Bank of Credit & Commerce International

A Statement by the majority shareholders

The majority shareholders of the BCCI Group were shocked by the abrupt action taken by the Bank of England, the Luxembourg Monetary Institute and other regulators on Friday, 5th July 1991 to freeze the assets of the BCCI Group and close its operating branches. This action was taken without any consultation whatsoever with either the shareholders or with the Central Bank of the United Arab Emirates, a member of the College of Regulators. Since April 1990, the Government of Abu Dhabi and related institutions have held a majority shareholding in the BCCI Group.

As is well known, BCCI has encountered various operating problems in recent years and has sustained substantial losses. In order to deal with these problems the majority shareholders have brought about Board and management changes and have injected substantial amounts of fresh capital into the Group.

In October 1990, as a result of the disclosure of various irregularities, the President and the Chief Executive Officer resigned. At the request of the majority shareholders an internal inquiry into these irregularities was instigated shortly thereafter and is continuing. The majority shareholders believe that they took effective steps in mid 1990 to prevent the occurrence of new irregularities.

The majority shareholders feel that they cannot absolve Price Waterhouse from all responsibility since they have been auditors of a major subsidiary (BCCI Overseas) for fifteen years and auditors of the whole Group since 1987.

Towards the end of 1990 the majority shareholders produced a restructuring plan for the future involving the divestment of all the Group's banking activities, principally by disposal on a going concern basis, with an orderly run-down of any remaining businesses.

This plan has been developed and refined during the first six months of 1991. Detailed discussions about it have been held with the Bank of England and other regulators, who were kept informed of developments at every stage.

A key element of the restructuring plan was the formation of three new and separate banks, to be based in London, Abu Dhabi and Hong Kong. Planning for this was at an advanced stage, since it was intended that the new banks should commence operations before 1st January 1992. With the active encouragement of the regulators various senior members of staff had already been recruited. The majority shareholders had been prepared to support the plan with such further injections of capital as would have been required.

Final drafts of individual restructuring plans for the new banks had been sent to the relevant regulators during May and June 1991 and, at the request of the Bank of England and the Luxembourg Monetary Institute, the latest draft of the composite restructuring plan was sent to them on 3rd July, only two days before the closure on 5th July.

The action taken on 5th July has resulted in severe problems (involving financial hardship in many cases) for more than 1.25 million depositors of the Group worldwide and some 12,000 staff are likely to lose their jobs. It has resulted in the destruction, at a stroke, of what the majority shareholders believe was a well structured and viable future plan. If the restructuring plan had been allowed to proceed the majority shareholders have no doubt that no depositors' money would have been lost.

In view of all the above, the majority shareholders deplore what they consider to be the unjustified action taken by the Bank of England, the Luxembourg Monetary Institute and other regulators on 5th July 1991.

The majority shareholders of the BCCI Group comprise: the Government of Abu Dhabi, the Abu Dhabi Investment Authority and the Department of Private Affairs of H.H. Sheikh Zayed bin Sultan al Nahyan