) and the Chief Operating Officer, later Chief Executive (Mr. Naqvi), it had huge repercussion - (beyond the financial ones which themselves were also huge) - on the very survival of BCCI. Therefore, I was forced to have a series of oral discussions with the various members of the Board and the Shareholders Representatives - often through Mr. Zafar Iqbal Chowdhry in Abu Dhabi, to brief them of our various findings and the estimated loss this will give rise to. At the time, Mr. Zafar Iqbal, Mr. Naqvi, and Mr. Mazrui were all trying in Abu Dhabi, on an ongoing basis, to seek funding from Sk. Khalifa and the Abu Dhabi Government to salvage the situation. The amount of the requirements was increasing day by day with our findings until in my personal estimate, it reached between \$1.5 and 2 billion, including full cost of acquisition of CCAH, taking over of the Insider Bank ICIC Overseas, (with whatever assets it had - ie. BCCI shares), the buying off of Sk. Mahfuz's shares and clearing his "loans", etc.. Because these solutions were being fully accepted by Abu Dhabi Government / Sk. Khalifa, our written report became more and more semantics - because it was bound to leak with serious and possible instant reaction on the very survival of BCCI globally (already the rumours in the BCCI grapevine was ripe).
- E) The reason why my Task Force focused on the Gulf Group and the 'Parked Bad Loans' in Grand Cayman, was these were large commercial losses which had to be provided for by the bank itself and could not be passed on to the Abu Dhabi Government. Our initial estimate of loss of \$100 million in the Gulf Group was quickly raised to \$200 million, once the fact of 'cross charges' of assets with other banks became clear to the Committee immediately after the Report. This \$200 million was the amount actually charged to the 1989 accounts and is known to Price Waterhouse.

Additionally, the huge provision against Sovereign Risks, Sharjah Government and some other accounts in, also finalized by me before closing the Dec. '89 accounts, raised the **TOTAL** loan loss provision from the initial estimate of about \$120 million to \$600 million, ie. by \$480 million, which was fully recorded in the '89 accounts. These facts should be brought out and NOT glossed over to show as if "no serious problem" existed in 1989/90.

- F) The reference that the Task Force only brought out 2 new elements - KIFCO and the offshore Gulf Group loans is only partially correct. I also brought out - verbally, and NOT in writing, (because of its extreme seriousness), the whole question of the ICIC Overseas Insider Bank, the diversion of deposits and the misuse of nearly \$600 million of BCCI depositor's funds in illegal BCCI share operations and fraudulent loans to the shareholders. Why is this being kept hidden again and again, even in this important report?
- G) The comment "**Hoult stressed the need for a full investigation to include ICIC, whose independence PW had always questioned**" is a false statement.

The only reason PW couldn't decide earlier whether to bring this highly irregular item out, for investigation by the Task Force (and therefore the world at large) was PW's, by now, obvious awareness, that they had massively defaulted in their part for over 10 years (please see my earlier comments in para C, of Sec. 21, page 6)

- H) Equally, his so called comments on Bin Mahfouz shares and Sk. Mohamed transactions were already raised by PW in their March 14, 1990 Briefing Paper to the Task Force and had already been dealt with by the Task Force. (Payment was for Sk. Khalifa, of Abu Dhabi to buy over the shares of Sk. Mahfouz and Sk Mohamed and clear out Sk. Mahfouz's 'loan' and Sk Mohamed's loan). Therefore both the comments of Mr. Hoult should be corrected.
- I) No mention is made of the "Supplementary Report" of PW to the Task Force on 6 April '92. Why? Why was this 2nd part necessary separately? Was this a belated effort by PW to keep me and the Task Force unaware of this highly irregular Bank within a Bank?
- J) Finally, it MUST be recorded that by this date, (6 April 1990) the whole question of fraud, deceit, irregular transactions, etc., etc., was clear to all and had obviously been done at the highest level of Mr. Naqvi and his team. The question was **NO** longer of some 'bad debt' requiring extra "provisions", which is a TOTAL FUDGE.

REPORT REF: Page: 10 - 11 / Sec: 434 / Para: 24
Task Force Report

- A) As explained many times, the Report had to be full of semantics given its serious consequences in the market place through 'leakage'. The ongoing oral reports were much more forthright and aimed at the real problems and solutions.

- B) To suggest that after the suspension of 3 of the top officers in BCCI, directly involved with Mr. Naqvi (indeed his right hand men and known globally as such), and after raising the 1989 loan loss provision from \$120 million to \$600 million resulting in operating loss for 1989 of nearly \$500 million, the situation was "in no way alarmists or suggested malpractice' is the most irresponsible comment to make in a serious Report. Until the last minute salvaging of BCCI in mid April '90 by Sk. Khalifa, everybody concerned - the auditors, directors, regulators, know that technically, BCCI did NOT exist.
- C) The final sentence of this paragraph:

"Rahman's line in private... broke down in tears...chance to survive"

is SLANDEROUS and **I demand it be withdrawn.**

I have never CRIED or begged for such things in my life. Either before, during or after the events - even where I lost all and my family has suffered so much. I had **ALREADY** decided to leave BCCI. I had given specific **SOLUTIONS** to cover the PROBLEMS. I had no reason to break down in tears.

REPORT REF: Page:12 / Sec: 438 / Para: 24
PW meeting with MR / AC

This is a **NOT A CORRECT** statement. To the best of my recollection, at **NO** stage did it **ever** come up that BCCI should stop taking deposits. The question of Abu Dhabi's support was discussed on an ongoing basis throughout April '90.

REPORT REF: Page: 12 / Sec: 439 Para: 24
Meeting 17 April '90

- A) The comment attributed to C. Cowan re: ICIC is **FALSE.**

The ongoing irregularity re: ICIC Overseas was **by now clear** and the **ONLY** solution was for Abu Dhabi Government to help wind this illegal bank down by taking over the 'deposits' and assets of this false Bank as recommended by me. Indeed, the entire area of ICIC Overseas was **so sensitive**, that I dealt with it personally and even recorded it in the Task Force Report (Pg. 50 Wabel Pharoan) that, "the Task Force does not have access to ICIC's records...", when indeed I had personally, after much effort, managed to get copies of ICIC's accounts for several years (duly certified by PW) and clearly identified these irregularities which I brought to the attention of both the directors and the share holder's Representatives.

- B) All the false accounting and fraudulent transactions were so clear and well known to the directors and the Regulators by now that Dr. Hartman refused to confirm that ALL of these irregularities had been rectified. **Even legal advise for the directors was being sought.**

- C) The reference to the "...preliminary discussion with the supervisors was raised", is **FALSE**.

Supervisors were fully kept informed by PW throughout April '90 and most likely by mid March 1990.

**REPORT REF: Page: 13 / Sec: 456 / Para: 25
Board Meeting - 18 April 1990**

- Correct

**REPORT REF: Page: 14 / Sec: 472 / Para: 26
Finalization of 1989 Accounts**

This meeting was important. Notes are correct.

- BOE and IML were both fully aware of the irregularities and losses and indeed, the level and areas where these frauds and losses had happened. They were both greatly relieved that the Abu Dhabi Government had come to their last minute rescue, as this would help bury the past.
- However, while IML wanted to wash their hands off BCCI due to their own minimal size, BOE continued to hold out that they were principal Regulators and indeed keen to proceed with the UK registration of BCCI's UK operations.

**REPORT REF: Page: 14-15 / Sec: 474 / Para: 26
Meeting of 30 April 90**

- There was substantial pressure not only from the directors, but indeed from, the Regulators to finalize the BCCI Group accounts and go to the public at the earliest (as some bad rumours had already started in the market regarding 'major problems' in BCCI).
- Regarding the 'Representation Letter' from management, this became a very contentious issue. I myself refused for days to sign it - having become aware of the massive frauds and irregularities carried out by Mr. Naqvi, who in previous years, was my co-signatory - for all credit cases. The 'initial' draft of the 'Representative Letter' produced by PW and indeed signed by Azizullah Chowdhry was put up for my signature on 2 May 1990, but I refused to sign and indeed, sent it to my lawyer friend, Mr. Christopher Haan (copy enclosed- annexure I). He recommended several

changes. Some of these were incorporated in an amended draft.

Finally, I agreed to be one of the 4 signatories of this letter - after much pressure from my colleagues, and only after I obtained from Mr. Naqvi a separate representation letter stating that **he confirms and takes full responsibilities for para 6 and 7 dealing with all credit cases.** (copy enclosed - annexure II)

- PW should take **NO** solace from this 'Representative Letter' as it was made clear to them that **THEY** should know better than any of the 4 signatories if there were further frauds - having audited BCCI for years, whereas we are only discovering these at this late stage and had only a few weeks to complete our investigation.
- PW were indeed fully aware that with additional detailed investigation, further problems may be identified. (I myself assessed the total problem loans to reach \$2 billion to be covered by Abu Dhabi Government).

REPORT REF: Page: 18 / Sec: 786 / Para: 39
'Episode' re: MR

Correct. No comments.

REPORT REF: Page: 19 / Sec: 829 / Para: 40
M. Rahman - Background

Correct. No comments

REPORT REF: Page:19-29 / Sec: 830 / Page: 40
MR - Functions / Responsibilities

Correct. I am glad that independent assessments have cleared what I have always held out, regarding my being kept in the dark re: highly irregular activities of Mr. Abedi and Mr. Naqvi.

- Re: ICIC Benefits - Correct. This was discussed and confirmed to me several times by both Mr. Abedi and Mr. Naqvi and is NOT just a self delusion or blind aspiration on my part. Others, like Mr. Sadiq Ali and Mr. I.H. Burney received \$1 million plus and Mr. K. Shoaib received close to \$3 million. This is known to me.

**REPORT REF: Page 20 / Sec: 831 / Para 40
MR - Treasury Loss - (1985-86)**

- In my considered opinion, the Central Treasury Losses of BCCI (through BCCI Overseas) in 1985-86, was the first and most disastrous event in the life of the organization.

Why is it dealt with in 8 lines? A small paragraph and that even with emphasis on my 'personal loss' which is irrelevant.

- It also clearly showed PW's gross negligence and the whole episode should be fully described and laid out in detail.
- In spite of PW's effort to minimize the loss identified in the Treasury Losses in 1985-86, the true loss was over \$430 million booked as under:

	<u>\$ million</u>
(a) Amount charged to Prior year (1984)	75.0
(b) Amount charged to ICIC SB Fund (my subvention) - (illegally)	150.0
(c) Amount charged in 1985 (Set off under the loan 'Income or Investment' and other Dealing amounts)	115.0
(d) Amount charged to subsequent year 1986	90.0
	<hr/>
TOTAL	430.0
	<hr/>

- **These** are the correct facts and PW have tried to fudge it by greatly reducing this reported loss figure both in their Sec. 41 Report to BOE (to exaggerate the 'extra loss' subsequently 'detected' by them - so called \$1 billion) and also in the 'back up' Special Report called " Review of the Treasury Activities" which they are supposed to have prepared in March 1986 at the request of IML.
- At the time (Jan - March '86), I was directly leading an enquiry into the Treasury Losses, which had been belatedly brought to my notice by PW around 20 Jan. '86, and I was personally responsible to assess the actual losses arising and how this was to be booked. Hence, it is inconceivable that PW wrote a 'Special Report'(showing approximately only \$140 million or so of losses) and not give me a copy and indeed criminally trying to implicate me in these losses by suggesting that I was a member of the "Central Treasury Committee "OVERSEEING CENTRAL TREASURY in 1985, when these losses occurred. This is a SERIOUS and separate matter in which I have communicated with you and with SFO (who informed me about this and

showed me the underlying documents) in 8th May 1992.

- As regards the illegal diversion of ICIC Staff Benefit Funds - \$150 million, towards these losses, this is well known to PW and the Directors and therefore to the Regulators from 1986. The 'Notes to the Account', in the 1985 Annual Report, talked of a "Subvention from a shareholder" (suggesting perhaps the Abu Dhabi Government), however, the Regulators MUST have asked which shareholder gave the "subvention" of \$150 million to save BCCI and were either lied to by PW or correctly informed.

REPORT REF: Page: 20 / Sec: 832 / Para: 40
M. Rahman - Task Force

- A) This paragraph not only contains a **BLATANT LIE** but indeed a **SLANDER**. I demand a separate **written confirmation** from PW reconfirming:

"PW said that Rahman was NOT one of the executives they wished to conduct the investigation, let alone lead it".

The **correct position** is recorded in my spontaneous hand written notes of 6 March 1990 and given in para E, Sec.423 (24) of page 8 of this report.

- B) You say it is "**unnecessary... to resolve these differences**".

I assure you this distortion of truth by PW will not go unchallenged, and the CORRECT facts should be delved in by your Committee. This is an ongoing effort on PW's part to belittle my position and my credibility because they know fully that I have the facts and I will finally deal with them in Court on behalf of Depositors, Creditors, and other innocent sufferers around the world.

- C) Your 5 points of 'facts' are quite factual, but requires the following elaboration:

Re: Fact I - Correct

Re: Fact II - I also disclosed re: fraudulent Insider Bank - 'ICIC Overseas' and the misuse of depositor's funds in BCCI share purchases, etc.

Re: Fact III - When I had **suspended** the 3 key people directly working with the CEO himself (ie Mr. Naqvi), the 'fraud' was obvious. They were not suspended for rudeness or health reasons.

Re: Fact IV - Correct

Re: Fact V - Okay. This was not just an "expectation". This was the minimum compensation given in the past to top executives of my position and stature, who were deemed founder members.

D) "Conflicting Evidence" is a wilful rumour started by the criminals in BCCI (and perhaps by PW). I had made it amply clear to the Directors in March/ April '90 and to the shareholders Rep. in April/May '90, that I would leave BCCI immediately after the Annual Report for '89 had somehow been completed. I wouldn't leave a sinking ship. After many efforts of Directors, senior colleagues, Mr. Mazrui, etc., to hold me back, it was finally agreed in mid June that I will be released, and immediately after their notice period, I left.

- My leaving has nothing to do with wanting SN's job or going to Abu Dhabi.

Your comment, " **...some truth in each...**", is mischievous, and adds to the belittling efforts.

- Indeed, the whole of this part of the paragraph has no substance and is only attempting to dilute my valuable and factual evidence and should therefore be dropped.

REPORT REF: Page: 21-22 / Sec: 833 / Para: 40
M. Rahman - Writ

This is factual, but only partially correct.

- After my departure from BCCI, **I along with 3 other ex senior executives of BCCI**, ie; Mr. Shahid Jamil (Head of Central Treasury), Mr. Razzak Sakhia (Head of Central Marketing), and Mr. Muzzafer Iqbal (Deputy Head of French Africa Region), started a **JOINT WRIT** against BCCI and its Directors and certain senior officials. I was not single-handed. Indeed, we were expecting to be joined shortly in the WRIT by two other ex senior executives of BCCI (who had several collective meetings with the lawyers) ie; Mr. John Hilberry (Head of International Banking Division), who dropped out after a "personal settlement" and Mr. Nadir Rahim (Head of Personnel) who decided to go for a single party action.

Therefore, kindly record the facts correctly and not indicate that this was some kind of "personal vendetta" by me.

REPORT REF: Page: 22 / Sec: 834 / Para: 40
MR - Fed / NYDA (USA)

A) The US Agencies found out from the Time Magazine journalist (referred to in Sec. 835 of your report) and put immense pressure on my wife (US citizen) who was then in the USA with my two small children (due to physical threats at the time), and on

Mr. Sardanis - Chairman of ITM / Meridien International Bank , where I was then working as Executive Director, to get me to come and co-operate with the US agencies. Therefore, it was not a "willingness to talk" on my part as suggested, but indirect and direct pressure for me to do so.

- B) All papers retained by me are either:
- (i) To protect myself and prove my innocence, given the ongoing efforts to illegally implicate me, or;
 - (ii) To confirm my claim on BCCI.

REPORT REF: Page: 22 / Sec: 835 / Para: 40
MR - Press / BCCI Injunction

- A) Time Magazine only got me to "co-operate" by threatening that they deem me a "Public Figure" and under US law, can directly implicate me (by suggesting) in their impending Article on BCCI - and indeed stating that I was responsible for the losses and have now 'fled' and refuse to come forward. I took my lawyer's advise before seeing them. This is fully documented in my UK Court Affidavit to which you make reference in this para to.
- B) It is noteworthy, that the Injunction was initially brought by a few criminals in BCCI whom I had identified during the Task Force exercise (and are now themselves, charged in Abu Dhabi). However, the Liquidators, whose supposed interest is the TRUTH and in maximizing the gains for the Depositors, continues to Injunct me. **WHY?**
- C) It is also interesting that the UK High Court, who now know all the facts, including all the details of the criminal acts (through my two Affidavits) continue to hold the Injunction in place and not throw it out unilaterally. Only the criminals gain by this process of gagging the truth. Does that fact interest you?

REPORT REF: Page 24 / Sec: 836 / Para: 40
M. Rahman - BOE

It is true that though the Federal Reserve Bank and NY District Attorney fully briefed Mr. Barnes (and his team from BOE) who visited the USA in April/May'90, about all the illegal and fraudulent acts in BCCI and the guilty executives and requested them to see me in London for further details, it took more than 3 weeks and several prodding from the Feds, for BOE to see me. **WHY?**

I feel the reason was BOE was too far gone with the Abu Dhabi Restructuring Programme - which covered all their past defaults to allow ANY rocking of the boat at this stage. Hence, the belated, watered down effort to see me.

REPORT REF: Page 24 / Sec: 837 / Para: 40
M. Rahman - BOE

The allegations recorded by Miss Latham are correct, except the losses in Treasury were genuine losses but arose out of gross and fraudulent acts of 2 or 3 officers in Central Treasury under Mr. Naqvi and under the nose of Price Waterhouse.

REPORT REF: Page 25 / Sec: 838 / Para: 40
M. Rahman - BOE

Mr. Bartlett's comments are a 'hotch-potch' of confusion.

- A) **FIRST**, my receiving or not receiving large compensation, is **NOT AN ISSUE** in such a huge and serious global case, and an obvious red herring to decry the person rather than deal with the very real frauds and irregularities that had happened in BCCI right under the nose of BOE. (Please see my comments on pg. 1 re: my BOE meeting). This clearly explains Mr. Bartlett's attitude towards me from the first minute, in this meeting.
- B) The gross misuse of BCCI Depositor's money through a false Insider Bank, was clearly known to BOE and had further been clarified to Mr. Bartlett by me. Therefore, to talk of "Relations between ICIC and BCCI being OPAQUE though known to the Bank" is typically semantics to support a high-level 'cover up' of frauds with nice words .

It is being suggested that PW and Fed are "still" looking at links between BCCI and ICIC. This is **NONSENSE**. ICIC Holdings was originally formed by Mr. Abedi as the 'vehicle' to hold BCCI shares for himself - the Founder Group and the staff generally. This was later extended out to 'ICIC Charitable Foundation / Trust' and 'ICIC Staff Benefit Foundation / Trust', who were each given 10% shares of BCCI Holdings (Luxembourg) S.A.. ICIC Holdings continued to hold some of the shares and also invest in other business activities ie: Attock Oil, Credit & Commerce Insurance, etc. In between, a false bank was started "ICIC Overseas Ltd" not only to fund the acquisition of the 30% BCCI shares from Bank of America, but also to fund many other illegal activities of Mr. Abedi - including buying of additional BCCI shares through nominees. The illegal Bank itself was funded by diversion of deposits, mainly from BCC Group. PW knew this for years. They audited this Bank. What is this **NONSENSE** of seeking to have a "Route map" and PW not having data?

REPORT REF: Page: 26 / Sec: 840 / Para: 40
MR - BOE / Letter of 4/6/91

Correct. I was keen to salvage the organization, it's 1.3 million depositors, it's 14,000 staff, but I knew that the criminals were still in place and felt they should be quickly removed or suspended, and new top level international quality management brought in. Once the Bank was fully operational, the BCCI share value would revert to \$40 per share (as the then traded value) giving a lot of value to ICIC SBF.

REPORT REF: Page 26-27 / Sec: 841 / Para: 40
MR - Affidavit - UK Court

- A) The summary of events and the matters raised in my Affidavit are correct with small amendments:
- (i) Correct
 - (ii) Correct
 - (iii) ... including nominee shareholders of BCCI, for the purchase of shares of BCCI.
 - (iv) Correct
 - (v) "
 - (vi) "
 - (vii) "
 - (viii) "
- B) It is interesting to note that Mr. Bartlett, at this late stage, still felt that "it is unlikely that BOE would want to see any of the Exhibitsⁿ- (Evidences). (and later collected them from Mr. John Moscow ADA - NYDA)

REPORT REF: Page: 29 / Sec: 843 / Para: 40
M. Rahman - BOE

- A) "BOE had no further contact with Rahman himself".

The true fact is that on 2 different subsequent occasions in June'90, BOE gave time to my lawyers to meet him to follow through, but cancelled both, at late hours.

B) Miss Latham's report:

Still states: "... but in doing so, we are mindful of the fact ... grievance against BCCI... 'founders of the bank received".

It seems a phobia of BOE to concentrate on the person's so-called motive and continue to ignore such serious allegations which were true and probably known to be true, hence, the feet dragging.

C) The Report was "not even discussed" in BOE's meeting of 13 June 91. Is this correct or just another fudge?

REPORT REF: Page: 30 / Sec: 844 / Para: 40
Re: Executive House Loan/Property

A) This paragraph is casually inserted. Whereas the fact is that this was initiated by the same criminals of BCCI who I had helped expose, and was meant as a punishment for my standing up to them, but was in fact, vigorously followed up by the Liquidators.

B) In spite of the comprehensive Affidavit given by me, about the real details and method of operation of the "Executive House Loan Scheme", which I , amongst others, had helped set up, and which scheme was meant to **provide security to the top executives' family forever** and therefore, the so called BCCI Loan Document clearly stated "**No repayment as long as in BCCI**" ie life long and therefore **part of emolument** and I also conclusively showed that BCCI became a criminal organization, I didn't leave them (after 17 years service). They left me.

Notwithstanding these obvious facts given in my Affidavit, the Liquidators got a **Summary Judgement** issued by the UK High Court as a punishment for my continuing defiance.

The same Liquidators who have immorally and irresponsibly gone around the world talking of "all documents of BCCI being fraudulent and therefore, the assets of BCCI being worth 7 cents to the dollar", has found time and energy, and money to get a Summary Judgement on the one man who has stood up to these criminals and their "supporters" even up to today.

It is the same Liquidators who continue with the 'gag order' on me.

REPORT REF: Page: 31 / Sec: 859 / Para: 41
Meeting with NYDA

The criminals who caused so much damage to a global organization are few in number, but very powerful. I have had full knowledge of this from March/April '90, and the list continues to remain the same. Yet, BCC Group could have had new top quality international bankers who could have replaced the few and run a good compact operation.

REPORT REF: Page: 32 / Sec: 913 / Para: 45
The Final Phase - 24/6 - 5/7/91

- I am grateful to God that in spite of many efforts to incriminate me, PW have clearly stated "their investigations ... **no evidence** ...inner circle in the bank"
- Notwithstanding this 'finding', **WHY** have they mischievously included my name as a member of the Central Treasury Committee before the Treasury losses (in Sec. 41 Report, etc) when they know that I was appointed along with Mr. Cliff Twitchin and others in the wholly restructured Central Treasury Committee **AFTER** the losses of Central Treasury in '85-86? No further illegal acts took place in Central Treasury after the new Committee took over.



FAX TRANSMISSION

ANNEX I

May 3 1989

TO: Mr. Christopher Haan,
S J Berwin & Co.

FAX NO. 01 833 2860

NO. OF PAGES

REF. NO.

Please urgently review and return.

Regards,

Masihur Rahman

GL-F-42B

BANK OF CREDIT AND COMMERCE INTERNATIONAL

CSO 4TH FLOOR 100 LEADENHALL STREET LONDON EC3 PHONES: 01-283 8566 TELEX: 892251 FAX: 01-623 4635



BCCI HOLDINGS (LUXEMBOURG)

SOCIETE ANONYME
39 BOULEVARD ROYAL P.O. BOX 46 2010 LUXEMBOURG

30 April 1990

Price Waterhouse,
24-26 Avenue de la Liberte
L-1930 Luxembourg

Dear Sirs,

OK ✓ We confirm to the best of our knowledge and belief, after having made appropriate enquiries of directors and other officials of the Bank, the following representations given to you in connection with your audit of each of the financial statements of BCCI Holdings (Luxembourg) SA, its subsidiaries and affiliates ("the BCC Group") Bank of Credit and Commerce International SA ("SA") and Bank of Credit and Commerce International (Overseas) Limited ("Overseas") for the year ended 31 December 1989.

MS ✓ ① We acknowledge management's responsibility for the fair presentation of the financial condition, earnings and changes in financial position in conformity with International Accounting Standards.

OK ✓ ② All minutes of the meetings of shareholders, directors and committees of directors and all financial and accounting records and related data have been made available to you.

OK ✓ ③ We acknowledge receipt of your report to the Directors dated 18 April 1990 addressing major uncertainties relating to loans and shareholder transactions. The accounts do not include provision to cover these uncertainties on the basis that the major shareholder has advised the directors that financial support would be available in the event that losses arising from the realisation of these loans and the necessary costs with the reorganisation and restructuring of the Group could impair the capital base. There are no other matters in relation to the 1989 financial statements of which we are aware that should be brought to your attention in connection with the audit.

OK ✓ ④ We confirm that we have not knowingly violated any laws in connection with money laundering or other criminal activity and have complied fully with all relevant laws in territories in which the Group operates or has transacted business, in particular those of the USA, UK and Luxembourg.

Amend - OK ✓ ⑤ We confirm that ^{to the best of our knowledge} ~~we are satisfied~~ that the Compliance Procedures currently being implemented by the Group are adequate to detect and prevent the misuse of the Group's services in respect of money laundering and other criminal activities. We confirm that all suspicious activity identified, the most significant of which to date is in Colombia, will be investigated and legal advice taken to ensure compliance with legal requirements

Amend

✓ (6)

~~We have been informed by the Chief Executive officer who personally approved and supervised~~

~~that although they~~
Although the following loans, have not been confirmed to yourselves we are satisfied that they will prove fully realisable:

substantially

- Sh Kamal Adham
- Sh Hamdan Bin Mohammed Al Nahyan
- Sh Khalid bin Mahfouz
- Sh Mohamed bin Rashid Al Maktoum
- A.R. Khalil

Sh Abdul Aziz Ibrahim

Amend

✓ (7)

~~We have been informed by the Chief Executive officer who personally handled the below mentioned account relationships that though he has~~

~~We confirm we have not had recent acknowledgement by the~~
following customers of their deposit account balances:

- Sh Kamal Adham
- Sh Abdul Aziz Ibrahim
- Sh Walid bin Ibrahim
- Sh Rossais

~~but~~

We are satisfied that these customers are the beneficial owners of these funds and that their deposit account balances are correctly stated at 31 December 1989.

ok

✓ (8)

At 31 December 1989 adequate provision has been made to cover any unrealised loss arising on forward foreign exchange, commodity or financial future contracts. We are not aware of any other unrealised losses or loss contingencies arising from commodity trading activities, either for the Group's own account or on behalf of clients.

ok

✓ (9)

Commitments for acceptance, confirmed credits, guarantees, undrawn letter of credit facilities and other engagements are properly disclosed in the financial statements and no material loss is expected to arise from such matters.

Amend

✓ (10)

~~Subject to matters raised by you on 14th March 1990 for the first time to the~~

We are satisfied that the Group had adequate internal controls and procedures to ensure that its fiduciary responsibilities with regard to assets of its clients are fulfilled adequately. We are not aware of any ^{other} events during the year which indicated that management's responsibility in this respect has not been carried out effectively.

care
taken
and
deal
by
a
best
eff
in
act
with
the

ok

✓ (11)

All cash and bank accounts and all other properties and assets of the Group of which we are aware are included in the financial statements at 31 December 1989. The Group has satisfactory title to all owned assets and, apart from repo. agreements in the normal course of business, there are no liens, encumbrances or security interest of any important consequences on any assets of the Group.

These conditions are set out in 11

(10) Except as already disclosed to you in ^{the} ~~the~~ ^{minutes} of the ^{meeting} ~~Director~~ of 15th March 90 and 18th April '90.

of (12)


Except as disclosed in the financial statements no matters or occurrences have come to our attention up to the present time which have caused or are likely to cause any material change, adverse or otherwise in the financial position or results of operations of the Group as reported in the financial statements for the year ended 31 December 1989.

Yours faithfully,

A HAFEEZ

Z IQBAL

M RAHMAN



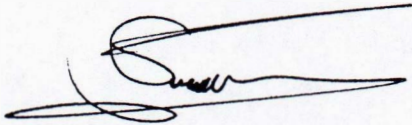
A CHAUDHRY

BCCI Holdings (Luxembourg) SA

Reference Representation Letter of April 30, 1990, given to Price Waterhouse, copy enclosed, you have asked me to confirm the representations made in Para 6 and 7.

I do confirm the contents of the same.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Swaleh Naqvi', written over a horizontal line.

SWALEH NAQVI