THE BCCI AFFAIR

SUBCOMMITTEE ON TERRORISM, NARCOTICS, AND INTERNATIONAL

OF THE ITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

JULY 30, 1992

Printed for the use of the Committee on Foreign Relations



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THE BCCI AFFAIR

HEARING

BEFORE THE

SUBCOMMITTEE ON TERRORISM, NARCOTICS, AND INTERNATIONAL OPERATIONS

OF THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS
SECOND SESSION

JULY 30, 1992

PART 6

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CAPCOM, MONEY LAUNDERING, AND BCCI

THURSDAY, JULY 30, 1992

U.S. Senate,
Subcommittee on Terrorism, Narcotics and
International Operations
of the Committee on Foreign Relations,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:02 a.m., in room SH-216, Hart Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senators Kerry and Brown.

Senator Kerry. This hearing of the Subcommittee on Terrorism,

Narcotics and International Operations will come to order.

Today marks the 13th public hearing on BCCI by this subcommittee, one classified hearing that we held, and one hearing that was held under the Banking Committee, for a total of 15 hearings on this subject, which I think for most people who follow the proceedings of the U.S. Congress, that is a significant number of hearings on one subject by one committee. This may well be the last public hearing on this subject by this committee unless the court process fails to produce an adequate airing of certain areas of concern or unless some startling information that has not yet been made public comes to this committee's attention. But it is currently our intention to try to issue a report within a few months. And in fact, staff is already working on that report.

I would like to just say a word, if I can very quickly, since this may well be the last public hearing on this issue, regarding the effort over the last 4 years. It has really been a long and often contentious process since we began in March of 1988 following the revelations in our hearings on General Noriega, at which time we learned that BCCI was Noriega's bank. We served our first subpoena of this subcommittee 4 years ago today, and that began a process which eventually led us to turn over to the Justice Department and the Manhattan district attorney information about BCCI and

its apparent secret ownership of First American Bank.

Over the past 4 years we have uncovered a significant amount of information and found a great deal of wrongdoing ranging from BCCI's secret ownership of a network of U.S. banks to its involvement in financing Iran-Contra arms deals, one area where clearly the full story has not yet been told. We have also uncovered the making of payoffs to a number of foreign officials, and now it appears conceivable even to American individuals. Matters pertaining to BCCI are clearly going to go on in the court system for some

(1)

period of time, which is why this subcommittee thinks it ought to

proceed to the writing of its report.

I would like to single out, first of all, an individual who has been singled out previously for his efforts with respect to this investigation, and that is Jack Blum who really did the initial digging following the information that we received at our initial hearing. But Jack has been well and appropriately lauded publicly for this, and would like to say a couple of words about two other individuals who have not been as publicly lauded, but whose work has really been extraordinary, and those are the two gentlemen sitting behind me here, staffers for me personally, David McKean and lonathan Winer. Since the day that this bank was mentioned at our hearing in 1988, they have worked nonstop, both of them, often under very difficult circumstances, without adequate resources, without an adequate support system, and clearly without adequate nterest in the Congress itself, to support an investigation of this ize.

And I really think that while government is often the recipient f many brickbats, many of them well-deserved, I might add, there re also some folks who work awfully hard to make the system vork and the hours, the weekends, the nights that they have put n, in an effort to try to uncover the truth about this is really, I nink, a tremendous statement about commitment and personal

yalty, and I salute them for that.

Many have asked me if I am gratified by the indictments issued gainst Clark Clifford and Robert Altman yesterday, and the nswer is that one is inevitably sad when any person of significant eputation and accomplishment wind up in any perceived fall from race. And I think that it is a moment of sadness, not a moment of ation or jubilation. On the other hand, it is important for this rocess to go forward and important for the American political rocess to understand that it works for everybody and that there is not different standards by which we operate. And so in that nse, obviously, while the justice system has to work its will and rople are innocent until proven guilty in our system, there is a road gratification for the Nation, I think that the system is at ast asking questions and putting this process to the test, and that what ought to happen in this country.

At our last hearing on May 14, 1992, we were gratified to hear om a Mr. Ahmed Al-Sayegh representing Abu Dhabi that the overnment of Abu Dhabi had decided to cooperate fully with the nited States law enforcement community and that there would be impediments to Abu Dhabi making key BCCI witnesses and doctents available to that community and to this committee. I gret to report that we are now at the end of July, and we have en informed by both the Justice Department and the district atney of New York that no such cooperation has taken place. Not locument and not a witness held in Abu Dhabi have been pro-

ced to date to U.S. law enforcement officials.

The true role of members of the Abu Dhabi Government and ner key figures from the Middle East remains one of the endurgmysteries about BCCI. Today, everyone knows that BCCI was a iminal empire. But we do not have the answers as to who all of CCI's major partners in crime were. The failure to have these an-

swers is in part because BCCI's records are a mess. But it is also the direct result of obstruction that we have encountered in getting

documents from foreign jurisdictions.

For example, when we sought to obtain documents in London concerning Abu Nidal's use of BCCI, we were told that they had been sealed by British intelligence, MI5, and that they would not be made available to anyone. When we sought documents concerning Iranian arms dealer Cyrus Hashemi, a key figure in the October Surprise, and other Iranian arms dealers, a British judge ruled that we could only have them if they gave us permission, despite the fact that Hashemi and several of the others are dead. When we asked the Abu Dhabi Government about the conditions in which 18 BCCI officials are being held in Abu Dhabi, their response to us was essentially it is none of your business.

When we asked Abu Dhabi to explain its alleged losses of \$6 billion at BCCI's hands, we were told that the losses consisted of deposits in capital, without any explanation of how much, where, how, or by whom. Despite the stonewalling that we have encountered, which included stonewalling by certain U.S. Government agencies for months and even for years, we have been able to find answers to some of the key questions, and these will appear in our

final report.

Today, we are going to have testimony which will break new ground on several key areas pertaining to the BCCI affair. Before I outline those, I want to make one additional comment on the

stonewalling.

There is a regrettable process in government, including our own, where things that are either embarrassing or politically damaging are simply classified. And by classifying, they are kept from the American people, whose Government this is. We have obviously encountered that in the POW/MIA process which now hopefully is being resolved, but I think it is very sad that that is the case.

The special prosecutor with respect to Iran-Contra has come in for significant criticism for having spent a certain amount of money over a period of years to pursue his mission, and people have complained, asking publicly, people in government, why is he taking so long and why is he spending this money? The simple answer is that much of that case has been caught up in the classification process, and in fact, whole counts of indictments were thrown out solely because certain documents which had already been printed publicly in the newspapers were prohibited from being declassified and made available to the prosecutor for use in the courtroom for purposes of evidence, and therefore lacking the evidence, which was hearsay by virtue of its print in public newspapers, but lacking the actual documents which remained classified, literally whole parts of that story were wiped away.

Something is wrong when that happens in a country like ours which can applaud and encourage a Boris Yeltsin to come clean, which can talk about open government to other people, and then sits on its own secrets. And with BCCI, as Bob Morgenthau said yesterday, probably only 50 percent of this iceberg is now above

water. Much of the story remains untold.

Today, as I said, we will break new ground on yet one other part of this story. Today's hearing will focus largely on the role played by Capcom, a commodities brokerage firm based in London, Cairo, and Chicago, whose directors included several key BCCI front men as well as some prominent executives from the U.S. cable television industry. We will hear what commodities regulators found out, in investigating Capcom's activities, and we will hear about Capcom's relationship to BCCI and discussions between Capcom and BCCI officials and telecommunications officials concerning investments in the United States by BCCI, its officers, and shareholders.

Addressing these issues will be representatives from the Commodities Futures Trading Corp., CFTC, the Chicago Board of Trade, and the Chicago Mercantile Exchange. Mr. Larry Romrell, an executive at the U.S. cable firm TCI, who was on the board of directors of Capcom, has voluntarily provided this subcommittee with numerous documents pertaining to Capcom's activities in the U.S. which refer to loans from BCCI to TCI executives and possible investments by BCCI and several of its officers and shareholders in

U.S. telecommunications stock.

Mr. Romrell has cooperated with the subcommittee in several important ways, but he has declined to testify regarding these matters. The documents suggest that Mr. Romrell and Mr. Magness, the chairman of TCI and also a director of Capcom, acted as nominees for Capcom. Moreover, the documents suggest that Mr. Romrell and Mr. Magness may have had nonrecourse loans similar to

he type the BCCI provided other nominee shareholders.

The subcommittee has also subpoenaed Mr. Kerry Fox, the president of American Telecommunications, Inc., and a business partner of Mr. Romrell's, to testify. Mr. Fox served as the director for an investment fund that channeled money to Capcom. Mr. Z.A. Akbar erved on the board of Mr. Fox's company, ATC, and Capcom has rovided substantial financing to ATC. Mr. Fox is currently negotiating for immunity with the U.S. Attorney in Denver, and in reponse to our request to testify here has asserted his Fifth Amendment privilege in writing. Rather than go through the histrionics of bringing him here and doing it, since we are not in a position at his point to be thinking about the grant of immunity and there is o need to establish a record with respect to the fifth amendment, decided not to proceed with that but merely to enter into the ecord his proffer with respect to fifth amendment privilege, and e will do so at the appropriate time.

While the subcommittee cannot provide a complete answer about the activities of Capcom and BCCI in connection with the U.S. table and telecommunications industries, the documents which we ill release today raise the question of whether BCCI officials or tareholders, specifically two former key Saudi intelligence officials, sought to establish a foothold in the U.S. cable industry in

ne mid-1980's.

Second, we will hear from two Federal prisoners, who are former CCI officials, Mr. Akbar Bilgrami and Amjad Awan. Both witnesses were convicted of money laundering as a result of the Cusms sting operation of BCCI in Tampa, which was concluded in Stober of 1988. Mr. Bilgrami will testify, among other matters, bout his experience in handling the funds of Abu Dhabi's private spartment at the time that BCCI was secretly purchasing First merican Bank through nominees. Mr. Bilgrami has told the sub-

committee that he personally reviewed documents pertaining to the Abu Dhabi shareholders of First American describing how BCCI would loan money to the Abu Dhabi shareholders of CCAH. First American's holding company, with buy-back agreements so that BCCI would be able to control the exercise of Abu Dhabi's stock.

This has never before been released publicly or stated publicly. It is obviously a significant statement with respect to the relationship of BCCI and the Government of Abu Dhabi. His account suggests that Abu Dhabi shareholders, like the other Middle Eastern shareholders in First American, were nominees for BCCI from the beginning and that like the other shareholders, they participated in deceiving U.S. regulators to assist BCCI in secretly purchasing First American.

Mr. Bilgrami's account provides one possible explanation for Abu Dhabi's refusal to date to permit anyone full access to BCCI's documents and access to 18 BCCI top officials currently held in Abu Dhabi. Mr. Bilgrami's testimony will also provide further detail on bribes paid by BCCI to officials in other countries, on BCCI's use of

nominees generally, and of BCCI's relationship to Capcom.

Our final witness, Mr. Amjad Awan, has become somewhat notorious as General Manuel Noriega's personal banker. He has previously testified about Noriega's relationship in the trial in Miami. Today, he will testify about his experiences at BCCI relating to Noriega and also about his knowledge of Capcom. And finally, he will address in some detail the question of interference with this committee and the question of how certain documents were treated at the time that this committee issued its subpoenas.

There are obviously a great many issues that remain outstanding, some of which we are going to continue to investigate, and others that we are really going to only be able to raise questions about in our final report. Very quickly, among these issues: The curious case of Mohammed Hammoud. The subcommittee has made inquiries to the Central Intelligence Agency about Mr. Hammoud. and we have received a classified response. It is a response which is at odds with information provided to the subcommittee by a Senate

staffer, not a staffer, I might add, on this subcommittee.

This Senate staffer reportedly maintained contact with Mr. Hammoud for over a decade, and he claims that there are at least two CIA cables discussing those meetings. That same Senate staffer is identified in a Patton, Boggs & Blow memorandum as having had his expenses paid, "to travel over and advise BCCI on how to handle the Senate investigation." The Senate staffer has resisted attempts by the subcommittee to interview him, and we will therefore issue a subpoena for his testimony.

We also continue to piece together the story behind a Holland and Knight memo referring to a source who alleged that Mr. Altman and Mr. Banoun, at that time lawyers, were going to call in political markers with respect to the Senate efforts. The subcommittee has discovered who that source is and we have some ques-

tions about his explanations.

In closing, I want to express my personal concern, again, about one of the larger underlying issues that has been brought out by BCCI, and that is a problem for the U.S. Government in protecting

United States national interests in cases in which foreign financial interests, foreign officials, or foreign intelligence agents decide to invest in U.S. businesses. There are special problems of oversight that are raised by foreign investment, and there are particularly very special problems of law enforcement and regulatory capacity

raised by the new financial world in which we live.

Wire transfers, instant movement of money, the plethora of cardboard cutouts and shell corporations enhanced by certain communities on this planet that insist on secrecy and that aid and abet the movement of that kind of money all work contrary to the interests of law-abiding, civilized nations seeking to adhere to some standard of international financial behavior. And it is extremely difficult for our banking interests, for our financial interests to operate in a world where we have one set of rules, and in many of these countries, under-the-table payoffs, kickbacks, bribery, clandestine efforts, and so forth, are the rule of the day, undercutting competitive capacity.

I think this is a major issue. If you are going to talk about a level playing field in trade and a lot of other efforts, if you are going to talk about enforcing the law and living by the standards of the Basel Convention in international banking, you have got to begin to think about this flow of money internationally. Capital flight, whether to evade taxes or to evade other regulatory processes, works contrary to all of our notions of a rule of behavior, and it

also disadvantages us economically.

So I think the financial community and those responsible for this kind of regulation have really got to put their creative caps on and begin to deal with the issue of how we measure whether people are iving up to the international standards that have been adopted, at east in banking, if not in other aspects of financial transactions.

Now that is a longer opening than I wanted, but I did want to cover a number of different areas of concern, given the position hat this investigation now finds itself in. I know Senator Brown is going to be here before long, but let us proceed now to the first panel of witnesses.

And I am delighted to welcome Dr. Wendy Gramm, the chairperon of the Commodity Futures Trading Commission, accompanied by Andrea Corcoran, who is the director of trading and markets, commodity Futures Trading Commission; Mr. Scott Early, the genral counsel of the Chicago Board of Trade, and Mr. Gerald Beyer, he executive vice president of the Chicago Mercantile Exchange.

I thank you all for your patience in sitting through my opening, nd thank you for being here. What I would like to ask, if you ould, is perhaps submit the full statements for the record and ummarize, if possible, your openings so that we can proceed to uestions as rapidly as possible. And we will begin with you, Dr. Iramm.

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STATEMENT OF WENDY L. GRAMM, CHAIRMAN, COMMODITY FU-TURES TRADING COMMISSION: ACCOMPANIED BY ANDREA CORCORAN, DIRECTOR OF TRADING AND MARKETS. COMMODI-TY FUTURES TRADING COMMISSION

Dr. Gramm. Thank you very much, Mr. Chairman. I am pleased to be here today to describe for the subcommittee the Commodity Futures Trading Commission's oversight activities involving Capcom Futures, Inc. Accompanying me is Andrea Corcoran. direc-

tor of our division of trading and markets.

By way of background, let me briefly describe the structure of Capcom and the entities as we see them. Now let me clarify that there were two Capcom entities. Capcom Financial Services, Limited I will refer to as Capcom U.K. It is a company that was incorporated in the U.K. in 1984, and that was the one that was indicted in October of 1988. Capcom Futures, Incorporated, a Commission registrant, I will refer to as Capcom U.S. That was incorporated in the United States in Illinois in 1985.

Capcom U.K. and Capcom U.S. were intertwined. Both companies had common directors and shareholders. Capcom U.K. owned 82 percent of Capcom U.S. from May 1985 until June 30, 1987. During the course of our inquiry, we found certain principals of Capcom U.S., specifically S.Z.A. Akbar, Sushma Puri, and Mohammad Saghir, had previously worked at BCCI. In addition, one account executive, Pankaj Patel, was also a former employee of BCCI.

Based on our information, there was no evidence of any financing of Capcom U.S., either directly or indirectly, by BCCI. In addition to this, some Capcom customers also may have had connec-

tions with BCCI.

As you recall, after the announcement in October of 1988 of the indictments of Capcom U.K. for money laundering and drug trafficking, the futures market activities of the affiliated firm, Capcom U.S., became of great concern to us. Capcom U.S., the registrant and futures commission merchant, or brokerage house, was at that time handling futures trading business for the indicted U.K. affiliate

Commission staff immediately commenced an inquiry to determine if there was any potential wrongdoing by Capcom U.S. and coordinated our efforts with those of the U.S. futures self-regulatory organizations and the U.K., as well as U.S. enforcement and regulatory authorities. This inquiry contributed to the removal of Capcom U.S. from the U.S. futures market, In addition, all of the information developed by the commission through these activities was made available to the prosecutors in charge of the criminal case pending in Tampa.

As a result of these efforts, and especially our efforts and the actions of our regulatees, mainly the Chicago exchanges and the National Futures Association, by the time of the BCCI collapse last summer Capcom U.S. had been out of the U.S. futures markets for a year, and the criminal authorities had been granted access to all

of our files.

Commission staff began a full-scale audit of Capcom U.S. with the objective of looking for potential evidence of suspicious trading activities that could warrant further action under the Commodity

Exchange Act. We commenced that investigation immediately upon

hearing of the indictment of Capcom U.K.

We were also interested in examining the Capcom U.S. records to identify potential evidence that might suggest money laundering. Although money laundering is not a violation of the Commodity Exchange Act, the commission staff wanted to be sure all relevant information was available to the authorities who could best use it.

In addition, some of our work was begun at the specific request of U.K. regulatory authorities who asked us to investigate certain transactions. As our testimony describes, the Commission staff's audit did examine, among other things, financial transactions and certain accounts related to S.Z.A. Akbar, a principal of Capcom

U.K. who was indicted along with Capcom U.K.—the firm.

We shared audit results and information we received from other authorities with relevant futures SRO's, and by that we mean the exchanges and the National Futures Association. During the course of our inquiry we encouraged the SRO's to take action against the Capcom entities under their own rules. SRO's have an affirmative obligation under the Commodity Exchange Act to monitor their markets for violations of the Commodity Exchange Act. In addition, as membership organizations they have far greater flexibility

to act to discipline their member firms.

With the benefit of the information we developed, as well as information from their own investigations, each of Capcom's SRO's dentified violations of their rules and took remedial action. The Chicago Mercantile Exchange, CME, immediately restricted the rading activities of Akbar and subsequently made specific findings n October of 1989 that Capcom U.S. had violated the CME rules, ncluding accepting new trades in an undermargined account and mproperly transferring positions between accounts. Capcom U.S. aid a fine of \$500,000 and agreed to withdraw as a CME clearing iember.

Early in 1989 the Chicago Board of Trade, the only U.S. exhange for which Capcom U.K. was a member, suspended Capcom K. indefinitely and Capcom U.K. was subsequently expelled on lugust 24, 1989. Also on June 30, 1989, they allowed Capcom U.S. withdraw from CBT membership. In accepting the Capcom U.K. ettlement, the Board of Trade determined that it had reason to beeve that Capcom U.K. had entered into reckless and unbusinesske dealings, was unable to demonstrate capital compliance, and ngaged in fraud and dishonorable conduct in its dealings with the changes, among other things.

In October of 1990 the NFA, the National Futures Association, und Capcom U.S. to have violated NFA rules by making misrepesentations to a customer and making unauthorized trades, failing collect proper margin from a customer, and failing to supervise nployees and agents. As a consequence, NFA ordered Capcom .S. to relinquish its FCM registration and NFA membership and ever to reapply, and to dissolve its corporate status at the earliest

te possible.

Capcom complied. Since NFA membership is necessary for a fures commission merchant, an FCM, to engage in customer busiess, this action precluded Capcom from continuing its business or om reentering it in the future.

As you know, we have assisted this subcommittee, the full Senate Committee on Foreign Relations, as well as the House Committee on Banking Finance and Urban Affairs and their investigations of the operations of the Capcom entities. In addition, we have also shared information with the criminal investigation section of the Internal Revenue Service, the Federal Bureau of Investigation, the GAO Office of Special Investigations, and U.S. Customs, as well as the Securities and Investments Board and the Serious Fraud Office in the U.K. We continue to cooperate with all of these authorities, as well as with the U.S. Attorneys Office in Tampa.

That concludes my summary review of the Commission's activities regarding the Capcom entities. Our written testimony addresses each of the matters that you raised in your letter of July 3, and

I am pleased to respond to any questions you may have.

[The prepared statement of Dr. Gramm follows:]

PREPARED STATEMENT WENDY L. GRAMM

Thank you, Mr. Chairman. We are pleased to be here today to review the Commissions oversight activities with respect to Capcom Futures Inc. (Capcom U.S.), in connection with your review of the Bank of Credit and Commerce International (BCCI) collapse. In this testimony, we will recount the actions taken by the Commission and the futures industry self-regulatory organizations (SROs], that is, the exchanges and National Futures Association (NFA), which led to the removal of Capcom U.S. and Capcom U.K. from the U.S. futures markets.

As you know, a 16-count federal grand jury indictment was filed on October 10. 1988, charging Capcom Financial Services, Ltd. (Capcom U.K.), S.Z.A. Akbar (who was a principal of both Capcom U.K. and Capcom U.S.), BCCI and eleven other individuals or entities with several offenses, including laundering the proceeds of illegal drug transactions. That same day, similar charges were filed against Capcom U.K.

and S.Z.A. Akbar by authorities in the United Kingdom.

After the announcement of the indictments of Capcom U.K., the futures market activities of Capcom U.S., an affiliated firm, became of significant concern to us. Capcom U.S. was registered with the Commission as a futures commission merchant, or brokerage house, and was handling futures trading business for the indicted U.K. affiliate. Commission staff immediately commenced an extensive inquiry to determine if there was any potential wrongdoing by Capcom U.S. and coordinated its efforts with those of the U.S. futures self-regulatory organizations and U.K. enforcement, regulatory and self-regulatory authorities. The Commission inquiry contributed to the removal of Capcom U.S. from the U.S. futures markets. In addition, beginning in the fail of 1988, Commission staff began cooperating with the U.S. Attorney's Office in charge of the criminal case pending in Tampa including a grant of access to Commission files. As a result of these efforts, by the time of BCCI's collapse last summer, Capcom U.S. had been out of the futures market for a year, and the criminal authorities had been granted access to our files.

the criminal authorities had been granted access to our files.

Capcom U.S., a CFTC registrant, was a member of two U.S. exchanges between 1985 and 1989. Capcom U.K. was a member of one U.S. exchange but was never registered with the CFTC, and to our knowledge, never carried U.S. customer positions. We wish to emphasize that Capcom U.S. was not indicted at the time of the initial indictment of Capcom U.K. nor was it indicted at the time that subsequent charges

against Capcom U.K. were lodged in 1991.

Most of the information shared in our review of the Capcom entities was and is confidential information explicitly protected from public disciosure under the Commodity Exchange Act (Act) and foreign law or under international information sharing agreements. In particular, all U.K. source information was provided under a Memorandum of Understanding dated September 23, 1986 among the CFTC, the SEC and the U.K. Department of Trade and Industry (U.S.-U.K. MOU) which restricts the use of information provided thereunder. Such information is separately protected from public disclosure under the U.K. Financial Services Act 1986. The ability to keep such information confidential is essential to our continuing ability to receive enforcement information from foreign authorities.

This testimony is provided pursuant to a request from Congress pertaining to a Congressional investigation. Most of the information contained herein has been pre-

viously provided to this subcommittee. We have also discussed this testimony with U.K. authorities.

You have asked us a number of specific questions about the purpose and results of our inquiry into the propriety of Capcom U.S. and Capcom U.K.'s activities in the regulated futures markets. Our answers follow.

STRUCTURE OF CAPCOM ENTITIES

The structures of Capcom U.K. and Capcom U.S. were intertwined, in that the two companies had common directors and shareholders. Capcom U.K. owned 82 percent of Capcom U.S. from the latter's inception in May 1985 until June 30, 1987. At that time, Capcom U.K. sold 95 percent of its interest (a 78 percent shareholding) in Capcom U.S. to certain individuals. The company represented that this action was taken to avoid application of a Chicago Board of Trade Clearing Corporation rule which would have required personal guarantees of Capcom U.S.'s trading activity by Capcom U.K.'s shareholders who did not wish to provide such guarantees. However, the purchases of the new shareholders' interests in Capcom U.S. were not paid for until at least January 1989 and may have been financed by Capcom U.K. Further, Commission documents also indicate that Capcom U.K. provided other direct financing to the firm, thereby effectively retaining a comparable interest to its former interest in the firm.

Following the sale, S.Z.A. Akbar became the owner of 37 percent of Capcom U.S. which included his beneficial ownership in Zask Investments and Trading Ltd.). In 1988, S.Z.A. Akbar, Robert Powell, Larry Romrell, Robert Magness and Ajay Puri, the five new shareholders of Capcom U.S., were also shareholders in Capcom U.K. Mohammad Saghir, an original shareholder of Capcom U.S. who remained so after the 1987 transactions, was also a Capcom U.K. shareholder.

OPERATIONS OF CAPCOM ENTITIES

Capcom U.S. apparently was established to handle Capcom U.K.'s futures business on U.S. exchanges. Capcorn U.S. was registered as a futures commission merhant in March 1986 and operated as a futures commission merchant (that is, a ompany licensed to carry customer positions) until September 6, 1990, when it ransferred all 58 of its accounts with credit balances to other futures commission merchants—Brody White and Company, Inc., Refco Inc., Swiss Financial Services, ic., and First Commercial Financial Group, Inc.—in response to an action by the FA. Capcom U.S. was also a member of the Chicago Board of Trade (CBT), the hicago Mercantile Exchange (CME), and the NFA.

During the 5-year period in which the firm traded in the U.S. markets, Capcom I.S. carried as many as 200 accounts. In October 1988 it carried 110 accounts of hich a few were controlled by S.Z.A. Akbar. Approximately twenty of the Capcom I.S. accounts were in the name of apparent Middle Eastern owners; only two of iese had Saudi addresses and most had U.S. addresses. Capcom U.S.'s reported cusmer equities were on average \$22.84 million, reaching a maximum of \$72 million of March 31, 1989. Capcom U.S.'s trading volume for 1989 was approximately 10,000 contracts.

Capcom U.K.'s annual report for the year ending October 1987 states its purpose that of providing international financial services in futures and options, money tarket instruments, debt. and foreign exchange. Capcom U.K. also engaged in pot" gold transactions. A 1988 audit report indicated that approximately 70 per-int of Capcom U.K.'s trading was in the spot foreign exchange (forex) and bullion arkets. Capcom U.K. was a member of the Chicago Board of Trade.

In addition to Capcom U.S. and Capcom Equities, Inc., a U.S. securities brokersaler which never conducted any business, Capcom U.K. also had five whollyvned subsidiary companies, none of which was domiciled in the U.S.

At no time, based on our large trader reports, did Capcom U.S. (or Capcom U.K.) rry positions that were especially large relative to the market or that could potently cause concern from a market integrity perspective.

SAUDI SHAREHOLDERS

To our knowledge, at no time between 1985 and 1990 did Capcom U.S. have any tudi shareholders, nor do we have any information that Sheikh Khalil or Sheikh iham played any role in the affairs of Capcom U.S. or were direct customers of at entity. Information from the U.K., however, indicates that Capcom U.K. had te following stockholders: Sheikh Abdul Raouf Hasan Khalil; Sheikh Kil Adham; E. el Jawharye; and Sheikh Hattan Rashad Pharaon. At the time of the indictant in October 1988, these shareholders owned in the aggregate 20 percent of

Capcom U.K.'s stock. In February of 1988, several months prior to the indictment of Capcom U.K., Sheikh Khalil purportedly sold his entire 33 percent shareholding to S.Z.A. Akbar for 4 million pounds. According to U.K. authorities, the share register for Capcom was not changed to reflect the sale. At the time Sheikh Khalil allegedly owed the General Securities Corporation, (GESS) Account at Capcom U.K. 4.25 million pounds which was apparently forgiven. Sheikh Adham owned 12 percent of Capcom U.K.'s stock from February 1988 to February 1989. Sheikh Adham had an interest with approximately 14 other Middle Eastern customers, some also with the name Adham, in accounts titled Fund and Fund 2 at Capcom U.K. transactions in the Fund accounts were entered on the books of the U.K. firm which had omnibus accounts with nine U.S.-based clearing firms including Capcom U.S.

ROBERT MAGNESS AND LARRY ROMRELL

To our knowledge, Robert Magness, Larry Romrell and Robert E. Powell were the only U.S. investors with interests in both Capcom U.K. and Capcom U.S. Robert Magness was a 4 percent shareholder in the U.S. firm, and a shareholder and director of the U.K. firm; Magness resigned his directorship in the U.K. firm in October 1988 at the time of the announcement of its indictment. In April 1989, Magness apparently still owed money to Capcom U.K. for his purchase of Capcom U.S. stock in 1987.

Larry Romrell was a shareholder and chairman of both firms. He became chairman of Capcom U.K. beginning on June 6, 1984 and chairman of Capcom U.S. beginning on June 11, 1985. He resigned both positions on October 21, 1988, and withdrew as a principal in July 1990. Mr. Romrell purchased a 16 percent interest in Capcom U.S. in 1987 for \$400,000. As of April 1989, he apparently had not yet repaid Capcom U.K. for financing this purchase. Examination of the books and records of Capcom U.S. indicates that none of the U.S. shareholders played a significant managerial or operational role in the affairs of this company which was managed from inception in June 1985 until discontinuance of operations by Mohammad Saghir, its president. Based on our registration records it appears that Romrell was the chairman of the U.K. company between June 6, 1984 and October 21, 1988. In February of 1988, S.Z.A. Akbar instructed that a cash disbursement of \$100,000 be made from the IXORA account described below to Mr. Romrell's bank in Denver.

KERRY FOX

Similarly, although our records evidence no connection between Capcom U.S. And Kerry Fox, S.Z.A. Akbar mailed a check for \$6,000 from the IXORA account to Mr. Fox on December 18, 1987.

THE TWOY 1 AND 2 ACCOUNTS

In 1989, the Commission staff reviewed, at the request of U.K. authorities, transactions in S&P 500 contracts on the CME which resulted in approximately \$31 million in losses not including interest in two U.K. accounts (TWOY 1 and 2) allegedly belonging to S.Z.A. Akbar's brother. The losses were carried for almost a year on the books of Capcom U.K. The TWOY accounts were traded in the U.S. through Capcom U.K.'s omnibus account and were properly margined at the Chicago Mercantile Exchange. The losses were apparently repaid in part through accounts of a third party held at various BCCI entities. The staff reviewed the trades to determine whether the transactions were fictitious or actually had been executed and cleared at the CME. As all account detail was in the U.K. pursuant to the U.S.-U.K. MOU; the U.K. provided necessary account documentation to permit the Commission to complete this analysis.

Based on a review of account statements and exchange trade register and clearing data, the staff found that the trades had been placed on the exchange and cleared and that the trades had counterparties at numerous other firms. We provided the results of our analysis to the U.K. authorities.

THE IXORA ACCOUNT

IXORA Investments Ltd. commenced trading on December 23, 1986, last traded on May 26, 1987 just prior to S.Z.A. Akbar's resignation as a director of Capcom U.S. and was finally closed on April 28, 1989. The account documents indicated that S.Z.A. Akbar had a power of attorney to direct trading in this account. In 1987 certain positions were transferred to the IXORA account from other customer accounts thereby possibly improperly changing beneficial ownership off the exchange floor. Between November 1987 and October 1988 there were 12 cash receipts and 25 disbursements equalling approximately \$9 million each in aggregate receipts or disbursements.

bursements but no trading activity of any kind. That is, cash was paid into and out

of the account but no positions were taken in the market.

At least one transaction in the account was a wire transfer of approximately \$25,000 to an escrow account of Florida National Bank for Financial Consulting Inc. Transfers in this account were generally effected by Mohammad Saghir, president of Capcorn U.S., on instructions from Akbar. Mr. Saghir exercised his fifth amendment rights with respect to all questions concerning this account when his investigative testimony was taken by the CFTC.

Another account at Capcorn U.S. was owned by Mohammed Zaheer, the brother of Mohammad Saghir. S.Z.A. Akbar apparently had discretionary authority over the account from the time it was opened on December 31, 1986 until April 21, 1988. We found that, on October 29 and 30, 1987, it was credited for five separate cash receipts totalling \$4,848,541.89 and debited for two separate cash disbursements totalling \$4,800,000. These receipts and disbursements appear to be out of character with the usual activity shown in the account which, during the period from December 31, 1986 through May 31, 1989, generally had a ledger balance of less than \$150,000.

IXORA was also involved in a complicated \$2 million transaction involving Finley

International, Ltd. and Capcom U.K.

ZASK, GOOD & FUND ACCOUNTS

Although Zask Investments and Trading Ltd. was a 9 percent shareholder of Capcom U.S. from its inception in May 1985 until April 28, 1989, according to information developed in our inquiry no trading accounts for Zask, Good or Fund were neld at Capcom U.S. We have no information as to the purpose of these accounts at Capcom U.K. All information we do have with respect to these accounts was received from U.K. authorities. In 1988 Capcom U.S., in four transactions, wired certain money to the Good account at Capcom U.K. The Fund account was not identified in connection with transactions at Capcom U.S. However, there were some letters relative to a "Trading Fund" found by audit staff in two of Capcom U.S.'s accounts as well as two receipts credited to proprietary accounts of Capcom U.S. We lo not know if these transactions are related to the U.K. Fund account.

PRIOR REGULATORY CONCERNS WITH CAPCOM

In 1986, 2 years before the initial indictment of Capcom U.K., Commission surveilince staff became aware that Capcom U.K. might be operating as a foreign broker ather than trading only for its own account. In such event, the firm would be required to identify any customers to the Commission that held reportable positions not to disclose large trader positions. The firm contended that it was not a foreign roker, and that under U.K. law, its futures positions on U.S. exchanges were held a the firm's name as principal to hedge its dealing contracts with customers. This ame issue had arisen with several other U.K. firms trading in the U.S. markets. Iter consulting with U.K. regulators, the Commission's Division of Economic Analsis in June 1987 directed the firm to identify its reportable customers. At this ount, U.K. regulators gave no indication that they had any concerns about the ingrity of Capcom U.K. Misconduct, if any, occurring in London would not be obervable in U.S. markets. Related to this reporting dispute, on July 27, 1987, CBT ccepted an offer of settlement submitted by Capcom U.S. and Capcom U.K. Withut admitting or denying the violations alleged, the firms accepted a finding that apcom U.K., in acting as principal instead of agent, and Capcom U.S., in accepting usiness for Capcom U.K. as principal instead of agent, may have violated certain BT rules and regulations. Also, Capcom U.S. agreed to remit to CBT \$124,000 in rerdue exchange service fees effective September 1, 1987. In April 1988, the U.K. inancial Services Act 1986 went into effect, and imposed duties on firms with releast to their customers even though such firms may technically be acting as principal under U.K. law.

RELATIONSHIP TO BCCI

Information developed during the course of our inquiry indicated that certain incipals of Capcom U.S. (S.Z.A. Akbar, Sushma Puri, and Mohammad Saghir) had eviously worked at BCCI. In addition, one account executive, Pankaj Patel, was so a former employee of BCCI. The U.S. information we reviewed did not evidence by financing of the U.S. firm directly or indirectly by BCCI. Information developed in our inquiry with respect to the IXORA account at

Information developed in our inquiry with respect to the IXORA account at apcom U.S., however, indicated that certain disbursements were made to persons sparently unrelated to the purported account owners, including Akbar Bilgrami

who may be the same Akbar Bilgrami identified as the director of the Latin American Division of BCCI Overseas Ltd. by the October 1988 indictment. The wire transfer address was identical to that of BCCI in Florida.

Any information we received that could have suggested a possible relationship between Capcom U.S. and BCCI (except for that in the indictments, on the registration records and relative to the IXORA account) was provided by U.K. authorities and has already been provided to this subcommittee on a confidential basis. In addition to certain matters discussed above, some Capcom customers also may have had connections with BCCI.

CFTC OVERSIGHT ACTIONS

Immediately following the indictment of Capcom U.K., the Commission's staff reviewed the relationship between Capcom U.K. and Capcom U.S. Based upon that review and a number of factors, including the close affiliation between the two firms, staff decided that an audit of Capcom U.S. was warranted. This type of compliance review is routinely conducted when information that could suggest potential violations of the Act comes to the attention of Commission staff. Consequently, within days of the indictment, the Commission's staff consulted with relevant U.K. authorities and commenced an audit of cash transfers and other financial transactions carried out by Capcom U.S. for the period from November 1985 through June 1989 to attempt to identify suspicious trading activities by Capcom U.K. and S.Z.A. Akbar that could warrant further action. Although money laundering per se is not a violation of the Act, the filling of false reports, as well as various trading activities which might be associated with money laundering, such as wash trades, accommodation trades, and fictitious transactions, would constitute violations of the Act.

CFTC COOPERATION WITH CRIMINAL AUTHORITIES

In late 1988, Commission staff began communicating with the U.S. Attorney's Office of Tampa, which had brought the charges before the grand jury concerning Capcom U.K. and others in October of 1988. Access to the Commission's files concerning Capcom U.S. was granted and information obtained by the Commission during the course of its review of the trading of Capcom U.S. was provided to the U.S. Attorney in Tampa. Since the 1988 indictment, the Commission consistently has indicated its willingness to review any conduct or trading based on information in the hands of the criminal authorities in support of their enforcement activities.

We also received information from other authorities. Commission staff shared the confidential information we developed and some which we had received from other authorities with relevant futures SROs during the course of our inquiry and encouraged the SROs to consider appropriate action against the Capcom entities under their rules. Our approach to the SROs was based on their affirmative obligation to monitor their markets for violations of the Commodity Exchange Act. In addition, as membership organizations, the exchanges generally have a great deal of latitude to act to discipline their member firms.

U.S. SELF-REGULATORY ACTIONS AGAINST CAPCOM U.S.

With the benefit of information provided by the CFTC as well as information from their own investigations, the futures SROs identified violations of their rules and each took remedial action under its rules against Capcom U.S. The Chicago Mercantile Exchange (CME), following an offer of settlement in which Capcom U.S. neither admitted nor denied violating CME rules, made specific findings on October 10, 1989 that Capcom U.S. had violated CME rules by permitting the misuse of the firm's facilities, engaging in uncommercial conduct, accepting new trades in an undermargined account, and improperly transferring positions between accounts. These findings were based on the failure of Capcom U.S. to provide information concerning certain cash transactions appearing in accounts carried by Capcom U.S. for IXORA Investments, Ltd. (which was owned by S.Z.A. Akbar) and Mohammed Zaheer (brother of Mohammed Saghir, president of Capcom U.S.). Capcom U.S. Agreed to pay a fine of \$500,000 and to withdraw as a CME clearing member effective October 18, 1989. The Chicago Board of Trade (CBT), pursuant to a settlement agreement, had allowed Capcom U.S. to withdraw from CBT membership on June 30, 1989.

On October 2, 1990, the National Futures Association (NFA) issued a complaint

On October 2, 1990, the National Futures Association (NFA) issued a complaint against Capcom U.S. and one of its associated persons alleging violations of NFA rules consisting of misrepresentations to and unauthorized trades for a customer, failure to collect proper margin from a customer and failure to supervise employees and agents. On October 19, 1990, NFA accepted an offer of settlement from Capcom U.S. and found Capcom U.S. to have violated NFA rules as alleged. NFA ordered

Capcom U.S. to request withdrawal of its FCM registration and NFA membership and never to reapply, and to dissolve its corporate status at the earliest practicable date. At least one principal of Capcom U.S. also agreed to withdraw from the futures business. As NFA membership is necessary for an FCM to engage in public futures customer business, this action effectively precluded Capcom U.S. from continuing customer business or from reentering such business in the future.

U.S. AND U.K. SELF-REGULATORY ACTIONS AGAINST CAPCOM U.K.

Actions were also being taken by self-regulatory organizations under their own rules against Capcom U.K. during this period, both in the U.S. and the U.K. In a series of orders issued between March 30, 1989 and August 24, 1989, by the CBT, Capcom U.K. was suspended, precluded from carrying customers orders and, ultimately, agreed to be permanently expelled. This action was based on the exchange's reasonable belief that Capcom U.K. engaged in acts detrimental to the interests and welfare of the exchange, reckless and unbusinesslike dealing and fraud and dishonest conduct in its dealings with the exchange and failed to demonstrate compliance with capital requirements. In June 1989, the U.K. Association of International Bond Dealers suspended Capcom U.K. from membership, and a committee appointed by the U.K. Association of Futures Brokers and Dealers (AFBD) found Capcom U.K., its controller and its directors to be not "fit and proper" persons. On July 17, 1989, the AFBD expelled Capcom U.K. from membership and ordered it to pay the equivalent of \$660,000 in "costs," citing specifically the inability of the firm to establish the identity of its beneficial owners. On July 25, 1989, Capcom U.K. resigned from membership in the U.K. Securities Association. As noted above, the Commission had previously assisted U.K. Authorities in connection with these cases by responding to inquiries concerning certain selected transactions effected at the U.S. firm. Capcom U.K. retains its corporate existence.

STATUS

Although Capcom U.S. has effectively been permanently barred from activity as a J.S. FCM, we are seeking to develop further information with respect to its affiliates and principals through our cooperation with the criminal authorities. In that connection, we await the extradition to the United States from France of Akbar, who should have substantial information about the operations of Capcom.

We note that we have assisted this subcommittee, the full Senate Committee on Foreign Relations and the House Committee on Banking Finance and Urban Affairs in their review of the operations of the Capcom entities. We note further that, in addition to the information shared with relevant futures SROs referred to earlier, we shared information with the criminal investigation division of the Internal Reveue Service, Federal Bureau of Investigation, GAO Office of Special Investigations, ne United States Attorney's Office in Tampa, and U.S. Customs, as well as the Services and Investments Board, Ltd. and the Serious Fraud Office in the U.K.

CFTC RESOURCES

Since October 1988, the Commission has spent 7,184 hours (approximately 31/2) aff years) on the Capcom matter.

RELATED INITIATIVES

In closing, I would note that Capcom is but one example reflecting the increasing-international character of the futures markets and of firms operating in the futures markets. As you know, effective regulation no longer can stop at the "water's ige" or focus simply upon the U.S. outpost of an interlinked multinational structure. Recognizing this, during the last 2 years, the Commission has entered into ven enforcement and financial oversight memoranda of understanding with forgunary authorities. In addition, over the last year, we have established produres with 15 foreign regulatory authorities, as well as Interpol, to facilitate enneed fitness checks of foreign nationals listed as principals of firms seeking registion under the Act. The Commission also recently adopted amendments to its gistration rules which will facilitate greater scrutiny and a background investigation of the beneficial owners of applicants for registration. In addition, the Commission has requested authority to enhance its international cooperative enforcement thority and to undertake risk assessment of affiliates of registrants in our pendig reauthorization legislation. The Commission also participates in the Justice Detrement Action Task Force Money Laundering Working Group. That concludes my erview of the Commission's activities regarding the Capcom entities. I would be eased to respond to any questions you may have.

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Senator Kerry. Thank you very much, Chairperson Gramm. I appreciate that and your full testimony will be placed in the record as if read in full. Mr. Early, do you want to make a statement now?

STATEMENT OF SCOTT EARLY, GENERAL COUNSEL, CHICAGO **BOARD OF TRADE**

Mr. Early. Yes, thank you Mr. Chairman. First of all, I would like to thank you for the opportunity to appear here today. And on behalf of Chairman O'Connor of the Board of Trade and President Donovan, express their apologies that they could not be here today. They had other matters which had previously been scheduled that were of great importance to the exchange. But I feel that by being here, having been involved in the disciplinary actions which are of interest to this committee, that hopefully we can inform the committee as much as they need to, and certainly that is our intention to do so here today.

In order to understand what happened with Capcom at the Chicago Board of Trade, I think it is important to have a little bit of a background. So if you will indulge me briefly I will try to explain what the process was by which Capcom became a member and

then why they were ultimately disciplined and expelled.

In so doing, I would like to also answer any specific questions that the committee may have, as detailed in their letter, and would be glad to do so. But I should note at the outset that there is a bit of an irony in that process. And that is, as you will see from the discussion of the disciplinary actions, the very basis of the disciplinary actions which resulted in the suspension and then expulsion of the firms prevents us from giving the kind of detail that this committee would like to have and we would like to give.

Because the basis of those was that Capcom could not demonstrate to us, as an exchange, that they were keeping their books and records in the kind of prudent business-like manner which our rules and regulations require. And because they failed to make that showing to our committees and to our board of directors, they

were expelled.

We do have a great deal of information, some of which I know the committee already has, and we will be glad to share that. And hopefully as we go through this process of seeing what the discipli-

nary action was, you will understand what I mean by that.

The Board of Trade, as referenced in Chairman Gramm's testimony already, is a self-regulatory organization which means that we do have the authority to write and enforce our own rules under the authority of the Commodities Futures Trading Commission, as well as under Federal law. Part of that process is a membership admission process which requires that all members be of good character, reputation, and financial responsibility.

Now in order to ensure that financial responsibility and good character, we investigate members before they are admitted and we continually monitor members while they are members of the exchange. We monitor not only their trading practices, but through the office of investigations and audits and through member committees, we monitor their financial condition, often on a daily basis when they demonstrate to us that they are having difficultly. And

as you will see as we talk about the disciplinary structure here, after they have had disciplinary problems with the exchange we generally increase that monitoring activity, and that is precisely what we did here.

A word, if I can, about clearing, because part of the disciplinary process here centered about Capcom U.S.A.'s status as a clearing member at the Board of Trade and then subsequently their lack of status as a clearing member. Clearing is a function in the futures industry that is unique. It is not just an accounting function for who traded what with whom and when; it is also a guarantee function of the performance of the contracts which are being traded. Because that financial guarantee is present on the part of the clearing corporation, in order to be a clearing member you must demonstrate superior financial responsibility and organization and you must maintain that status in order to maintain your clearing status.

Now that has economic advantages as a member, so if one becomes a clearing member of the Board of Trade, and at the Board of Trade that is done through a separate legal entity called the Board of Trade Clearing Corp., one has some economic advantage in the community. Trading is cheaper, but you also have greater responsibility.

And what you will see here is that Capcom became a clearing member and Capcom failed to demonstrate the continuous kind of financial responsibility which is required by Clearing Corp. standards. And so the immediate action that was taken was that Cap-

com's clearing status was removed.

But while that financial guarantee is in place, what happens is that everybody involved in the exchange shares in the financial responsibility and accountability of any one clearing member. And that is why the concern among the exchange as an SRO for the financial integrity of its clearing members is of paramount importance to it.

I mentioned earlier the auditing which the Board of Trade does. It is done under the supervision of member committees: generally, people who have a great deal of experience with running member firms. The auditing itself is done by staff, the office of investigations and audits. It is done on both a periodic and a special basis. In this case Capcom was subject first to a regular periodic review,

and then, as you will see, to special reviews.

Finally, a background word on some of the contracts that we rade. Capcom's original stated purpose for being a member at the Board of Trade was to trade in financial contracts for its proprieary account and for those of its customers. And many of those customer's accounts were given the status of hedge accounts; meaning hat they were professionals in some way hedging interest rate isk, either as a bank or in many other capacities, chiefly using reasury bonds at the Board of Trade, the Treasury bond futures contract. It was part of the examination for the hedge status of hose trading activities which also led to the investigations which ed to Capcom's expulsion eventually.

Capcom London first became a member firm of the Board of Trade in October of 1985. In May of the following year, its U.S. subsidiary, which I will refer to as Capcom Chicago, became a member

of the Board of Trade. And very shortly thereafter, Capcom Chicago became a member of the Clearing Corp. As I stated, their business purpose in becoming a member of the Board of Trade was to clear customer and proprietary business, and particularly in the interest rate futures contracts which we trade at the Board of Trade.

In January of 1987 our office of investigations began a review of Capcom Chicago and Capcom London, the purpose of which was to determine the nature of their business and review the firms' trades to verify their classification as hedge positions. As a result of the OIA review, there were numerous serious violations of exchange requirement which were found.

As a consequence, the business conduct committee, which is the committee at the exchange in the first instance responsible for review and oversight of financial matters, charged that Capcom violated a number of exchange rules and regulations. I would like to focus briefly on one of those, because I think it bears on this

committee's investigations.

And that is that one of the violations was that Capcom London was acting as a principal rather than an agent in transactions entered into on behalf of its customers. Now in essence what that means, if I can put it in the simplest terms, is that Capcom London was selling to its customers out of its inventory of positions of contracts traded at the board of trade.

That is a practice which is common in many markets. It is common in over-the-counter markets; it is common in many foreign markets. It is illegal in the United States futures markets and it is an express violation of Board of Trade rules. What we require is that what the customer gets is the trade that was transacted in the public auction market on the floor of the exchange and nothing else.

And so that was the focal point—trading practices, if you would—in this first investigation. I point that out because I know this committee has heard prior testimony concerning some trading practices of the firm which were alleged to have been done in order to facilitate money laundering. I would stress that we had no direct evidence of money laundering on behalf of Capcom, but if you are looking for a trading practice which may have facilitated that, I do not believe that wash sales, which are what the prior testimony concerned, would be a focal point for that, because I do not believe that that would necessarily achieve it.

But a trading practice such as this; that is, having one of the entities engage in futures transactions, put them in the proprietary account of an affiliated firm, and then redistribute those to customers at perhaps differently agreed upon prices, may be a means to further cloud what you have already encountered as the disarray

of records, which is typical of Capcom and BCCI.

The business conduct committee entered into a settlement with Capcom regarding that investigation, which required them to cease and desist from those specific rule violations. They also paid \$124,000. And immediately thereafter, it required them to submit a specific statement of the actions which they were taking, in order to assure the committee that they were in full compliance with all rules and regulations of the exchange, and what procedures they had established to prevent further violations.

Those responses were received from the firm in the fall of 1987, and the committee accepted those responses but instructed OIA to commence a followup review of Capcom, which they did in February of 1988. That followup review, to the best of our knowledge, showed us that Capcom was, at that point in time, in compliance with our rules and regulations with respect to its trading practices and its financial activities.

However, in October of 1988 we, as the commission has already testified, learned of an indictment in Tampa, Florida regarding Capcom London and BCCI. As a result of that knowledge and the immediate contact which we had with U.S. enforcement authorities and authorities in London, we intensified our reviews of Capcom—

both firms, Capcom London and Capcom United States.

We shared all that information with the Board of Trade Clearing Corp., and as a result of that in October of 1988 Capcom's clearing privileges at the Chicago Board of Trade were terminated and all their positions were cleared by another exchange member clearing firm. And this withdrawal from clearing status was finalized in June of 1989 when their clearing stock was redeemed.

I think it is important to note that because, as I said earlier, clearing status is a very important status in the futures industry. And to revoke clearing status is a serious sanction and one which was, I think, regarded as such both by the exchange and by the in-

dustry.

We continued with investigations through the month of October in 1988, coordinating closely with the CFTC, the Association of Futures Brokers and Dealers in London, the International Commodities Clearing House in London, and various governmental authorities. I have to stress to the subcommittee that based on those communications, and perhaps it is not surprising, we had no direct knowledge of any money laundering or any other illegal activity, except those specifically cited in the disciplinary charges which we made against the firms.

But what was apparent by this time was that Capcom's books and records were not being kept in a manner that was consistent with our rules, and they were fundamentally unreliable so that even the information which we were receiving from Capcom was greeted—I think with skepticism is the only way I can characterize

it—by our committee and by our board of directors.

The investigations continued and resulted in charges which we have specified in the written submission before this committee and I will not go into at length now. The final result was that the business conduct committee recommended to the board of directors that Capcom London be expelled, which they were. Capcom Chicato continued under close scrutiny and finally withdrew from membership by settlement from the firm with the agreement that they would never reapply.

The basis of those final charges was that Capcom failed to mainain accurate books and records, was unable to demonstrate to the exchange's satisfaction that it was able to meet or to exceed the minimal capital requirements, failed to maintain accurate account locumentation, and at least one instance affirmatively mislead the exchange with respect to ownership of Capcom and Capcom

ondon.

We have detailed in our written submission responses to the committee's specific questions, and to the extent that we have that knowledge would be glad to respond to any specific questions here. But what I believe that the history of Capcom's involvement with the exchange demonstrates is that we did not know about this web of illegality which this committee and others have uncovered. We were not aware of that; we did not have an specific evidence of that.

What we did know is that we had admitted member firms who were unwilling to adhere to our rules and regulations, and to the strict financial requirements which we impose upon members. And what we did was to sanction them by ultimately expelling them and removing their clearing status.

I know this committee has a difficult task to try and pierce the web of illegality which surrounds BCCI and make some positive recommendations and findings. We will be glad to do whatever we can, both here today and subsequently with staff, to facilitate that difficult goal.

[The prepared statement of Mr. Early follows:]

PREPARED STATEMENT OF SCOTT E. EARLY

Mr. Chairman: On behalf of the Board of Trade of the City of Chicago, I thank you for the opportunity to appear here today. I must begin by expressing the regrets and apologies of Chairman O'Connor and President Donovan who wished to be here today to testify regarding this critical inquiry; however, previously scheduled matters important to the Exchange demanded their presence. Nevertheless, because the Exchange's involvement in your inquiry into the Capcom firms and their relation to the Bank of Credit and Commerce International ("BCCI") centers on disciplinary actions taken by the Exchange which resulted in the expulsion of Capcom, perhaps it is fitting that the counsel personally involved in that process be present to address your questions.

We understand from the subcommittee's letter requesting our testimony that there are specific questions upon which the subcommittee wishes to focus; we address those specifics, as best we can. I believe it is useful and necessary to give the subcommittee some background regarding the Exchange, its self-regulatory processes and how Capcom's membership and ultimate expulsion fits into that structure. By this means, I believe we can most expeditiously and fully answer the subcommittee's specific inquiries.

It should be noted at the outset that there exists an inherent irony in our appearance before you today: that is, the essential basis for Capcom's expulsion from the Board of Trade is what will prevent us from giving this subcommittee some of the specific evidence it seeks.

Capcom was expelled essentially for failure to satisfy the Exchange that it was maintaining its books and records in conformity with the high standards of financial and trading integrity which we demand of all members. Thus, rather than having direct evidence of any specific fraud, money laundering or other illegal activity, the Board of Trade expelled Capcom for not being able to satisfy our governing committees and Directors that it was conducting its activities in a sound, prudent manner in conformity with Exchange requirements. This subcommittee will see that the very disarray of Capcom's records which led to its expulsion now prevents us in many cases from identifying specific customer account ownership and transactions and, indeed, from identifying the true ownership of the accounts and, ultimately, of the firms themselves.

Nevertheless, we will supply this subcommittee with whatever information we can regarding Capcom just as previously we have cooperated fully with the investigations of the Federal Bureau of Investigation, the Commodity Futures Trading Commission and other governmental agencies, both domestic and foreign. We will work with the subcommittee's staff to supply whatever information regarding Capcom we are able subject to existing confidentiality restrictions in the hope that this subcommittee's inquiry can and will lead to the prevention of any recurrence of a BCCI-like tragedy.

THE EXCHANGE

The Board of Trade of the City of Chicago is the world's oldest and largest futures exchange. Founded in 1848, the Exchange currently is designated by the Commodity Futures Trading Commission ("CFTC") as a contract market for five of the nation's top ten contracts (by mid-1992 volume) including United States Treasury Bond Futures and Options on U.S. Treasury Bond Futures. In 1991, the Exchange traded nearly 140 million contracts, 30 million more contracts than that of the next largest

domestic futures exchange, the Chicago Mercantile Exchange.

The Exchange is a self-regulatory organization ("SRO") which means it does more than simply write and enforce its own rules and regulations. The Exchange devotes significant resources to insure member integrity, first at admission and continuous-

ly while a person or firm remains a member.

All members are required by Rule to be "" * Of good character, reputation, financial responsibility and credit * * "" (emphasis added), as determined in the first instance by the Membership Committee and approved by the Board of Directors. Applicants are required to submit extensive background information which is sub-

ject to independent, professional verification.

Member firm integrity is insured not only by these admission requirements and the auditing and financial surveillance of member firms (which I will explain in a moment), but also by the financial structure of Exchange membership participation in the clearing system. Futures exchanges are unique among the world's financial markets in that every trade when accepted for clearing on a daily basis becomes guaranteed regarding its performance. At the Board of Trade, the baring function is performed by the Board of Trade Clearing Corporation (the "Clearing Corporation"), an independent corporation whose shareholders are approximately 130 Exchange members and member firms possessed of sufficient capital and integrity to meet the Clearing Corporation's high financial standards. All Exchange trades must be cleared by the Clearing Corporation or through the accounts of a Clearing Corporation member firm. Once cleared, the financial guarantee of the Clearing Corporation eliminates the counterparty risk of failure present in other financial markets. especially over-the-counter, unregulated markets.

The critical consequence of this process is that the financial liability for all trades ultimately rests with the clearing members. Thus, clearing firms exert financial discipline over all customers trading through their accounts, member or non-member. just as the Clearing Corporation imposes that discipline upon all clearing members themselves, principally by daily mark-to-market margin or performance bond pay-

Additionally, the Board of Trade due to contract default since the inception of the Clearing Corporation in 1925. Because of this shared financial accountability, the Exchange regards member financial integrity as a prerequisite for membership in good standing. As detailed herein, Capcom failed to demonstrate this requisite integ-

rity after admission and was expelled for that failure.

While strict member admission standards and financial accountability form the foundation of market integrity, vigorous oversight, surveillance and enforcement are also of paramount importance. As a membership sell-regulatory organization. the Board of Trade monitors compliance with fair and equitable trade practices principally through the Floor Governors Committee, the Business Conduct Committee, the Financial Compliance Committee and the Board of Directors.

Additionally, the Board of Trade continually monitors member and member firm compliance with its rules and regulations, as well as those of the industry, through its Office of Investigations and Audits ("OIA"). As part of its surveillance efforts, the OIA is constantly in contact with other Exchanges, the National Futures Asso-

ciation, the CFTC and other regulators to exchange relevant information.

The OIA's Financial Surveillance Department monitors all Board of Trade member firms' compliance with the Exchange's capital rules and capital guidelines.

The OIA Audits Department conducts biennial reviews of the books and records of each Board of Trade member firm that is registered as a Futures Commission Merchant ("FCM") to determine compliance with Exchange rules and regulations. The Audits Department focuses on the firm's financial and compliance procedures. During a financial audit, a firm's financial condition is analyzed, along with the composition of balance sheets and capital computations to verify that the firm has appropriate procedures to ensure the continuous submission of accurate financial information to the Exchange. Also, customer balances are reviewed and the proper segregation of customer funds is verified. The Audits Department also makes surprise sales practice reviews of member FCMs branch offices and guaranteed introducing brokers.

In order to best comprehend Capcom's involvement at the Board of Trade, some discussion of hedging using futures contracts is useful. Hedging is one of the fundamental purposes and benefits of futures markets (price discovery being the other). Hedging, in its simplest conception, consists of the management and reduction of market risk arising from a market position by means of another market position, in this instance futures and options on futures contracts. Use of the U.S. Treasury Bond futures contracts provides a graphic (and relevant) example.

The primary government securities dealer may and does buy more than one billion dollars worth at a time of long term U.S. Treasury bonds at a U.S. Treasury auction (which funds our national debt). The primary dealer buys that \$1 billion worth of bonds to earn a spread of one or two thirty-seconds of 1 percent of the value of those bonds over the several days or even weeks that it may take to sell all

those bonds to long term investors.

However, in less than 60 seconds, the price of bonds can move five to ten times the amount of the dealer's expected spread. In a days time a 1 or 2 percent change in price is not uncommon. That is 30 to 60 times the spread the dealer stands to earn. Hedging a large quantity of bonds in 10 seconds instead of one minute or in 5 seconds instead of 10 seconds can make all the difference in the world to a dealer and to his active participation in U.S. Treasury debt auctions.

Hedging interest rate risk through use of the Board of Trade's Treasury Bond contract was one of the stated purposes for Capcom's membership in the exchange.

CAPCOM'S MEMBERSHIP AND EXPULSION

The history of the Capcom firms' involvement with the Board of Trade exemplifies how and why the systems of member integrity at the Exchange work well to protect the marketplace and its users from those who seek to abuse the markets

upon which so many depend for price discovery and risk hedging.

Capcom Financial Services, Ltd. ("Capcom London") became a member of the CBOT on October 11,1985. Its U.S. subsidiary, ("Capcom Chicago") became a member of the CBOT on May 1,1986 and subsequently a member of the Clearing Corporation. The stated reasons for Capcom Chicago's membership status was to clear customer business, particularly in the Treasury Bond contracts. The CME was the designated self-regulatory organization ("DSRO") for Capcom Chicago. Capcom London's stated purpose was to be a non-clearing member making proprietary trades only.

Thus, even though the Board of Trade was not primarily responsible for financial supervision of the Capcom firms, you will see that the Exchange was rigorous in its

oversight of the firms.

On January 22, 1987, OIA examiners commenced a review of Capcom Chicago and Capcom London. The purpose of the review was to determine the nature of Capcom Chicago's and Capcom London's business, and to review the firms' trades to verify their classification as hedge positions.

OIA's review resulted in the discovery of serious violations of Exchange requirements. As a consequence, the Business Conduct Committee (the "Committee") on July 7, 1987 charged that Capcom violated Exchange Rules and Regulations in that:

(1) Capcom London acted as principal rather than agent in transactions en-

tered into on behalf of its customers:

(2) customer orders for the purchase and sale of futures contracts in U.S. Treasury Bonds ("T-Bonds") were transmitted from CAPCOM London to Capcom Chicago, which in turn placed orders to execute identical trades for Capcom London's proprietary account;

(3) Capcom London then confirmed to its customers transactions in CBOT T-

Bond futures;

(4) as a direct result of designating trades as those for CAPCOM London's proprietary account rather than for the benefit of customers, Capcom London was assessed member transaction fees and lower margin requirements were imposed; and

(5) because the transactions did not appear to be for the benefit of customers, Capcom Chicago was not requested to segregate customer funds and improperly reported open positions in T-Bond futures contracts as belonging to Capcom London and not to Capcom London's customers.

In the futures industry, a DSRO has primary regulatory and audit responsibility for FCM member firms. This does not mean exclusive responsibility; the firm remains accountable to each Exchange for its conduct on that Exchange. However, the primary responsibility for auditing for financial compliance rests with the DSRO.

It may be of interest to the subcommittee to pause for a moment regarding this trading pattern infraction. What Capcom was doing was selling futures positions to customers "from inventory." This is a common practice in over-the-counter markets, but impermissible in United States regulated futures markets, where all trades must be conducted in public on the floor of the Exchange.

Where trading is done as Capcom did, it is common that the customer will be charged a price different from that obtained by the firm actually making the trade. While this can be a legitimate markup, it also could be a means to facilitate the

money laundering which this subcommittee is investigating.

Capcom London settled these charges and was ordered to cease and desist from any violations of the specified Rules and Regulations, and to comply fully with other specific conditions. Capcom Chicago was ordered to remit \$124,000 in exchange service fees and to cease and desist from any violations set forth and to comply fully

with other specific conditions.

On August 18, 1987, the Exchange notified the firms' legal counsel by letter that the committee expected to receive, by no later than October 1, 1987, a written submission outlining the steps the firms had taken to comply with the offer of settlement. On September 23, 1987, the firms wrote to the committee indicating the steps each firm had taken to comply with its respective offer of settlement. Based on the firms' representations of the corrective actions taken by both firms, the committee concluded that no further action was immediately necessary. However, the committee expressly instructed OIA to institute a followup examination of both firms within the next several months. Thus, having experienced serious concern regarding both firms' operations, the committee subjected them to increased scrutiny and review.

OIA commenced a followup examination of Capcom London and Capcom Chicago on February 29, 1988. The objective of the followup was to review the firms' compliance in accordance with the terms of settlement previously accepted and the representations of corrective action taken. No further, immediate action was deemed necessary by the committee. However, the committee instructed Exchange staff to con-

tinue closely monitoring both firms' activities.

In October 1988, the Exchange learned that a U.S. grand jury had issued indictments against several parties, including BCCI and Capcom London, on charges of laundering money relating to cocaine sales. OIA was informed of the indictments on October 12, 1988. In light of this new development, the committee instructed OIA immediately to investigate both firms' account documentation and to coordinate with U.S. Law enforcement officials to determine the status of the firms' business transactions. Exchange staff spoke to representatives of the Federal Bureau of Investigation and other U.S. Governmental agencies including, of course, the CFTC. Additionally, 01A was in daily contact with the Capcom Chicago's DSRO, the Chicago Mercantile Exchange. OIA also coordinated closely with the Clearing Corporation in its immediate review of Capcom Chicago's status as a cleaning member.

As a result of these investigations and the responses from Capcom, the Clearing Corporation determined that Capcom Chicago's clearing privileges should terminate; effective October 20, 1988, all Capcom positions were cleared by another Exchange clearing firm. This withdrawal of clearing privileges was finalized in June 1989 when Capcom Chicago's Clearing Corporation stock was redeemed. The subcommittee should be aware that in the futures industry, withdrawal from clearing status is

a very serious event.

From October 12, 1988 through October 31, 1988, OIA continued to coordinate not only with U.S. Governmental agencies, but also had discussions with the Association of Futures Brokers and Dealers ("AFBD"), the International Commodities Clearing House ("ICCH") and the London Drug Traffic Authority concerning the indictments. One focal point of the discussions was the actual identity of the individuals and firms who ultimately owned and controlled both firms. By now, this subcommittee no doubt has experienced first hand the daunting challenge of this undertaking.

On November 23, 1988, the CBOT discussed the London authority's current review of possible money laundering at Capcom Chicago and Capcom London with the CFTC. At the time, the Exchange was informed of no specific evidence regarding aundering of funds through Capcom Chicago, but was aware that London authorities still had unanswered questions regarding large money transfers at Capcom

London.

On January 7, 1989, the CBOT sent a list of questions to Capcom London requesting further explanation of the ownership of the firm. OIA received the firm's response to the inquiry on January 24, 1989. Based on all these investigations and discussions, the committee issued preliminary charges on February 16, 1989 against

Capcom London for misstating the ownership of the firm on more than one occasion.

Following several hearings, the committee's review of OIA's investigation and the outstanding charges, an order was issued by the chairman of the Exchange on March 30, 1989 stipulating that Capcom London be suspended from membership and that all positions be transferred to a non-affiliated FCM on a fully disclosed basis. The final Third Amended Order stipulated that Capcom London: (1) be suspended from membership; (2) not carry any customer or proprietary accounts or place orders for any futures or options contracts traded on a designated contract market in the U.S.; and (3) be barred from having ownership interest in or control over any CBOT member firm.

Subsequently, on May 1,1989, the committee also fined Capcom London \$25,000 based on the conclusion that the firm: (1) failed to notify the Exchange of, material changes in its organizational structure; (2) made material misstatements to the Exchange regarding the ownership of the firm; and (3) failed to furnish accurate infor-

mation to the committee concerning the firm's ownership.

Additional charges were made after the committee reviewed the reports of independent auditors, Coopers & Lybrand, who were retained by Capcom in response to the concerns of various regulators. The Coopers & Lybrand audit report described substantial deficiencies in Capcom London's account and transactional documentation. A separate Arthur Andersen & Co. Audit report substantiated the Coopers & Lybrand report, as did reports from a third auditing firm. As a result, the committee issued formal charges with the Exchange Board of Directors against Capcom London on May 26, 1989. These charges found that Capcom London:

(1) failed to maintain accurate books and records:

(2) was unable to demonstrate that it was able to meet or exceed minimum capital requirements;

(3) failed to maintain accurate account documentation;

(4) engaged in conduct inconsistent with just and equitable principles of trade;

(5) engaged in acts detrimental to the interest and welfare of the Association; and

(6) engaged in reckless and unbusinesslike dealing.

Based on the above charges, the Board of Directors reviewed the matter and received an oral offer of settlement from the firm's legal counsel on August 15, 1989 which the Board accepted. The settlement provided that Capcom London be permanently expelled from membership at the Chicago Board of Trade and that the firm was never to reapply for membership. The termination of Capcom London's CBOT membership was effective September 28, 1989.

On June 12, 1989, the Exchange and the Clearing Corporation received letters from Capcom Chicago indicating their desire to withdraw from membership. The committee approved this request on June 19, 1989. Capcom Chicago's termination of CBOT membership became effective on June 30, 1989. Today, Capcom Chicago is not

a member of any exchange.

SPECIFIC SUBCOMMITTEE INQUIRES

The subcommittee's July 10, 1992 letter inviting our testimony specified several precise areas of inquiry which the committee wished to discuss. As the foregoing illustrates, the very reason Capcom was expelled to some degree prevents us from as precise a response as we and the committee desire. Nevertheless, we have detailed responses to the committee's specific inquiries in our written testimony; furthermore, as stated previously, we stand ready to cooperate fully in any way we can to supplement our responses and further this committee's inquiry.

CONCLUSION

The Chicago Board of Trade history of the Capcom firms illustrates the vitality and importance of self-regulation in the futures industry. The Exchange and its Clearing Corporation had no specific knowledge of the fraudulent web of BCCI or any involvement by Capcom in specific acts of fraud, money laundering or other illegal activities.

What the Exchange did know is that it had admitted member firms unwilling to

What the Exchange did know is that it had admitted member firms unwilling to adhere to the Exchange's strict requirements for financial integrity. What it did was to sanction and ultimately expel those firms when they failed to demonstrate their

ability to adhere to those requirements.

This subcommittee has the difficult and unenviable task of attempting to forge positive, prospective recommendations out of the financial rubble left by BCCI. We hope our testimony has assisted the subcommittee in some small way to meet its

goals and we would be pleased to do what we can to further assist the subcommittee's inquiry. I would be pleased to respond to any questions which the subcommittee may have.

Senator Kerry. Thank you very much, Mr. Early. I appreciate that; it is helpful. Mr. Beyer.

STATEMENT OF GERALD BEYER, EXECUTIVE VICE PRESIDENT. CHICAGO MERCANTILE EXCHANGE

Mr. Beyer. Mr. Chairman. My written testimony, which has been furnished to you, describes in detail actions taken by the CME to gain information respecting Capcom U.S., which was a member of our exchange, and actions actually taken against the firm.

My testimony here will merely recap my written statements. After a detailed review of its application, and relying on outside credit and investigative reports that disclosed no negative information, Capcom U.S. was approved as a member of the Chicago Mer-

cantile Exchange in 1985.

3 years later, the indictment of a related individual, S.Z.A. Akbar, and of a related entity, Capcom Financial Services, Limited, which was not a CME member, was publicized. Starting on the next day and continuing for sometime thereafter, the exchange took several actions. They are as follows:

No. 1, ordered Mr. Akbar to exercise no control over the management of the firm, to resign as a director, and to transfer voting con-

trol of any stock in Capcom U.S. to another party;

No. 2, prohibited the firm from carrying any house positions for

itself for Capcom U.K. or any affiliated entity;

No. 3, instructed the firm to inform those banks at which funds were held to allow exchange staff to monitor all transactions into and out of those accounts, and to disallow any outgoing transfers that were questionable;

No. 4, ordered Capcom U.S. to provide us with information which was intended to allow us to focus on money laundering allegations

and accounts owned or controlled by Mr. Akbar or BCCI;

No. 5, ordered that accounts owned or controlled by Mr. Akbar

be traded for liquidation only;

No. 6, required the firm to report by 5 p.m. daily a list of all disbursements out of either customer or house accounts;

No. 7, ordered the firm to inform Capcom U.K. to instruct its

auditors to report to the CME transactions which could be construed to be violations of the U.K. Drug Trafficking Offenses Act;

No. 8, required the firm to have no officers, directors, or share-holders in common with Capcom U.K. to replace a subordinated loan from Capcom U.K. with a loan from an entity not affiliated with Capcom U.K., and to require the transfer or sale of Capcom futures stock held by Capcom U.K.;

No. 9, required Capcom U.S. to engage its auditors to provide a money laundering and internal controls review, and informed them that if they did not, we would hire the firm ourselves and assess

Capcom U.S. for fees incurred;

No. 10, prohibited Capcom U.S. from resigning as a clearing firm

until issues raised in the CFTC report could be resolved;

No. 11, directed Capcom U.S. to respond to a series of questions raised by a CFTC investigation that had been provided to us;

No. 12, charged Capcom with multiple rule violations after finding that the firm had no reasonable answers to the questions posed by the CFTC report;

And last, fined Capcom futures \$500,000 accepted its agreement

to withdraw as a member firm.

Senator Kerry. This would have been 1988?

Mr. Beyer. Yes, sir, it would have been. During the period from the announcement of the indictments to Capcom U.S.'s being sanctioned-

Senator Kerry. I am getting a bit—hold on. Dr. Gramm. It is 1989 when they actually withdrew, because it was October of 1988 when the indictment-

Senator Kerry. When were these directives issued?

Mr. BEYER. These directives were issued from the time of the indictment, which was-

Dr. Gramm. Which was 1988.

Senator KERRY. All right, thank you.

Mr. Beyer. Which was 1988 through the-

Senator Kerry. I am sorry.

Mr. Beyer. Through the period through September of 1989. During this period, from the announcement of the indictments to Capcom U.S.'s being sanctioned, we contacted, or had contacted on our behalf, the following organizations in an attempt to learn to what extent our firm may have been involved in money laundering: the U.S. Customs Service; the U.S. Attorneys Office in Tampa; Scotland Yard; and various other U.K. organizations, including the ICCH, the AFBD, the SIB, and the drug and financial investigations branch of the Customs and Excise Office.

Additionally we engaged Interpass, an international security company that we had used with positive results in prior instances, to attempt to gain information respecting the company, its officers, and various other entities. This included Mr. Akbar, Capcom U.S., Capcom U.K., Larry Romrell, Robert Magness, Western Telecommunications, and American Telecommunications. No negative information respecting money laundering or drug trafficking was uncovered except that which had been the subject of the indictments. The exchange also received and relied upon reports from Coopers & Lybrand and Peat, Marwick, & McLintock.

During the entire investigation we were in contact with the CFTC to coordinate that matter. The CFTC's report, which was furnished to us, provided us with the information necessary to take the final action against the firm. We worked and consulted with the CFTC at all times, and believe that they communicated with the appropriate regulators that might have been interested in the

matter.

We have, and continue to express, a willingness to cooperate with law enforcement officials in an attempt to ascertain if one of our firms was being used to launder money. That concludes my testimony. Thank you.

[The prepared statement of Mr. Beyer follows:]

Prepared Statement of Gerald D. Beyer

Ar. Chairman, members of the Subcommittee, my name is Gerald D. Beyer. I am Executive Vice-President of the Chicago Mercantile Exchange (CME). Capital Com-

modity Dealers (USA) Inc., the predecessor of Capcom Futures, Inc. ("Capcom"), applied for membership in the Chicago Mercantile Exchange ("CME") on August 16, 1985. It indicated an intent to do proprietary business and to do customer business at a future date. The original officers were Larry E. Rommell, CEO, Mohammad Saghir, President, and Ajay K. Puri, Secretary/Treasurer. Ownership was as follows:

Capital Commodity Dealers Ltd., 82 percent; Zask Trading & Investment, Inc., 9 percent; and Aohammad Saghir, 9 percent.

Because its application was in order and the credit and investigative reports secured by the CME revealed no negative information, the firm was approved for

membership on October 16, 1985.

On October 11, 1988, the indictment of Capcom's affiliate, Capcom Financial Services, Ltd., ("Capcom U.K.") and of an individual associated with the firm, Sayed Ziaudinn Ali Akbar, ("Akbar") was publicized. The CME Audit Department immedi-

ately undertook an investigation of Capcom.

At this time, CME and CFTC staff discussed steps necessary to ascertain Capcom's involvement in the allegations, including the methodology for the investigation and the respective roles of our organizations and to ensure that the information generated was relayed promptly. We were equally concerned about the security of customer funds on deposit with the firm. While many directives were issued to ensure the protection of customer funds, they are not the subject of my testimony today.

On October 12, 1988, the Clearing House Finance Subcommittee ("Committee"), which has authority over CME firms, met to consider the allegations and to determine whether any conditions ought to be imposed on Capcom's continued operation. At about the same time, CME staff, in order to discharge its self-regulatory responsibilities, called the U.S. Customs Service, Scotland Yard, and the U.S. Attorney's Office in Tampa to ascertain whether and how our markets were involved in any money laundering schemes. Additionally, inquiries were made on our behalf of the following U.K. Organizations: the Association of Futures Brokers and Dealers, the International Commodities Clearing House Limited, the Securities and Investment Board and the Drugs & Financial Investigations Branch of the Customs and Excise Office.

The details of the orders issued by the Committee during 1988 and 1989, its directives and inquiries, about which I will testify, may be derived from the contemporaneous minutes of the Committee and correspondence with Capcom and its affiliated entity, Capcom U.K. All such documents are available for review by your staff.

On October 12, 1988, the Committee ordered that Mr. Akbar exercise no control over the management of the firm, be requested to resign as a director and to transfer voting control of any stock in Capcom to another party. Additionally, the firm was prohibited from carrying any house positions on any U.S. Futures exchange for itself. Capcom U.K. Or any other affiliated entity. And finally, the firm was instructed to inform those banks at which funds were held to allow Exchange staff to monitor all transactions into and out of those accounts and to disallow any outgoing transfers. Capcom agreed to each of these orders.

On October 14, 1988, the CME Audit Department initiated a special request for additional information. The CME's request focused on the money laundering allegations, accounts owned or managed by Mr. Akbar or Bank of Credit and Commerce

International and its affiliates, and the following four accounts:

1. Ixora Investments:

2. Brenchase Limited:

3. Capcom Securities Limited; and,

4. General Securities Corp.

A preliminary response was received, and the Committee met again on October 18, 1988, and ordered that accounts owned or controlled by Mr. Akbar be traded for

liquidation only.

On October 20 and 26, 1988, the CME received reports from Interpass Limited ("Interpass"), an international protection and security service company, which the CME had engaged to ascertain any information to which it had access regarding Mr. Akbar, Capcom. Capcom U.K., Larry Romrell, an exdirector of Capcom U.K., Robert Magness, an exdirector of Capcom U.K., Ajay K. Puri, an exdirector of Capcom U.K., Western Telecommunications, Inc., American Telecommunications, Inc., Roamlinx Travel Agency, and Sophistica Ltd. No negative information was reported to us.

The Committee met again on October 26, 1988, and reaffirmed and expanded the reporting requirements and restrictions that it had previously imposed on Capcom.

This included: requiring the firm to furnish to the Exchange by 5:00 p.m. Daily a list of all disbursements out of either customer or house accounts; continuing to require CME staff approval of any disbursements made to Mr. Akbar or Capcom U.K.; and ordering the firm to inform Capcom U.K. To instruct its auditors, Coopers & Lybrand, to report to the Exchange transactions which could be construed to be violations of the U.K. Drug Trafficking Offences Act. Capcom also agreed to comply with these orders.

In November and December, we received followup reports from Interpass. They reiterated their earlier finding, which was that no information was found linking the parties covered by the report with past criminal activity, including money laundering and drug trafficking, except for the matter that was presently of concern respecting Mr. Akbar and Capcom U.K. Because of prior investigations that they had conducted on our behalf, we believed them to have access to information that we could not have obtained.

In January 1989, Capcom affirmed its acceptance of all CME terms regarding the investigation and Capcom's continued operations. Ar. Akbar had resigned on October 13, 1988, and transferred control of his voting stock on October 18, 1988.

On March 21, 1989, the Coopers & Lybrand interim report on Capcom U.K. Was received and reviewed. While our member firm, Capcom, did not appear to be involved in any money laundering, the U.K. Auditors reported that three transactions were identified that appeared to involve Capcom U.K., as a result of Mr. Akbar's contacts, with companies established by U.S. Undercover agents operating in Florida. The auditors further reported that one of the three transactions was the subject of the U.S. Indictment. The review further found that Capcom U.K.'s recordkeeping was inadequate, particularly in relation to customer documentation, the identification of remitters of funds, and, more importantly, why funds were credited to particular customer accounts.

On March 28, 1989, the Committee reviewed the results of the daily monitoring that had been undertaken since October of 1988. The Committee modified its order respecting daily reports, but retained all other restrictions on the firm's operations.

In early May, we received through the offices of the CFTC a report issued by the U.K. Firm of Peat Marwick McLintock, which had been appointed by the 519 to investigate the affairs of Capcom U.K. The report disclosed, among other things, that beneficial owners of various related companies could not be ascertained, that documentation could not be obtained supporting the nature of the business arrangement between these entities and Capcom U.K., that the auditors had received inconsistent statements from the officers of Capcom U.K. Regarding the receipt of funds from its clients, that certain foreign exchange or bullion transactions had been identified as having created artificial profits or losses for client accounts, and that explanations provided by Mr. Akbar were either illogical or not capable of corroboration. The report concluded that Mr. Akbar was not a fit and proper person to be director or controller of Capcom U.K. Or any other investment business, that to allow the business to continue represented an unacceptably high risk to other investors, and, finally, that there was little justification for Capcom U.K. Being permitted to retain its authorization as an investment business.

As a result of this report, the Committee placed additional restrictions on Capcom's operations by requiring the firm to have no officers, directors, or shareholders in common with Capcom U.K., to replace the subordinated loan from Capcom U.K. With a loan from an entity not affiliated with Capcom U.K. And to require the

transfer or sale of Capcom stock held by Capcom U.K.

In late May 1989, the Exchange received another Interpass report commissioned by the Exchange. That report covered Capcom, Capcom U.K. And Mr. Amhammad Saghir, President and CEO of Capcom, who apparently worked for BCCI or its subsidiary, the Bank of Oman, from 1974 through 1986. No derogatory information was uncovered.

On June 5, 1989, the Committee gave Capcom a short extension to comply with certain ownership requirements, but imposed Additional conditions on its operations, including requiring the firm to engage KPMG Peat Marwick to conduct a

money laundering and Internal controls review.

On June 14, 1989, Capcom informed us that as of June 30, 1989, Capcom would withdraw as a clearing member of the CME. The next day, we informed Capcom that the money laundering and internal controls review would be conducted regardless of the firm's intention to withdraw as a clearing member and that if the firm did not engage its auditors to conduct the review, we would hire them and assess the firm for fees incurred.

In July, the CFTC provided the CME with the results of the CFTC's investigation. On the same day, the Committee denied Capcom's request to withdraw from mem-

bership pending resolution of issues raised by the CFTC investigation. Additionally, because the CFTC review met the objectives of the review to be done by the firm's outside auditors, the Committee rescinded the order to have the firm's outside auditors conduct the review. Later that month, we were informed that Capcom U.K. Had been expelled from the AFBD, effective in mid-August 1989.

On August 1, 1989, the Committee requested that Capcom respond to a series of questions raised by CFTC and CME staff respecting transactions that appeared to violate CME rules. During August, the CFTC provided additional information to the

CME respecting matters necessitating further review.

On August 15, 1989, the Audit Department provided its report to the Committee, recommending that multiple charges be issued, including violations of Exchange Rules 423.b. ("Act of Bad Faith"); 432.o. ("Permitting the Misuse of Facilities"); 432.q. ("Detrimental Act"); and 433.b. ("Uncommercial conduct"). The committee issued the charges as recommended. The CME's internal investigation, which was provided to the CFTC, noted, among other things, that there were several large transfers of positions and funds for which Capcom had no explanation.

On October 10, 1989, Capcom settled the charges by agreeing to a \$500,000 fine

and to withdraw from membership in the Exchange.

At all times, the Exchange worked and consulted with the CFTC. We believe that the CFTC communicated with the appropriate regulators that might have an interest in the matters uncovered by the investigation. We have repeatedly expressed our willingness to cooperate with law enforcement officials, and, in fact, contacted or had contacted on our behalf the U.S. customs Service, Scotland Yard, the U.S. Attorney's Office in Tampa, the AFBD, the ICCH, the SIB, and the Drugs & Financial Investigations Branch of the Customs and Excise Office. In each case, we offered whatever services were necessary to ascertain if one of our member firms was being used to launder money.

Our part in the case concluded three years ago. We believed then that we and our regulator, the CFTC, cooperated effectively and acted expeditiously to protect the

integrity of our markets. Our recent review of the files confirms that belief.

Senator Kerry. Thank you very much, Mr. Beyer. Thank you, all of you, for your testimony. I would like to get a sense, and try to put this into perspective and layperson's language a little bit.

Before I do that, we have a great many documents here relating to Capcom directors, shareholders, and operations. Also the Peat Marwick audit and some of the diaries, business diaries of Mr. Romrell, et cetera. And I am going to make those part of the record at this point in time.

[The information referred to follows:]

Capcom: Index to Released Documents Prepared by the Office of Senator John F. Kerry 30 July 1992

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 - National Futures Association
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- VIII. Other Deals Between Romrell/TCI and Akbar/BCCI
- IX. Purchase of Romrell/Fox House by Khalil
- X. Formation and Funding of Capcom
- XI: Day-To-Day Operation of Capcom
- Relationship between BCCI, Romrell and Capcom: XIIA. Winterwood Associates
- Relationship between BCCI, Romrell and Capcom: XIIB. Winterwood Associates
- XIII. Relationship Between Fox, Akbar, And ATC
- XIV. Relationship Between Romrell and Awan
- XV. Relationship Between Fox and Capcom: The Capital Fund

Capcom: Index to Released Documents Prepared by the Office of Senator John F. Kerry 30 July 1992

[Note: Each roman numeral in the index is indicated within the documents by a blank sheet of paper.]

I. Introductory Correspondence

- A. Refusal of Key Figures to Testify Before the Subcommittee
- 07/28/92 Letter from Bruce F. Black to John Kerry declining an invitation to testify before the subcommittee.
- 07/27/92 Letter from Lynn H. Cole to David McKean asserting Kerry Fox's Fifth Amendment right against self-incrimination.
 - B. Relationship between TCI and BCCI
- 02/11/92 Letter from Bertram Perkel to John Kerry re TCI and its relation to BCCI.
- 06/29/92 Letter from Bertram Perkel to John Kerry re TCI and its relation to BCCI ("confirm(ing) that no person or entity publicly identified as having a BCCI relationship has done business with . . . TCI or a Related Company").
- 11/14/84 Letter from Romrell to Akbar proposing a \$200,000,000 TCI credit line and a \$50,000,000 WTCI credit line from BCCI.

II. The Peat Marwick Report re the Scope of Capcom's Activities

Draft Affidavit of Ian Glendinning Watt of Peat Marwick McLintlock.

III. Interrogatories/Personal Statements of Key Figures

A. Robert Magness

Subcommittee document: "Questions for Robert Magness."

05/12/92 Letter from Bob Magness to John Kerry re relationship between BCCI and Capcom.

B. Larry Romrell

06/09/92 Letter from McKean to Bruce F. Black, Esq., enclosing 71 interrogatories to be answered by Larry Romrell.

Capcom: Index to Released Documents

30 July 1992

Page 2

07/03/92 Document produced by Romrell in response: "Answers of Larry Romrell to Questions From Senate Subcommittee."

C. Robert Powell

- D6/21/92 Letter from Robert Powell enclosing answers to 53 interrogatories posed by the subcommittee.
- 07/01/92 Letter from David McKean requesting answers to 20 additional questions.
- 07/08/92 Document produced by Powell in response:

IV. Relationship Between BCCI, Capcom and TCI/WTCI

- 11/17/81 Letter from Romrell to Akbar enclosing information on TCI.
- 11/03/82 Letter from Romrell to Akbar re \$12 rise in TCI stock.
- 06/09/83 Telex from Romrell to Akbar re TCI one-for-one stock split.
- 05/24/85 Letter from Romrell to Akbar enclosing the WTCI and the TCI annual reports (no attachments).
- 11/14/84 Letter from Romrell to Akbar proposing a \$200,000,000 TCI credit line and a \$50,000,000 WTCI credit line from BCCI.
- 02/20/85 Letter from Romrell to Akbar enclosing a 5-year projection of WTCI (no attachments).

V. Shareholding relationship between Romrell and Akbar

- 03/19/84 Telex from Romrell to Akbar re trading of WTCI stock and a \$200,000 line of credit for purchase of stock by Romrell personally and by Romrell for Akbar.
- 04/02/84 Letter from Romrell to Akbar re Romrell's purchase of WTCI stock for both Akbar and Romrell.
- 07/20/87 Letter from Romrell to Kahlil, Kamal Adham, and El Gohary re the Capcom restructuring. Romrell notes, "As far as I am concerned, except for my paid-up stock and notes, I have acted as nominee for one or more of the original shareholders."

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07/26/87 Letter from Romrell to Khalil, Kamal Adham and Jawhary re the restructuring. Romrell notes, "It was understood by the reorganized shareholders that they were nominees for the original shareholders."

VI. Capcom and Its Regulators

A. Chicago Mercantile Exchange

- 08/21/89 CME Document: "Activities of Capcom Futures, Inc.,
 From January 1986 through May, 1989." Attachments:
 Internal Investigation, File no. 89--CH-8911
 08/01/89 letter to Saghir of Capcom Futures Inc. from
 Kevin P. Holland of Chicago Mercantile Exchange re
 Capcom's response to interrogatories
 Interrogatories by the CME, with exhibits
- 07/26/89 Letter to Catherine Carter of the Chicago Mercantile Exchange from Larry B. Sheafe of Interpass Ltd re the relationship between Zafeer and Saghir.
- 10/18/89 Document from Chicago Mercantile Exchange, "Alleged Rule Violation" and "Findings."

B. Chicago Board of Trade

- 04/24/87 Letter from Yvonne Downs (of the Chicago Board of Trade) to Saghir (of Capcom) enclosing the findings of the CBOT Office of Investigations (attached).
- 03/26/87 Confidential report of a review "to determine the nature" of Capcom's business.
- 04/22/87 Supplement to the original 03/26/87 report.

C. National Futures Association

- 10/19/90 In the Matter of Capcom Futures, Inc., Complaint before the Central Regional Business Conduct Committee of the National Futures Association.
- 08/18/89 Letter to Mohammad Saghir of Capcom Futures Inc. from Kevin P. Holland of Chicago Mercantile Exchange reviolation of Exchange rules.

VII. Capcom Shareholders and Directors

08/84 Capital Commodity Dealers Limited: A Brief Resume of

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the Company and its Directors -- August 1984 ...

- 10/31/85 Capcom List of Shareholders as of 31 October 1985.
- 05/31/88 Letter to Kevin P. Holland from Mohammad Saghir listing the shareholders of Capcom Futures, Inc.
- 12/31/88 Capcom List of Shareholders as of 12/31/88.
- VIII. Other Deals Between Romrell/TCI and Akbar/BCCI
- 10/27/82 Telex from Romrell to Akbar re "subscription television service" in Saudi Arabia.
- 12/17/82 Telex from Romrell to Akbar re a cable system in Jeddah.
- 01/06/83 Letter from Romrell to Akbar re advice on the "cable television distribution system" in Jeddah.
- 12/16/83 Telex from Romrell to Akbar re BCCI \$2.5 million line of credit for purchase of Winterwood Townhomes.
- Telex from Romrell to Akbar re a "Hospital Deal in Texas."
- 06/08/84 Letter from Romrell to Akbar re purchase of an Industrial building in Salt Lake City ("[W]ith [my brother's] inside information, we could make a reasonably attractive deal.").
- IX. Purchase of Romrell/Fox House by Khalil
- 03/16/82 Letter from Romrell to Akbar re a delay in Khalil's purchase of the Potato Patch property.
- 10/20/82 Letter from Romrell to Akbar re October meeting and sale of Potato Patch house.
- 01/17/86 Letter from Romrell to Akbar outlining 3 potential deals: the Vail house, a stock purchase, and a property in Phoenix, Arizona.

[.] This document is located at the end of the set of documents (late addition).

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Page 5

X. Formation and Funding of Capcom

- 02/27/84 Telex from Romrell to Akbar re Akbar's "proposal to invest in a U.S. brokerager firm . . . and to participate in the ownership and operation to the mutual benefit of BCCI and ourselves."
- 05/27/84 Telex from Romrell and Magness to Akbar re acceptance of a Directorship in Capcom.
- [07/01/_?] Handwritten note on Romrell's TCI memo pad re establishing Capcom in London, New York, and Chicago.
- [07/01/ ?] Handwritten note on Romrell's WTCI memo pad re funding of Romrell's and Magness's 1% share in Capcom.
- Brief resume of Sheikh Khalil and other Capcom shareholders.
- 06/19/84 Letter from Romrell to Puri enclosing Romrell's Share Application for 110,000 ordinary shares.
- 02/13/85 Fax from Puri to Romrell enclosing the resolution that A.R. Khalil, Romrell and Magness be appointed as directors of Capcom London.
- 06/30/87 Loan Agreement between Mr. Larry E. Romrell and Paten Holdings, Inc.
- 06/30/87 3 documents "For Mr. L.E. Romrell." Attached:
 - Old Loan Agreement
 - New Loan Agreement
 - Authority to Pay Dividends to Paten.

XI. <u>Day-To-Day Operation of Capcom</u>

09/84-06/90 Personal notebooks of Larry Romrell.

- XIIA. Relationship Between BCCI, Romrell and Capcom: Winterwood Associates
- 12/31/86 Statement of Account of Winterwood Associates; return

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address of Shaikh Kamal Adham (closing balance: \$2.79 million).

XIIB. Relationship between BCCI, Romrell and Capcom: Winterwood Associates

Document, "Winterwood, Charles Howard Group."

XIII. Relationship Between Fox. Akbar. And ATC

- 01/29/87 Letter from Fox to Akbar re listing Capcom on NASDAQ, taking the company public, and purchasing ATC stock.
 Attached: receipt for Akbar's consulting services provided to Marshall Swartwood.
- 02/05/87 Letter from Fox to Akbar re Akbar's \$250,000 stock purchase in ATC. Attached: copy of the unsecured promissory note (unsigned).
- 06/03/87 Letter to Debbie Burden of British Columbia Securities Commission from Kitty Keely for Akbar re Akbar's application for a directorship in ATC.
- 06/15/88 Letter to Akbar from Fox of ATC re Akbar's \$100,000 loan to ATC.
- 06/27/88 Letter to Akbar from Kitty Keeley of ATC re the grant of a warrant to Akbar of 50,000 shares of ATC.
- 09/30/88 Letter to Akbar from Fox re profit of ATC stock in July, 1988 and enclosing performance forecast.

 Attached:
 "ATC Zero Billing Analysis OAN"
 "American Telecommunications Corporation Preliminary Forecast FY '89"
- 05/17/90 Fax cover letter to Akbar from Fox with Fox's handwritten notes re Akbar's ATC share acquisition.
- 06/11/90 Letter to Futures Advisory Servies Ltd. from Kerry R. Fox of American Telecommunications Corporation re PAS's right to acquire 50,000 shares of ATC.
- 12/02/88 Letter from Kitty Keeley of ATC to Akbar enclosing the stock transfer forms.

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XIV. Relationship Between Romrell and Awan

5tatement of Witness Larry Romrell (unsigned; submitted
in the Tampa indictments[?]).

XV. Relationship Between Fox and Capcom: The Capital Fund

- 09/30/86 "The Capital Fund: Financial Statements -- 30 September 1986 Together with Managers' And Auditors' Reports."
- 07/87 The Capital Fund Monthly Performance Report, Month Ending July 1987.
 - "The Capital Fund;" 4-page summary.
- 05/17/85 "Preorganization Subscription Agreement" re organizing Capcom under Illinois law; subscribers include Capcom London, ZASK, and Mohammed Saghir.

Holme Roberts & Owen

Approces at Law

July 28, 1992

Senator John F. Kerry . Chairman of the Senate Foreign Relations Subcommittee on Terrorism, Narcotine and International Operations SR-421 Russell Senate Office Building Washington, D.C. 20510-2102

Re: Larry Romrell

Dear Senator Kerry:

Thank you for your letter of July 23, 1992 in which you invite our client, Lerry Romrell, to testify before the Subcommittee relating to his knowledge of Capcom, BCCI and related entities. As you know, Mr. Romrell has provided extensive cooperation to the Subcommittee. It is my understanding that Mr. Romrell intends to provide continued cooperation to the Subcommittee.

As you know, Mr. Rosrell told your staff that the BCCI matter has been and continues to be a matter of deep personal embarrasement for him. First, he was astonished and chagrined to learn that he had done business with an chaquined to learn that he had done business with an institution which, from his perspective, was a leading international bank, but which turned out to be a corrupt and untrustworthy institution. Second, he was even further amberrassed to learn that Capcon has been similarly tainted. Mr. Romrell could only conclude that he was duped into participation in these business activities for reasons which are yet unknown to him. Nevertheless, because Mr. Romrell wishes to avoid any further emberrassment over this issue, he must respectfully decline your invitation. must respectfully decline your invitation.

Thank you very such for your consideration, and that of your staff in this matter.

Bruce F

BFB/jad america

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ALTOMATIE TELÉCOPTER

July 27, 1922

VIA PACSIDULIS AND BREIDLAR MAIL

Devid McKann, Ken o's Samens John P. Karry 421 Reseat Building Washington, DC 20610 Re Lory Pos Subpoens

Deer Mr. McKeer.

Pursuant to ser telephone conversation on Friday, July 24, 1992, you advised the, as commad. Senary Fox, that the Terrorism, Narrorism and intermitional Operations Substantiates of the Senare Foreign Relations Committees the arbeits and intermitional operations Substantiates of the Indicate my understanding that a subpose requiring Mr. Fox's appearance on July 39, would be remained.

As you are awars, the activities of Mr. Fox and others that are of interest to the Suboxomittee Attented under review by the United States Attentey for the District of Colorado. The United States are thing a final decision on that meries. We hope to have that meries to Mr. Fox, and we see wreath persons account.

Prize in reserving your subposes to Mr. Fox, piesse again be advised that until such time as to season a final decision from the United States Attorney, Mr. Fox is left with no other recentre but to estant of him by the Subcommittee or his such committee or his such committee or his such that the United States Attorney Sparsarily believes there is a such committee or his such that the United States Attorney apparently believes there is a heart for granting him minimity. We have offered in the pees and continue to offer our full cooperation to the Subcommittee manner.

On a professional basis, I appreciate your communication in this regard, since I am unevail. 9:00 a.m.

June 19.

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FARELLA BRAUN & MARTEL

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SAN PRANCISCO, CALLPORNIA 94104
(415) 354+4400

DANIEL H. BOOKIN SINGET BIAL HUMBER 984-4421

July 28, 1992

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VIA FEDERAL EXPRESS

David McKean, Esq. Office of U.S. Senator John F. Kerry 421 Russell Building Washington, D.C. 20510

Re: Roy P.M. Carlson

Dear Mr. McKean:

I have reviewed the documents assembled by Mr. Carlson in response to your subpoena, dated July 1, 1992. While the documents do not appear to contain any information in which your committee would be interested, I am directing Mr. Carlson to decline to produce documents requested by your subpoena, based on his Fifth Amendment privilege. In reaching my decision, I have considered the extremely broad nature of your subpoena; the broad, nebulous and politically-charged nature of the various state and federal investigations regarding BCCI; and my inability at this time to obtain the information I need to evaluate fully this matter. Accordingly, Mr. Carlson respectfully declines to produce documents requested by your subpoena, based on his Fifth Amendment privilege.

I appreciate your courtesy in this matter. Please contact me if Mr. Carlson or I can be of any further assistance.

1 1/1/

Daniel H. Bookin

DHB/lhk 07090\92072801

LAW OFFICES OF

JEROME H. KERN

1251 AVENUE OF THE AMERICAS NEW YORK, NEW YORK 10020-1193

AMSTANT's 1315/mygmps.

JEROME W REEM SHIPS WELL SHIPS WE

(212) 827-3431

February 11, 1992

VIA FEDERAL EXPRESS

Senator John Kerry United States Senate 421 Russell Senate Office Building Washington, DC 20501

Dear Senator Kerry:

The staff of the Subcommittee under your leadership which has been looking into the BCCI scandal has asked certain questions of Tale-Communications Inc. ("TCI") which relate to your BCCI inquiry. The questions arise from the published reports that two senior TCI officers were associated with Capcom Futures Inc., and Capcom Financial Services Ltd., (collectively referred to as "Capcom") two companies that were most likely fronts for BCCI and associated with illegal dealings.

I have been asked by the General Counsel of TCI to respond to your staff's request as to whether TCI ("TCI") had any business dealings with Capcom. The reason why I have been asked to respond is that in September of 1991, the General Counsel requested that outside counsel conduct a comprehensive review of the business and financial records of TCI and, with appropriate permissions obtained, United Artists Entertainment Corp. ("UAE"), Westmarc Communications, Inc. ("Westmarc") and Liberty Media Corporation ("Liberty") (collectively referred to as the "Related Companies") to determine whether any of these records indicated that TCI or any of the Related Companies had any business dealings or relationships with any person or entity which had been identified in public sources as having party to or related to the BCCI scandal. That review was conducted under my supervision.

In order to undertake this task I had my then firm, Shea & Gould, prepare lists of the names of all persons and entitles whose names have appeared in various and certain public sources as having

Senator John Kerry February 11, 1992 Page 2

a relationship to the BCCI matter (Exhibit A). That list of names was then combined and alpha-sorted into a master list ("Master List"). (Exhibit B). The Master List was then given to TCI's independent outside auditors, KPMG Peat Marwick ("Peat Marwick"), whose assistance we requested, and a team composed of one Shea & Gould partner, two associates and a paralegal ("Team"). Peat Marwick used the Master List to do a computer screen of the financial transactions, apart from payroll and related activities, of TCI and the Related Companies' for the period 1950 through the end of 1991. In addition the Team made several trips to Denver and, with the assistance of the General Counsel's office, collected and reviewed all business agreements (including all investments, financing agreements, consulting arrangements, management contracts, etc.) ("Agreements") extent and entered into by TCI or any Related Companies with others for the same period. The purpose of the review was to see if either the named party to the Agreement or signatory to it or person or entity identified in it appeared on the Master List.

The result of this undertaking by both Peat Marwick and the Team surfaced no evidence that the TCI or the Related Companies had any business dealings with Capcom, BCCI or any currently identified related entity or person, except that we found that UAE, in the latter part of 1988, invested in company known as American TeleCommunication Corporation ("ATC") which had Syed Zianddin Ali Akbar ("Akbar") on its Board of Directors (Exhibit C--Excerpt, SEC

Liberty became an operating company on March 28, 1991 when, pursuant to a contribution agreement it received its operating assets from certain TCI subsidiaries. Accordingly the financial transactions related to those assets were screened as part of the TCI financial review and no particular examination of them was made by Peat Marwick post March 28, 1991. The Team, however, examined the Agreements in Liberty's possession which relate to its operating assets.

Though their names appear on the Master List, entities well known to have no BCCI connection such as American Express, Bank of New York, etc., were not considered to be BCCI related for the purposes of our review. In addition the Peat Marvick review surfaced two TCI vendor transactions with entities with "sound alike names", the Independence Bank and Capcom USA Inc. Both of these entities are unrelated to BCCI in that the Independence Bank was a Chicago based Illinois institution which has had no relationship with TCI since 1983 and Capcom USA Inc. was an electronic materials supplier from which a one time \$700 purchase of LED Storm Kits was made.

Senator John Kerry February 11, 1992 Page 3

Form 10K, 1988). That investment was closed out at a loss in September of 1990.

Once it was identified we made specific inquiry into this transaction. It revealed that at the time the investment was made, UAE had made and was carrying forward a strategic corporate decision to go into the rapidly developing private telephone business, particularly on the operator assist and switching side in which UAE had an interest. ATC had a particular switching technology (consisting of proprietary software and hardware) which was superior to any that UAE had or which was then available in the market. A relatively small investment of \$2.5 million appeared to offer UAE the opportunity to achieve substantial cost savings in the operation of the various private telephone businesses they had and were acquiring and starting up. Accordingly, for this business reason, a decision was made to invest in ATC upon condition that ATC allow UAE to use their unique technology under a no cost license.

At the time the ATC investment was being considered and at the time the investment was made no TCI or UAE person or person associated with any other Related Company was aware that Akbar was on ATC's Board of Directors. UAE had no relationship with ATC except as a passive investor and licensee of the ATC technology. In 1990 as a result of and as a part of an overall UAE corporate decision to get out of the telephone business, the ATC investment, along with several other similar assets, was liquidated.

It is not without some degree of humor that we respond to a further question raised by your staff with regard to whether TCI had any investments in partnerships based in the Gulf states of the Middle East. The question surfaced because of an article in the Wall Street Journal of 1/27/92 which contained a chart indicating that TCI had a purported 11.1% interest in some unidentified "UAE Partnerships". While one can well understand that someone deeply immersed in the facts surrounding the BCCI scandal could quickly assume that "UAE" might mean the United Arab Emirates, in this case it means the "United Artists Entertainment Co., Inc". When their

Until the end of last year UAE was an independent public company in which TCI had a majority interest. During 1991 TCI bought out the minority public interest in UAE and merged it into a wholly-owned subsidiary of the same name.

Senator John Kerry February 11, 1992 Page 4

business objectives coincided and could be best pursued together, both TCI and UAE, from time to time, entered into business relationships, alone and with others.

Herran Perkel

Very truly yours,

cc: David McKean, Esq. c/o Senator John Kerry United States Senate

LAW OFFICES OF

JEROME H. KERN

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NEW YORK, NEW YORK 10022-4669

JEROMÉ M. KERN ELIZABETH M. MARKOWSK PREDERICH M. MOBRATH ROBERT W. MURRAY JR; BERTRAM PERKEL JOSEPM E. YOUMS

JOSEPH E YOUNG

TELEPHONE (212) 371-5391 FACIBINILE (215) 371-4666

WRITER'S DURECT DIAL

(212) 371-5307

June 29, 1992

Senator John Kerry United States Senate 421 Russell Senate Office Building Washington, D. C. 20510

Attn: David McKean, Esq.

Investigative Counsel

Dear Mr. McKean:

In response to your request, this letter will both confirm and supplement our February 11, 1992 letter to Senator Kerry which addressed the question of whether TCI or any Related Company (as defined in our February 11, 1992 letter) had any business dealings with Capcom Futures Inc. or any person or entity which has been identified as having a relationship to the BCCI scandal. In particular, you have currently asked us to confirm that the negative answer we gave to the Senator at that time was based upon a review of both the domestic TCI and Related Company activities and the activities of those companies in the United Kingdom.

When we spoke on the phone, I advised that our response to Senator Kerry was based upon a review of both the domestic and the United Kingdom business relationships of TCI and the Related Companies. However, since you expressed a special interest in the United Kingdom, I said that I would have this particular aspect of the matter reviewed again. That review was conducted by TCI and Related Company staff in the United Kingdom and has been sent directly to me. It shows that our original advise to Senator Kerry was correct and we can reconfirm that no person or entity publicly identified as having a BCCI relationship has done business with (banking or otherwise) TCI or a Related Company in the United Kingdom.

truly yours

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BP:ps

WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROMRELL

November 14, 1984

Mr. Zieuddin Akbar Bank of Credit & Commerce International 100 Leadenhall St. London EC3A JAD UK

Dear Mr. Akbar:

I am enclosing an analyst report on WTCI and a current news clipping from the Wall Street Journal. I thought you might be interested in the good performance of WTCI after it split off from TCI lest April. As you know, Bob Magness is still the Chairman of WTCI and is the controlling shareholder. I am the Executive Vice President, Secretary and a Director of WTCI.

I was informed the other day by the TCI finance group that they are interested in obtaining a loan facility in Eurodollars directly from a U.K. lending institution. I asked Bob Magness if he was sincerely interested in such a facility and whether he would want to try to go direct to BCCI. He has asked me to determine whether there would be any interest on the part of BCCI. As you know, TCI has extremely good banking relationships in the United States, and through those relations, they are able to borrow Eurodollars taking advantage of periodic improved interest rates. The costs, however, of going through the U.S. institutions for Eurodollars are not attractive because the managing institution on the U.S. side marks up the facility in order to profit from it. I believe the credit facility that TCI is looking for is around \$200,000,000. I believe TCI can assist in putting a group of banks together, if necessary, to fund the entire amount. If you are interested in investigating this further. I will be very happy to make the arrangements. If not, please do not feel an obligation to pursue it because Mr. Magness and I are very happy with our own personal relationships with you, your bank and other associates we have in the U.K.

As a separate matter, WTCI will soon be looking for approximately \$50,000,000 to construct a new microwave route from Chicago to Dallas via Kansas City. Our principle customer for this route is a British company named Cable & Wireless. You may be familiar with them. I believe they have a very impressive financial statement and have proven to be an extremely stable and respected company. Their contract with WTCI will be for a term of 15 years with renewal options of an additional two 5-year periods. Their contract calls for an annual payment of \$9,842,844 per year. Our operating costs of this system will be \$1,652,000 per year. There are certain other favorable factors in our arrangement with Cable & Wireless in that we have inflation factors which will adjust their rate based on our cost of operations. As the cost of operation goes up due to increased salaries or increased repair parts, we can adjust their annual charge accordingly. In addition, WTCI will be in a position to add additional facilities in the same microwave stations for other customers at very high profit levels. WTCI will be looking for a \$50,000,000 credit line secured by all of the

GENERAL DEFCES + PARK PLACE + 5880 DTC BOULEVARD + SUME 500 # 0. BOX 4117 + ENGLEWOTG, COLDHADO 60155 + G031798-9100

Mr. Ziauddin Akbar November 14, 1984 Page 2

equipment, buildings, towers, etc. for this entire route. WTCI would also be willing to pledge their contracts with Cable & Wireless. We have several opportunities in the U.S. to obtain this credit line. My thought is, given the differential in current interest rates, there may be an opportunity to put this deal together with BCCI if you are interested. Again, let me stress that as far as Mr. Magness and I are concerned, you should feel no obligation whatsoever to pursue these loans. Your failure to do so certainly will not negatively affect our relationship with you or the bank.

Best personal regards,

Larry Romrell

/te

Englosures

4-04728

DRAFT AFFIDAVIT OF IAN GLENDINNING VATI

CAPCON FINANCIAL SERVICES LIMITED FUTURES ADVISORY SERVICES LIMITED

PRODUCTION

I am a Fellow of the Institute of Chartered Accountants in England and Wales and a partner in the firm of Peat Marvick HoLintock, 1 Fuddle Dock, Blackfriers, London, ECAV 3PD.

On 27th October 1988, I and Michael Wheeler, a fellow partner, were appointed by the Securities and Investments Board ("SIB") under Sections 105 and 106 of the Financial Services Act 1986 ("FSA") to investigate the affairs of Capcom Financial Services Limited ("Capcom") and Futures Advisory Services Limited ("FAS") "in so far as they relate to any investment business which is or has been carrying on, or appears to be or have been carrying on". Copies of our authorities to investigate are attached as Exhibit 1. In this Affidavit, "ve" refers to myself, Michael Wheeler and members of our staff or any of us;

In summary, the circumstances surrounding Capcom and FAS that have caused SIB to initiate this investigation are as follows:

- o On 10th October 1988 Capcom and its former managing director, Mr. S.Z.A. Akbar ("Mr. Akbar"), were indicted in proceedings in the United States for allegedly participating in a scheme to launder the proceeds of illegal drugs transactions. The indictment alleges that the proceeds of these transactions were, in part, passed through Capcom's bank accounts and through client accounts in its accounting records.
- o An initial investigation by enforcement staff from the Association of Putures Brokers and Dealers ("AF3D") indicated that certain accounts and accounting entries in Capcon's records were of a non-routine nature.

- 2 -

- o Certain of the non-routine entries concerned accounts introduced to Capcon by another company, FAS. Mr. Akhar was a director of, and sharsholder in, FAS.
- On 25th October 1988, AFBD wrote to Capcom freezing trading and cash movements on all accounts connected with Mr. Akbar and forbidding the appointment or re-appointment of Mr. Akbar as a director of Capcom without AFBD consent.

In the late afternoon of 27th October, the day of our appointment. I visited the offices of Capcon at 9-13 St. Andrew Street, London, EC4A 3AE, together with members of our staff, where we met Mr. John Parry, the one remaining director of Capcon at that time, and Mr. Faul Snow PCA, the company's secretary and chief accountant. At the same time, Mr. Wheeler, with a member of our staff, visited the offices of FAS at 107 Grays Inn Road, London, WCIX STZ, where they met Mrs. A. K. Puri, the one remaining director of FAS. Subsequently Mr. Wheeler and I, and members of our staff. have paid visits to the offices of both companies in the course of our enquiries. We have carried out a number of interviews, a list of which appears as Exhibit 2, and we have had discussions with other members of the staff at the companies. We have reviewed the accounting records and other information supplied by Capcon and FAS including copies of documents collected from Mr. Akbar's office at Capcom by HM Customs & Excise on 10th October 1988; Our enquiries were substantially completed by 22nd December 1988.

The information contained in this Affidavit is either within my own knowledge, or also has been derived from our independent enquiries, including our examination of the accounting records and other information supplied by Capcom and FAS, the interviews set our in Exhibit 2 and the discussions that we have had with members of staff of the companies.

HISTORY OF CAPCON AND FAS

(4) <u>Capens</u>

Capcom was formed in 1984. The first major capitalisation occurred in June 1984 when the share capital was increased from £2 to £1 million. The subscribers to that issue, and subsequent

- 3 -

movements in their heldings are set out in Exhibit 3. By means of further issues in October 1984 and June 1985, the paid up share capital has since been increased to £25 million.

The directors of Capcon since inception, together with their dates of appointment and resignation are set out in Exhibit 4. The initial directors appointed in May and June 1984 were the following:

Hr. A.K. Furi Hr. L.E. Rourell (Chairman) Hr. B. Hagness Sheikh A.R.H. Khalil Hr. S.J. Saunders

Hr. Farry was appointed as a director in February 1985 and Hr. Akbar in February 1988. With the exception of Mr. Parry, all the directors have resigned at various times since their appointment. Hr. Rosrell, Hr. Hagness and Hr. Akbar have resigned since the indictment of Capcom and Hr. Akbar on 10th October 1988 on US drugs money laundaring charges. On 16th November 1988, Hr. S. Serageldin and Hr. H.R. Stevart were appointed as directors, bringing the present strength of the board to three.

It appears that Mr. Akbar was the person primarily responsible for the creation of Capcon. At the time of its formation in 1984, he was an officer in the central treasury division of Bank of Credit and Commerce International ("BCCI") in London with responsibility for menaging its investments. In this capacity, he placed large volumes of futures transactions with various brokers.

While at BCCI, Mr. Akbar identified the potential for setting up a separate company through which BCCI could place futures business, either for BCCI's own account or on behalf of its clients. Accordingly, Mr. Akbar decided to establish Capcom and arranged the raising of share capital from various individuals who were mostly long-standing acquaintances of himself as clients of BCCI.

To act as general manager of Capcon, Mr. Akbar recruited Mr. Puri, whose was wife working for Mr. Akbar at BCGI. At the time, Mr. Puri, who is a chartered accountant, was working for Notan Trading and Investment Limited, a company with which Mr. Akbar's brether, Mr. R. Akbar, was associated.

Subsequently, Mr. Puri recruited Mr. Farry from Conti Commodities Services Limited, a broker later acquired by REFCO. Mr. Puri principally took on responsibility for the financial and eperational aspects of Capcom and Mr. Parry the marketing and trading aspects. Dealing staff and other employees with administrative responsibilities were recruited so that by the end of 1984, Capcom had approximately eight employees.

Although he was neither an original shareholder nor director of Capcom, it is clear to us that Mr. Akbar influenced much of Capcom's business and its strategic and operational decisions. Initially, Capcom's business was mainly obtained from BCCI. After business from BCCI ceased in October 1985, it was largely replaced by business from clients of FAS and Mr. Parry has told us that he became sware of Mr. Akbar's influence through daily contact with FAS. Mr. Akbar had the respect of the sharsholders of Capcom (from whom he had arranged the financing of Capcom) and, according to Mr. Puri, they would respect and take his advice on matters concerning the company.

In July 1987, Mr. Akbar acquired a 24% shareholding in Capcom by purchases from other shareholders and became a non-executive director of Capcom in February 1988. Early in 1988, Mr. Puri indicated that he wished to leave Capcom in order to be able to take a greater interest in his family business in India. Mr. Akbar therefore took over from Mr. Puri as chief executive in May 1988. Mr. Puri rasigned as a director in September 1988.

During our investigation, I have seen documents showing that Sheikh Khalil, an original director of Capcom, with a 33% shareholding, resigned as a director in February 1988 and sold his shareholding to Mr. Akhar, thus apparently giving Mr. Akhar a controlling interest in Capcom. I return later on in this Affidavit

to a consideration of these metrers, where I express the concern that Hr. Akbar and his brother are between them in a position to exert significant influence over, and possibly own a controlling interest in, Capana.

(b) FAS

FAS was formed in May 1985 when Mr. Akbar and Mrs. Puri each acquired 50 per cent of the issued share capital of £25,000. The share capital was increased in February 1987 to £100,000 by means of a bonus issue. Mr. Akbar and Mrs. Puri were appointed directors at inception. Mr. Akbar left BCCI in early 1986 to devote his attention full time to FAS and resigned as a director on 13th October 1988, leaving Mrs. Puri as the sole remaining director.

FAS was formed as a wehicle to introduce clients to Capcom and receive commission for transactions subsequently placed with Capcom. It was also intended to develop financial products and funds, but with the exception of its involvement in the creation of the Capital Fund (the "Fund") no significant products or funds have actually been launched.

In addition to Mr. Akbar and Mrs. Puri, FAS employed one further executive, Mr. S.J. Saunders, who was also a director of Capcom. Mr. Saunders concentrated on product development and enalytical work and encouraged FAS to diversify. At his instigation, FAS purchased an office building at 107, Grays Inn Road which was subsequently sold in 1988.

(c) Capcon's business

Initially, Capcom's business was almost entirely in futures and options on the London and US exchanges. Early in 1985 however, Capcom began to offer to their clients a spot market dealing service in the foreign exchange and bullion markets; this has increasingly become a relatively more important source of business. Recently, up to 70 percent of Capcom's profits have derived from margin on spot trading as opposed to commission on futures and options or other sources of revenue.

Capcom also offers its clients facilities to deal in equities, and in government and other fixed interest securities and will arrange financing in the repurchase and reverse repurchase agreement market if necessary.

Capcom does not itself take positions in any of the instruments in which it deals. It acts as an agent, charging a commission on futures and options transactions and making a turn, representing commission, on transactions in foreign exchange and bullion.

In trading in the spot markets (foreign exchange and bullion), Capcom will offer two-way prices to its clients based on rates available in the market. On amounts greater than \$2 million, client orders are backed with a firm quote in the market; lesser amounts are closed within minutes. Capcom will therefore maintain temporary open positions in small spot market transactions but, by matching client transactions in the market, will attempt to secure an almost risk-free turn on each transaction.

(d) Development of profitability

Capcom's brokerage and commission income (including margin on spot dealing) and profit before tax for the period from inception to 31st December 1984, the 10 months to 31st October 1985 and subsequent years to 31st October 1986, 1987 and 1988 are set out below. The draft figures for 1988 are based on management accounts supplied to us by Capcom on 5th December 1988.

		1984	1985	1986	1987	1988 (Draft)
18 1	Cmillion					
Brokerage and commission						
income		2.8	16.7	9.9	8.9	7.2
			—			-
Profit before tax		0.9	2.5	7.0	3,1	4.2
				_	1.0	

Brokerage and commission income peaked in 1985, but was matched by high brokerage expenses which affected the level of profitability. In both 1986 and 1987, approximately 64 million of

met interest contributed to higher profitability levels, but in 1987 adverse currency movements on dollar denominated assets reduced profits by approximately £2.4 million. The draft profit before tax for 1988 is stated before any allowance is made for the possible non-recovery of certain client dabit balances referred to later.

(e) Cancon Putties Inc.

At the end of 1985, in response to the levels of futures business being placed on the Chicago exchanges, Capcom set up Capcom Futures Inc ("CFI") in Chicago. From its formation until June 1987, CFI was \$2% owned by Capcom. The shareholding structure was altered in June 1987 because the Chicago Board of Trade sought personal guarantees from Capcom's shareholders covering the obligations of CFI. We have been informed that the Hiddle Eastern shareholders in Capcom were unwilling to provide such guarantees and thus the shareholding in CFI was re-structured.

After the re-structuring, Capcom's holding in CFI was reduced to 48; the remaining shares are held by the other Capcom shareholders, Mr. M. Saghir, the President of CFI, and Zask Investments and Trading Limited ("Zask"), a company that Mr. Akbar has told us he beneficially owns. A list of CFI's current shareholders is shown in Exhibit 5 and details of the financial implications of the re-structuring are referred to subsequently in this Affidavit.

(f) Brenchase Limited

Capcon has a wholly owned subsidiary, Branchase Limited ("Brenchase"). Branchase acts as a conduit for the receipt of funds by Capcon; in some cases, clients will remit their funds oto Branchase which will in turn remit them to Capcon. This is done apparently to preserve anonymity of the ultimate recipient in the international banking system. Branchase otherwise appears to be dormant.

PINANCIAL POSITION

(A) Cancom

The summarised draft balance sheet of Capcom at 31st October 1988 based on draft figures provided by Capcom on 5th December 1988 is as follows:

×			fmillion
Fixed essets		•	
Tangible assets	-		0.2
Other investments	+	29.	7.4
Investment in subsidiaries	•		0.3
		***	7.9
3.	72		
· · · · · · · · · · · · · · · · · · ·			
Current assets		341	
Trade debtors			13.5
Other debtors			1.6
Investments			16.6
Gash at bank and in hand			30.2
, ,			61.9
Creditors: Amounts falling due within Trade creditors	one year		25.6
Bank overdraft			5.1
Other creditors			3.8
other creditati			3.0
			34.5
,			-
Ret current assets			27.4
THE SELECTION OF S			27
Total assets less current liabilities			35.3
Craditors: Assumts falling due after	one year		
Frevision for deferred tax			(0.3)
			35.0
Share capital and reserves			
Called up share capital			25.0
Profit and loss account			10.0
mid fats senseir			10.0
			35.0
			-

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Other investments

Other investments comprise the following:

		faillion
Subordinated loan to CFI		7.1
Shares in CFI		0.1
Other	•	0.2
•		7.4

The subordinated loan to CFI represents a \$12.5 million loan translated at the closing rate of \$1.75 - fl. The loan is repayable on 31st May 1992 and bears interest of one per cent over LIBOR. Repayment is subordinated to the claims of all present and future creditors of CFI and the loan is unsecured.

Investment in subsidiaries

The investment in subsidiaries comprises Capcom's interest in Brenchase,

Trade debtors

Trade debtors comprise the following:

.•	faillion
Due from clients	12.6
Due from brokers	0.9
	-
	13.5
	-

Included within amounts due from clients are the following unsecured client balances:

Code	Name	fmilli	en.
CESS	General Securities	3.2	10
COOD	El Rayan Trading Company ("El Rayan")	4.2	
PERV	Mr. Pervez Shahid	4.2	
•	Others	0.3	
			5
		11.9	

The above accounts and certain transactions within them are discussed in more detail later. Capcon regards these debts as unsecured and has been unable to present us with any proof that the debit balances outstanding at 31st October 1988 are collectible. Trading on the GESS, GOOD and PERV accounts has ceased and no significant recovery of the outstanding debts has been made since 31st October. By means of a board minute passed on 14th March 1988 the GOOD account was granted a credit limit of \$5 million (approximately £2.9 million) and by a similar minute on 26th September 1988, the GESS account a credit limit of \$6 million (approximately £3.4 million) and the PERV account a credit limit of \$2 million (approximately £1.1 million); these credit limits have been exceeded.

Mr. Farry has informed us that, based on prior performance, he considers that the debit balances on both the GESS and the PERV accounts will prove to be collectible. He thinks it unlikely that the balance on the GOOD account will be recovered.

Amounts due from brokers represent outstanding amounts due in respect of futures, options, foreign exchange and securities trading. The amounts are shown net by counterparty. Also included is f161,000 in respect of net amounts owed by several brokers for repurchase and matching reverse repurchase agreements entered into on behalf of the GESS account. These amounts have matured since 31st October 1988.

Other debtors

Other debtors principally comprise an amount of £1.1 million due from the shareholders in GFI following the restructuring of the shareholding arrangements in June 1987. The amount ewing is discussed further later in this Affidavit and is due from the following individuals:

	5000
	. A
Mr. L.E. Rowrell	7. 400
Mr. B. Magness	100
Mr. Puri	250
Mr. Akbar	700
Hr. R. Powell	. 250
Hr. H. Saghir	250
	1 000
	1,950
	tow
At \$1.75 - fl approximately	1,100

Investments

At 31st October 1988 the company held certificates of deposit with a purchase cost of f16,071,000. Of this f14,042,000 matures within one year. The GD's are held at banks and those maturing within one year are used as security for the facilities granted by those banks.

Cash at bank and in hand

Capcom has large reserves of cash, primarily due to the monies lodged by Capcom Bankers Limited ("Capcom Bankers") and another client, Creighton International Limited. These balances are discussed under trade creditors below.

Also included within cash is an amount of £924,000 described in Capcom's reserds as "term deposits". This relates to a 6 million UAZ Dirhams loan made to the following companies in order to enable them to invest in National Investment and Securities Corporation ("MISCORF"):

Anomi

UAZ Dirhams million

Gulf Trading Company ("GTC")	2
Hultigens Limited ("Hultigens")	2
Sagan Incornational Limited ("Sagan")	1
Al Sayegh brothers	1
	-
	6
	_

GTC and Multigems are Vanuatu registered companies and Sagan is a Liberian registered company. We have seen documentation which indicates that the shares are held by trust corporations for unspecified beneficial owners. One of the Al Sayegh brothers, Mr. Jabbar Al Sayegh, is the Chief Executive of MISCORP.

We have received broadly similar explanations for the nature of the arrangements contained in these loans from Messrs. Akbar, Puri and Farry:

- NISCORP is a newly formed investment company to which many affluent individuals in the UAE have subscribed. Capcom thought it desirable to contribute to the formation of the company in order to generate brokerage business from future transactions.
- Capcon contacted Mr. Al Sayegh and offered to contribute capital. Mr. Al Sayegh thought it best for Capcom not to contribute such capital directly, as disclosure of a direct shareholding might have had adverse consequences for NISCORP.
- o Capcon thus organised the formation of GTC, Hultigens and Sagan as vehicles through which to make its investment.

These companies were specifically not set up as subsidiaries in order to avoid the necessity to consolidate them and thus disclose the interest in MISCORP. Additionally, a loan was made directly to the Al Sayegh brothers so that they could invest in their own names.

All the loans have been made under arrangements which give Capcom an option at some future date to acquire directly the shares in NISCORP purchased with the loans, thus transforming the arrangement into a direct investment.

We have not been provided with any documentation to correborate the above explanations or to identify the true beneficial ownership of CTC, Multigens and Sagan.

Trade creditors

Trade creditors comprise the following:

ਹ ਭ	fmillion
Due to clients Others	25.4 0.2
	25.6

The major balances due to clients are:

Code	Name	faillion
CCBK	Capcon Bankers	10.1
CRAY	Creighton International	
	Corporation	8.6
FIBE	Faisal Islamic Bank of Egypt	1.1
דעאס	The Fund	3.1
	'Others	2.5
		25.4

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Capcom Bankers is a Vanuaru registered company, the registered office of which is a trust corporation. It is also a Vanuaru registered offshore bank. Hesses, Puri, Parry and Akbar have again given broadly similar explanations of its activities and constitution:

- e Capcom established Capcom Bankers around July 1987 as an offshore registered bank which would take deposits from Egyptian registered banks and place them on deposit at competitive rates.
- It is beneficially owned by Nessrs. Akbar and Puri. The directors are Messrs. Farry and Puri.
- The mechanics of the deposit taking activity are that Capcom Bankers takes the deposits and places them in turn with Capcom which in turn places them in the money market. The result is that Capcom has cash offset by a liability to Capcom Bankers and Capcom Bankers has an asset represented by the lean to Capcom offset by a liability to the Egyptian bank.

From our investigation, it appears that the cash is actually deposited by the Egyptian bank directly with Capcom and that Capcom directly places the funds in the money market. The offsetting liability is booked to Capcom Bankers. According to Hr. Puri, Capcom Bankers has no accounting records, and so it is not possible to examine the entries in that company's records: We have not been provided with any documentation which would enable us to confirm the beneficial ownership of Capcom Bankers, nor to support the nature of the arrangements between Capcom Bankers.

According to Capcon the two Egyptian banks principally involved in placing money with Capcon Bankers are Faisal Islamic Bank of Egypt and the Alexandria Commercial and Maritime Bank ("ACMS"). At 31st October 1988, the entire f10.1 million was deposited by ACMS: in turn this sum had been deposited by Capcon with Manufacturers Hanover Trust Company ("Manufacturers Hanover").

A letter on Capcom's letterhead was sent to Mr. Fahmy (the Vice President of ACMS) explaining that the treasury management of funds placed with Capcom for investment purposes will be centralised under Capcom Bankers. The letter also states that:

- Capcon Bankers is a member of the Capcon group of companies.
- All confirmations of deposits placed will be printed on Capcom Bankers notepaper.
- All dealings with Capcom Bankers are fully and irrevocably guaranteed by Capcom.
- All confirmations will bear a guarantee certificate issued by Capcom.

Contrary to the terms set out in the letter, we have been informed that, although a standard form confirmation has been drawn up, no confirmations from Capcom Bankers or guarantee certificates by Capcom have ever been issued.

The explanations that we have received about Capcom Bankers are confusing and I consider that further investigation will be needed to establish:

- o Why an established Egyptian bank might wish to deposit funds with Capcom Bankers rather than directly with Manufacturers Hanover at the same or better rates of interest.
- Whether there are any other undisclosed liabilities of Capcom Bankers that have been guaranteed by Capcom.
- o Whether Capcon was within the terms of the Banking Act 1986 in its operation of these facilities for customers.

The GRAY account has recently been introduced to Capcon by Mr. Serageldin, a recently appointed director of Capcon. According to Mr. Parry, the beneficial owner of the account is Dr. Actia, an ...

Egyptian resident individual. At 31st October 1988 he had deposited f8.6 million with Capcom for trading purposes, although as at that date, no trading had actually been carried out. The account has subsequently commenced trading.

Shareholders

I have stated earlier that I have seen documents stating that Sheikh Khalil resigned as a director in February 1988 and disposed of his 33% shareholding in Capcom to Mr. Akbar. Although Mr. Akbar and Mr. Puri both claim that this information was made known to others in Capcom soon thereafter, the relevant documents were not provided to the company secretary, Mr. Snow, until 9th September 1988. Mr. Parry has told us that he was unaware of Sheikh Khalil's resignation until September 1988 but knew that Sheikh Khalil had been considering his position.

Sheikh Khalil's letter of resignation as a director was contained in a bundle of papers given by Mr. Akber to Mr. Snov on 9th September 1988. In the same bundle was a letter from Sheikh Khalil to Mr. Mohammed Saghir, president of Capcom Futures Inc., a former subsidiary of Capcon, informing Mr. Saghir that he had disposed of his shares in Capcom. The significance of this letter was apparently realised by Mr. Parry and Capcom only during the course of our investigation. On 29th November 1988, copies of some papers taken by HM Customs & Excise on 10th October 1988 were returned to Capcom; these showed that Sheikh Khalil had sold all his shares to Mr. Akbar for a consideration of £4 million. A copy of the sale agreement is attached as Exhibit 6. Although the sale agreement specifies that the consideration for the sale was £4 million, Mr. Akbar has told us that the sale was effected at par, i.e. [8.25 million, and that the balance of the par value of the shares, £4.25 million, was discharged by the cancallation of debt owed by Sheikh Khalil to General Securities Corporation ("General Securities*) which maintains a client account with Capcom known as the GESS account.

On the same day that Sheikh Khalil disposed of his shares, we found that a payment of £4 million was made to him by Capcom from the GESS account, an account over which Mr. Akbar has a Power of

4 4

Accorney and with which his brother, Mr. R. Akbar is connected. Mr. Akbar has explained that this payment was in respect of the purchase of Sheikh Khalil's shares, which were purchased by GESS pending the finding of a replacement shareholder. The details of this transaction appear to have been unknown to anyone at Capcom other than Mr. Akbar.

Hr. Akber is unclear on the subject of the beneficial ownership of the shares acquired from Sheikh Khalil. He told us that the voting rights are still exercisable by Sheikh Khalil as the latter remains the registered holder. Sheikh Khalil has, however, informed us that he has sold his shares in Gepcon and makes no reference to a continued ability to exercise voting rights. Although Mr. Akbar is a signatory to the agreement for the sale of Sheikh Khalil's share he has told us that blank share transfer forms signed by Sheikh Khalil are held as security by his brother on behalf of General Securities, but that these are merely being held until a purchaser can be found for the shares.

We have not seen any documentation relating to the arrangements between Mr. Akbar and General Securities regarding the loan to purchase Sheikh Khalil's shares, and cannot therefore determine where the beneficial ownership of these shares rests. However, from the explanations that we have received, it rests either with Mr. Akbar or General Securities, a company connected with his brother and on whose behalf Mr. Akbar has a Fower of Attorney.

The payment of f4 million from GZSS to Sheikh Khalil was made at a time when the account had a debit balance. It appears therefore that Capcom may have provided financial assistance for the purchase of its own shares. The nature of the transaction will need careful consideration to determine whether there has been a breach of Section 151 of the Companies Act 1985.

With regard to Mr. Puri's shareholding in Capcom, Mr. Puri has explained that finance for the major part of the acquisition of his 14% shareholding was arranged by Mr. Akbar's brother. Mr. Puri has explained that at one stage consideration was given to him providing security for this loan. He signed a blank share transfer form but has told us that this was later destroyed as such security was not required. A copy of such a blank transfer signed by Mr. Puri was

included in the bundle of papers returned by HK Gustoms & Excise on 29th Nevember, but we have not seen the original of this document. Mr. Puri is adament that he is the beneficial owner of his shares.

Capcom's shareholding arrangements can therefore be summarised as follows:

	7
Hr. Akbar	24.00
Mr. Puri financed by Mr. Akbar's brothe	14.48
Mr. Akbar or General Securities	33.00
	71.48
Others	28.52
	100,00

We have not investigated the beneficial ownership of the other shareholdings in Capcom but from information provided by Mr. Snow, it appears that there has been some discord among the Saudi Arabian shareholders. Thus, there is no certainty that there have not been other share transfers of which Capcom is unavare. Nevertheless, from the explanations that we have received, it is clear that between them, Mr. Akbar and his brother are in a position to exert significant influence over, and possible ownership of, at least 71.48% of Capcom's shares.

[Arrangements to dispose of Akbar's shares.]

(b) TAS

The summarised balance sheet of FAS, based on its AFBD return at 30th September 1988, is set out below:

	£.000
Tangible fixed assets	58
Current Assets	
Debcors	64
Investments	158
Cash at bank and in hand	135
	360

Trade creditors Other creditors	(55) (117)
·	(172)
Not current assets	188
	-
Not assets	246
Z.	
Capital and reserves Called up share capital Frofit and loss account	100 146
	246

The only feature of FAS's balance sheet of particular note is the amount of f158,000 shown as current asset investments. This represents an investment in 177,102 shares of American Telecommunications Corporation ("ATC"), which were obtained on conversion of a loan to ATC of \$265,653. ATC is a Texas based telecommunications company which is quoted on NASDAQ. Hr. Akbar is a director of ATC.

CAPCOR'S CLIENT BASE

Capcom has prepared a report, dated 2nd December 1988, to SIB and AFBD concerning its affairs ("the Capcom Report to SIB"). This provides an overview of Capcom's client base. There are currently 132 clients, represented by 183 dealing accounts. Each of these accounts trades under a distinct code name.

Eight of those accounts which appear in some way to have been associated with Mr. Akbar are listed in Exhibit 7. This Exhibit also provides some information on the date the account was opened, type of investor and other details. A number of these accounts have generated a significant amount of revenue for Capcom. An analysis of these revenues for the year ended 31st October 1988 is set out in Exhibit 8.

As shown by the revenue analysis set out in Exhibit 8, four clients associated with Mr Akbar were responsible for in excess of 77 per cent of Capcom's revenue for the year ended 31st October 1988. Significant volumes of business have passed through these accounts. I now give details of these and other accounts which have been significant to Capcom's profitability in the past, indicating how they were introduced to Capcom and their association with Mr. Akbar. Details of cartain transactions passing through these accounts are then given later on in the Affidavit.

(E) CESS

The GESS account was introduced to Capcom by FAS. General Securities Corporation, the company behind GESS, is Panamanian registered. FAS has been given a Power of Attorney by GESS to operate this account. Mr. Akbar believes that he personally has been given a separate Power of Attorney but we have seen no evidence of this. The Power of Attorney to FAS has been granted by Me. Cecile Ringgenberg, a Geneva lawyer who acts, according to Mr. Akbar, as both solicitor to and a director of GESS.

In respect of dealings on the GESS account, Mr. Akbar has told us that he takes instructions from two individuals, Mr. R. Akbar, his brother, and Mr. Sohail Khan, a management consultant. Both are

resident in the Middle East. No one to whom we have spoken claims to know the beneficial owners of the GESS account, although Ne. Cacile Ringgenberg has indicated that she will disclose further information to the appropriate authority.

Mr. Akbar gave most of the dealing instructions to Capcom on this account, although Mrs. Puri may also have given some instructions to Capcom's dealers. According to Mr. Parry, they did not deal according to any apparent strategy. Mr. Parry describes both Mr. Akbar and Mrs. Puri as "seat of the pants traders"; that is, they are prepared to take significant risks. GZSS have been extremely active in futures and options on futures, and latterly undertook a significant number of deals in foreign exchange. Mr. Parry believes the account lost money though, according to Mr. Akbar, those connected with the GESS account had previously made significant profits in their dealings through Capcom.

Among various papers in Mr. Akbar's dask was a schedula indicating that an account with the code name ARKY earned profits of \$53 million between October 1984 and September 1985. Hr. Akbar has confirmed that ARKY is connected with the owners of GESS.

(P) IROX

The TWOY and TWOY 2 accounts are both controlled by Mr. Akbar's brother, Mr. R. Akbar. The beneficial owners are not known although there is an inference from Mr. Akbar that the beneficial owners are the same as, or are connected with, the beneficial owners of the GESS account. Mr. Akbar possessed a Fover of Attorney over both TWOY accounts and he gave most of the dealing instructions. Mr. Parry believes that Mrs. Puri has also given orders on this account despits the fact that the Pover of Attorney does not extend to her. The account has been extremely active, dealing in futures, options on futures and foreign exchange. Trading cassed in May 1988. Overall, according to Mr. Parry, these accounts have been loss making.

(c) PERV

Mr. Akbar introduced the PERV account to Capcon. It is principally managed by a Mr. Ferver Shahid, who acts as a trading adviser. Mr. Shahid is assisted by Shamsur Zaman, Mr. V.R. Khan and Mr. M.R. Shah.

According to Mr. Akbar, the account is owned by the Chairman of El Rayan, Mr. Ahmed Abdullah Al Fathi-Al-Tavfik ("Al Fathi Tavfik") who has recently died. Mr. Shahid's management arrangement apparently gives him 50 percent of profits, with the other 50 percent being retained by Al Fathi Tavfik. All losses on a net basis were assumed by Al Fathi Tavfik. Both Messrs. Puri and Parry, however, believe that Mr. Shahid is the beneficial owner of the account and have told us that they are not aware of the involvement of anyone else with the account.

Mr. Akbar was unsure whether he or FAS possessed a Fower of Attorney ever the account. Mr. Parry believes that it was FAS who possessed this Fever of Attorney but Mrs. Puri was unable to confirm whether this was the case, stating that the account was not connected with FAS. She was, however, sware that the account was controlled by Mr. Shahid. We have not seen any Power of Attorney in respect of the PERV account.

The PERV account has been extremely active, dealing in futures, options on futures and foreign exchange. According to Mr. Farry, the account has lost money.

(d) cccb

The owner of account GOOD is El Rayan, an Islamic investment company based in Gairo. This company is one of the largest in Egypt being involved in import and export and real estate, as well as managing investment funds. According to a "Eurosoney" article in February 1988. El Rayan was the largest Islamic investment company with 150,000 depositors totalling Eff.0 billion (E500 million). El Rayan ceased to deal with Gapcom in September 1988 due to regulatory restrictions imposed by the Egyptian authorities, who subsequently closed El Rayan in November 1988.

El Rayan is run by three Tavfik brothers. Ahmed Tavfik manages the GOOD account and is Capcom's principal contact, although Al Fathi Tavfik was also named as a dealing authority on the account opening form.

The account was opened at Capcom in April 1987 after two and a half years of marketing effort. Mr. Parry and Mr. Puri made the original contact with El Rayan but were not well received as El Rayan was already dealing with other large institutions. Mr. G.E. Khan also made efforts to secure business from El Rayan. The account was finally gained with the assistance of Mr. Akbar whose brother also helped in persuading El Rayan to deal with Capcom.

Once the account had been opened it traded significantly with Capcom, and has been by far Capcom's most profitable account in 1988. According to Mr. Farry, the account would deal on a purely speculative basis; positions taken were generally not hedged and any advice offered by Capcom's dealers on dealing strategy or market conditions was generally ignored. Overall the account, according to Mr. Parry, had performed "extremely badly" and he estimates that it may have lost up to \$90 million.

() FUND

The Capital Fund ("the Fund"), which is coded account FUND in Capcom's books, was set up in 1985. The concept for the Fund came from Hr. Parry, Hr. Furi and Hrs. Furi. Hr. Furi was principally, involved in organising its constitution and setting it up. The idea of the Fund was based on the belief that by pooling individual interests into one large fund (minimum subscription being \$50,000), portfolios would be easier to manage. Capcom also say the opportunity of increasing its brokerage income.

A copy of the Capital Fund prospectus states that the Fund was set up with the objective to "realise a growth rate in net assets per share from investments in futures, options, metals, currencies, bonds, stocks and cash instruments". Persons resident or ordinarily resident in the UK or US for tax purposes were not entitled to invest in the Fund for regulatory reasons.

Mr. Kerry Fox is the director of the Fund. The fund manager is Capital Management Services Limited ("CMS") which is responsible for its general management and administration. The evenership of CriS is not known, though Mr. Akbar believes either Mr. Kerry Fox or Dr. Pucher, a solicitor based in Liechtenstein, is a director of CMS. The administrative office of CriS is based in Muscat, Cman. The investment adviser to the Fund is FAS.

Exhibit 9 lists the investors in the Fund. A majority of these investors come from the Gulf with the rest originating from the Indian subcontinent. Most of the investors have subscribed to the Fund on Mr. Akbar's advice.

Hr. Akbar has stated that dealing instructions on behalf of the Fund would have been given by talex from CKS in Oman and that instructions would not have been received from FAS as it only acted as advisers to the Fund. He told us he does not know the person in Oman giving instructions.

The explanation provided, by Mr. Akbar of how dealing instructions for the Fund were received by Capcom conflicts with that given by Mr. Farry and Capcom's dealers, who have told us that dealing instructions were received either from Mr. Akbar or Mrs. Furi and not by telex from CMS. We have not found any dealing instructions talexed by CMS to Capcom.

The Fund has not been as profitable as had originally been envisaged and we are informed that its activities are being wound down following repayment to some investors.

(f) ZITS

The ZITS account is owned by Zask, a Laichtenstein registered company which Hr. Akber has informed us he beneficially owns. Zask has an administrative office in Huscat, Oman. Gapcom's client_records show that a Power of Actorney has been granted to Hr. Akbar to operate the account. Hr. Farry and Capcom's dealers have confirmed that they were accustomed to act on Hr. Akbar's instructions on the account and that they understood him to be the beneficial owner of the company.

ARTIFICIAL PROPERTY

(a) Background

Soon after the start of our investigation, we were informed by Capcom that certain transactions had been identified as having created artificial profits or lesses on client accounts. Originally a figure of \$800,000 was put forward as an estimate of the profit made by account FUND at the expense of account GISS. We investigated this matter and found further evidence of transactions involving both these two accounts and also accounts ZITS, GOOD, PERV and other smaller accounts.

Capcom, with the assistance of both Goopers & Lybrand and D.J. Freeman, has undertaken a detailed investigation into these transactions. In the Capcom Report to SIB, it was stated that the original estimate of \$800,000 switched between GESS and FUND had risen to \$2,600,322. In addition to those transfers which we have identified, Capcom identified similar transactions whereby FUND benefitted at the expense of other client accounts. The sums involved in these instances, however, are much smaller than those on GESS and total \$734,158. In total, 16 other accounts are involved with the principal transfers involving accounts ZITS 2, PERV and GOOD. In almost every case FUND was the counterparty to which profits were switched,

All these artificial transactions have involved either a foreign exchange or bullion deal. Normally, such a transaction undertaken on behalf of a elient would be executed with a market counterparty as Capcon acts only as agent for all transactions whether dealing in foreign exchange, futures or bullion. However, for the "matched" or "back to back" transactions identified, rather than transacting a client order with a market counterparty, the transaction was booked with another Capcon client, thus matching it internally. The exact nature of these transactions would involve, for example, one client simultaneously both buying and selling sterling for dollars, with another client taking an equal but opposite position. In all, save a number of insignificant cases, the client account in which profit was created was FUND.

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From the explanations we have received, these "back to back" transactions can be split into three eategories: transactions between CZZZ, ZITS and FUND, those between CCOD, PXEV and FUND and those involving other less important accounts. This last category is not considered further due to its relatively immaterial size. We have made a distinction between the first two types of transactions as our interviews with Mr. Akbar and Capcon's desiers have revealed conflicting explanations for the first two types of transactions.

(b) GESS ZITS and FUND transactions

"Back to back" transactions between either GESS or ZITS and FUND were all performed upon Mr. Akbar's instruction. There were 14 "back to back" transactions involving GESS and only one involving ZITS. Capcom's dealers have confirmed that Mr. Akbar would contact them, requesting details of the day's spread in, for example, the sterling/dollar exchange rate. He would then instruct the dealer to record a purchase at the top of the market spread and simultaneously record a sale at the bottom for GESS, or on one eccasion, ZITS; the opposite side of the transaction was then booked to FUND. According to the time stamp on each of the deal slips each transaction was completed either precisely at the same time or within one minute of each other. Often this time was identical on all the deal slips for one transaction. Copies of the relevant deal slips for a typical GESS/FUND and ZITS/FUND transaction are attached as Exhibit 10.

The eutcome of these transactions was for FUND to profit at the expense of either GESS or ZITS. Apart from one transaction, which produced \$1,500 commission, Capcon did not make a turn on these transactions as it would normally do with all bons fide foreign exchange and bullion transactions undertaken on behalf of clients. The total profit made by FUND was \$2,763,000. GESS lost \$2,614,500 and ZITS 2 lost \$150,000. Exhibit 11 summarises all the GESS, ZITS and FUND "back to back" transactions.

The dealers explained to us that they did not question Mr. Akbar's instructions on these transactions as they understood that he held a Pover of Attorney for both GESS and FUND, while ZITS, they believed, was his own personal account. Mr. Akbar in fact held no

Power of Attorney over FUND, and the fact that the dealers believed he did indicates that they were accustomed to carry out his instructions on the account.

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Mr. Akbar has explained to us the purpose of these transactions as follows:

- e The Fund was launched in 1985; it had been set up offshore and had attracted funds from a number of Mr. Akbar's contacts and personal friends.
- In attracting these funds he had "guaranteed" a rate of return of about market interest rate plus 1t or 2t.

o Since its launch the Fund had not achieved this level of return, and he felt obliged to improve the performance.

Thus he admitted that, "in order to save face", he created artificial transactions which resulted in a switch of profits from both GESS and ZITS to FUND.

- The transactions involving GESS were carried out with prior approval. This involved discussing the matter with his contacts at GESS, his brother and Mr. Sohsil Khan.
- Those involved with GESS were prepared to approve these transactions "as a favour" and on the basis that Mr. Akbar had in the past sammed them significant profits. He was, however, to compensate GESS in due course for the loss arising from these transactions.
- The losses were to be repaid by either making profits from future dealings or, if this was not possible, by the sale of his shares in Capcom for the benefit of CESS
- He had the authority to book a profit switch using ZITS as he was the beneficial owner of this account;

Capcon's dealers have provided explanations which in broad terms agree with Hr. Akbar's explanation of the GESS, ZITS and FUND "back to back" transactions.

(c) GOOD, PERV and FUND transactions

Explanations received for the transactions between GOOD or PERV and FUND which appear to be similar "back to back" transactions have been conflicting.

Our investigation suggests that the structure of these deals is very similar to the GESS, ZITS and FUND "back to back" transactions. Of the three deals identified involving GOOD or PERV, two of them, (one each to GOOD and PERV) were in bullion and according to the time stamp on the deal slips, were undertaken at the same time. The third transaction, between FUND and GOOD, was in foreign exchange and was closed approximately two hours after the opening transaction had been executed. The result of all these transactions has been for FUND to profit by \$235,000 while GOOD and PERV have lost \$137,700 and \$100,000 respectively.

For the two GOOD, PERV and FUND "back to back" transactions in bullion, no turn was made by Capcom. Capcom would normally expect to make a small turn on all bullion transactions. In respect of the GOOD/FUND "back to back" transaction in foreign exchange, Capcom made a turn of \$2,700. Details of all these transactions are also set out in Exhibit 11, while the relevant deal slips are attached as Exhibit 12.

Mr. Akbar's explanation of these transactions was as follows:

- They were simply coincidence; one of the parties wanted to buy while the other wanted to sell at the same time. As a result the trade would have been matched internally.
- In the case of GOOD, he believed that, for credit control purposes, Capcon did not allow the account to keep a position overnight and thus closed any open positions at the end of the day. As GOOD had to close its position, the opposite position in FUND would also be closed in order to square Capcon's position in foreign exchange or bullion.

- e He denied that these transactions were similar in natura to those involving CESS, ZITS or FUND as he did not possess a Power of Attorney over GOOD.
- For the PERV gold bullion transaction, the loss locked in en PERV resulted from a "stop loss" dealing instruction. When PERV opened the position, instructions would be given that if the price of gold were to fall below a certain level, Capcom was to close it out to restrict the loss, He believed that it was pure coincidence that FUND took the opposing side of the transaction.

Capcom's chief dealer executed both the GOOD/FUND and PERV/FUND gold bullion transactions. His explanations are similar for both transactions and were as follows:

- o PEEV or GOOD had contacted him at Capcon to deal in gold bullion. At the same time, he had contacted FUND (Mrs. Puri at FAS) and asked it whether it wanted to assume the opposite side of the transaction. In both these instances Mrs. Puri agreed on behalf of FUND.
- o In the case of the PERV transaction he was not permitted to held overnight positions as the account did not possess sufficient funds to meet margin requirements on any losses. As a result, trades being executed by PERV were closed out at the end of the day, if not earlier.
- A similar situation arese for the GOOD transaction.
- The reason for the time stamp on all the deal tickets for these two transactions being the same was that, for those trades not done with a market counterparty, he would not be worried about time stamping the ticket. If he was busy he would record the trade on a piece of paper when it was executed and complete the deal tickets when he had some time later in the day. This would normally be at the end of the day.

The second of the transactions involving COOD/FUND was executed by another dealer and involved a sterling/dollar trade rather than gold bullion. Her explanation of this transaction was as follows:

- GOOD wanted to buy dollars, FUND was wanting to sell. The time stamp on the deal was 9.07am. The transaction was closed at 11.03am. Both these transactions were done at market rates.
- It was quite normal for a client to buy and sell during the day.

This explanation supports that of the chief dealer, whereby they claim that the apparent "back to back" deals involving GOOD, PERV and FUND are "bona fide" deals done at market rates.

Mr. Parry when interviewed on 20th December 1988 believed that profit switching transactions involving accounts GESS, ZITS, PERV, GOOD and FUND were all similar in nature. He had not considered that there was any distinction between those profit switching transactions between GESS, ZITS and FUND and those between PERV, GOOD and FUND. Goopers and Lybrand, however, had yet to produce a final report on these transactions and he had no knowledge of their current findings.

(d) Capcon's action

In the Capcom Report to SIB all these transactions have been considered together and no distinction has been drawn between them. As a result, the directors of Capcom have proposed the creation of a reserve of \$1,334,480 representing their estimate of the value of the profit switches identified to date. This sum will be used to reimburse the accounts concerned if proved necessary by the circularisation by Capcom of those clients involved.

The directors have also issued a memorandum to all employees, instructing them that "back to back" transfers should not be conducted in the future, that all transactions should be executed on the appropriate exchange and that disciplinary action will be taken if these instructions are broken.

Capcom are also to write to all clients involved confirming their current ledger balance. For those clients that suffered losses as a result of these transections, Capcom are proposing to set out in these letters the facts surrounding the transactions,

[Subsequent letter report.]

(a) Summary

We have been teld by Mr. Akbar that the profit switching transactions involving GESS, ZITS and FUND were authorised by the relevant authorities behind GESS and ZITS. It seems to us that this type of artificial transaction is not contemplated by the detailed previsions of the AFBD rules, although, in our epinion, they are contrary to the objective and spirit of those rules. In respect of the transactions involving GOOD, PERV and FUND we have been informed that these were carried out in accordance with instructions from authorities at GOOD and PERV and at prevailing market rates. However, the two transactions of this type executed by the chief dealer clearly breach AFBD rules as they were not recorded in the required menner.

Mr. Akbar has admitted that the artificial transactions recorded as creating profits for the Fund at the expense of GESS and ZITS were a face saving exercise. That Mr. Akbar was able successfully to instruct the dealers to record these deals is an indication of the measure of his power in Capcom.

THOY LOSSES

(a) Backeround

In the period from December 1986 to Harch 1987, TWOY sold a significant number of contracts in the Standard and Poors 500 Index (*5&P 500*) Futures, March 1987 series. A majority of these contracts were closed out in early Harch 1987. Over this period the US stock market rose in value resulting in a significant number of these contracts losing money; the total realised loss was approximately \$31 million.

All these contracts were placed with CFI. We have been told by Mr. Farry that these trades would have been executed on the futures market in Chicago but, as our investigation has not extended to CFI, we have been unable to confirm this.

These contracts were subject to the Chicago exchange's margin requirements. During the period TWOY did not provide any funds by way of margin and as a result a large debit balance was allowed to accumulate on the account. Hargin calls were therefore met from Capcom's own resources.

Mr. Parry's explanation of this transaction was as follows:

- for concern. At the time Capcom's share capital and reserves would have been approximately \$60 million and therefore the loss could be financed by Capcom and, if necessary, absorbed, should TWOY fail to pay the outstanding balance.
- e Hr. Akbar's brother, as the apparent owner of the TWOY account, was permitted to run up a debit balance of this size as his past performance in meeting liabilities was good. Although Hr. Akbar's brother was thought to be a man of some substance, Hr. Parry believed he was probably not able to sustain the loss personally and was thus probably operating on behalf of others. Hr. Akbar's brother also had introduced a number of clients to Capcom and was well connected in the Middle East.

Mr. Akbar has said that he had neither been a director of Capcom at that time, nor had his brother made him aware of this transaction. He was therefore unable to provide any detailed explanation of this transaction. He believed that Capcom had contacted him to see if he could help persuade his brother to settle the debt.

(b) Settlement of balance

TWOY 2 ceased to trade at the end of May 1987. The debit balance remained unsettled until February 1988, when the balance had increased to \$37 million, primarily due to interest charged by Capcom on the everdrawn balance.

As partial settlement of this overdrawn balance, on 23rd February 1988- Mr. Akhar's brother remitted funds totalling \$22 million. This comprised four sums each of \$5,500,000 which, according to the bank remittance advices, came from four different sources. The source of these sums is summarised in the table below:

	Amount		
Date	S million	Payment by	Instructions
			Score .
23rd Feb 1988	5.5	Security Pacific	Mark Insurance
		International Bank,	Consultants
		New York,	Limited o
		Account: -	
		Credit and Finance	
		Corporation Limited,	
		Grand Cayman	
23rd Feb 1988	5.5	Security Pacific	SES Investments
		International Bank;	Limited
		New York.	
		Account: -	
		Credit and Finance	
		Corporation Limited	
		Grand Cayman '	
23rd Feb 1985	5.5	Security Pacific	Mahawish and
		International Bank,	Hahavish
		New York.	
		Account: -	
		BCCI (Oversees)	9
		Limited Grand Cayman	
		Branch Funds Manage -	r
		ment Unit	

	Amount		
Date	\$ million	Payment by	Instructions from
23rd Feb 198	38 5.5	Security Pacific	El Ravas Real
		International Bank,	Investments
		New York.	Limited
		Account: •	
		BCCI (Overseas)	
		Limited Grand Cayman	
		Branch, Funds Hanage-	
		ment Unit	

Mr. G.R. Khan confirmed that he is a director of Mark Insurance Consultants Limited, SES Investments Limited, Mahavish and Mahavish and El Ravas Real Investments Limited and explained the nature of these receipts as follows:

- At the end of January 1988 or early February 1988, Mr. Akbar's brother, who "he knew and trusted", contacted him from Muscat, Oman to discuss the payments he was to make to Capcom. Mr. Akbar's brother wanted to raise a number of loans and needed three or four companies whose names could be used for this purpose. Mr. Khan consented to the use of four companies of which he was a director.
- Mr. Akbar's brother arranged these loans and guarantees through his contacts. Mr. Khan knew Mr. Akbar's brother to be a resourceful individual, having a number of clients with high net worth.
- o In February 1988, shortly after he had been contacted by Mr. Akbar's brother, someone from BCCI visited Mr. Khan while he was at FAS with the appropriate loan documentation. He signed this documentation but failed to retain a copy and can not recall what it said.

- e Four er five days later Mr. Akber's brother contacted him to confirm that he had raised four loans each for \$5.5 million in the names of the four companies.
- Between 12 and 15 days later, Mr. Akhar's brother contacted him again, informing him that the loans had been discharged. He has received verbal assurances from Mr. Akhar's brother that none of the four companies have any further liability relating to these loans.
- He had no idea to which accounts in Capcom these sums were credited or how the loans had been discharged.
- o The reason why he had been asked to assist in raising these loans was because Hr. Akbar's brother was unable to do so in his own name.
- o He had not discussed these loans with any of the other directors of the four companies involved.

Having remitted \$22 million to Capcom, Mr. Akbar's brother still had an unsettled debit balance in excess of \$15 million. Gapcom reached agreement with Mr. Akbar's brother on how this was to be settled. A copy of this agreement is attached as Exhibit 13.

According to this agreement Mr. Akbar's brother undertook to remit \$5 million by 29th March 1988. A sum of \$5 million was remitted on this date from Bank of New York, account United Bank Limited, on the instruction of Mr. Akbar's brother himself.

Mr. Akbar's brother also undertook to remit \$3 million no later than 30th April 1988 and a further \$3 million no later than 31st May 1988, with the remaining debit balance being cleared by 30th June 1988. These sums were not received. However, on 12th August 1988, \$15 million was remitted. This was received from Security Pacific International, New York, account Gredit and Finance Corporation, Grand Cayman. This sum, according to the bank remittance advice, appears to have been remitted upon the instruction of CTC, who we have assumed are probably Gredit and Finance Corporation, which is, according to Mr. Akbar, a subsidiary of 3CCI.

Mr. Akbar was unable to explain the nature of any of the TWOY 2 receipts though he said that he would have instructed Capcom's treasurer as to which account these monies were to be credited.

Similarly, Mr. Parry and Mr. Puri were mable to shed any further light on the nature of these receipts except that they were to clear an outstanding debit balance. Mr Khan had no knowledge of the receipts of \$5 million and \$15 million.

According to Mr. Khan, the loans raised by Mr. Akbar's brother in the name of four companies of which Mr. Khan was a director had all been repaid. Mr. Khan was unable to explain how these had been repaid and we have been unable ourselves to obtain further information. Our investigation has, however, identified two payments made around this time by other Capcon client accounts in the sum of \$5.5 million. It is possible that these sums are connected with the repayment of the loans. These payments are summarised below:

	Amount		
Date	<u>\$ sillion</u>	Capcom account	Paid to
9th March 1988	3.0	ccc 3	Security Pacific
10th Harch 1988	2.5	GOOD 3	International Bank,
			New York. Account: -
		30	BCCI (Overseas)
			Grand Cayman
15th April 1988	5.5	CEZZ	Security Pacific
3			International Bank,
			New York.
			Account:
			BCCI (Overseas)
			Grand Cayman

Neither Hr. Akbar, Hr. Puri nor Hr. Perry could provide an explanation for the payment from GOOD 3. Similarly, no explanation has been provided for the payment from GESS. Hr Akbar did however

explain that he probably would have received an instruction from his brother and Mr. Sehail Khan.

I have not seen evidence to confirm that any of the \$42 million received by Capcom in purported settlement of the debt of Mr. Akhar's brother should have been treated as such. Similarly I have not received explanations of the two payments of \$5.5 million from accounts GOOD 3 and GESS. I believe that in order for Capcom to satisfy itself that these sums have been accounted for correctly, independent confirmation should be obtained from the parties concerned.

ZINLEY

(a) Background

Finley is a company registered in Liberia. We have been informed by Mr. C.R. Khan that the only two directors of Finley are Mr. Akbar who is the chairman and treasurer and Mr. Khan who is also the company secretary. In 1986, Mr. Khan was considering leaving BCCI and wanted to be responsible for developing a real estate business using Finley as the vehicle company. Some funds were raised from clients of Mr. Akbar in the Middle East and in 1986 Finley bought a property in Golders Green which has subsequently been sold to Mr. Akbar.

According to Mr. Khan, Mr. Akbar subscribed for £150,000 of the share capital of Finley but Mr. Khan himself had no interest in the ownership of Finley. Mr. Akbar has, however, denied that he was the beneficial owner and said that he did not know exactly who was, though he believed that the owners were resident in the Middle East.

Finley currently does not have a UK correspondence address. The company's UK address was 68 Vicerage Farm Road, Heston, Hounslow, Middlesex. This was the address of a clothing business of Mr. Khan that had been run by a friend. Mr. Khan was unable to renew the lease of this property and his business was forced to vacate the premises.

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On 15th September 1988, approximately \$23 million was raceived by Finley in its account at Middle East Bank, 1 Lombard Street from Banco Macional de Fanama. Copies of letters from Finley instructing the manager at the Middle East Bank to make various payments upon receipt of these funds are attached as Exhibit 14. A summary of the payments is as follows:

Date	Amount Smillion	Payes
15th Sept 1988	A.O =	Capcom - COOD
15th Sept 1988	11.0	Capcom - GESS
19th Sept 1988	5.5	Capcom - GESS
19th Sept 1988	2.6	Trade Development Bank - Rad Roses
	23.1	· =
Balance	0.2	
	23.3	a 75 <u>-</u>

Mr. Akbar is the only person to whom we have spoken who admits to any knowledge of the reasons for these receipts and payments. He has informed us that the the sonies received by Finley were remitted by Al Fathi Tawfik, who had wished to participate in investment in real estate.

(b) coop - \$4 million

Since February 1988, GOOD had rum a large, unsecured, overdrawn balanca. This had been permitted as El Rayan was considered to be a valued client to whom eredit needed to be granted in order to retain goodwill. On 14th March 1988, a board minute authorised the granting of a credit line of \$5 million, but this limit was consistently breached. At the end of March, the balance on the account was \$9.8 million, with a peak balance reached in June 1988 of \$10.6 million.

Hr. Akbar has told us that the GOOD account was operated by Ahmed Tawfik and a private assurance was given by his brother. Al Fathi Tawfik, to Hr. Akbar that Al Fathi Tawfik would personally repay any deficit on the GOOD account, though this information should not be disclosed to Ahmed Tawfik. Thus, of the funds placed at the disposal of Finley, \$4 million was used in part reduction of the everdrawn balance on the GOOD account.

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(a) SESS - Ell million

Mr. Akbar explained that this sum had been eredited to CESS to cover a less that this account had made on a specific transaction in 1987 when GESS had covered GOOD on a silver bullien transaction.

Mr. Akbar explained the transaction as follows:

- e Around July 1987, GOOD had seld short a large quantity of silver at \$8 per ounce. The market had gone against GOOD and Tose to approximately \$11 per ounce. However, GOOD was adament about not closing the transaction and thus realising the loss.
- o Capcom was concerned about the unrealised loss on this position. GOOD was not providing margin cover and therefore Capcom had to deposit variation margin with brokers using its own resources.
- o Capcom had threatened to close the position forcibly.

 GOOD's response to this threat was to suggest that if this
 were to happen it would take future business elsewhere.

 At the time it was also trading with Shearson Lehman and
 Hutton, GOOD, however, was an extremely valued client and
 Gapcom did not want to lose this business.
- o Mr. Akbar was not involved with Capcom at the time, but was a director of FAS. Capcom, however, approached him to provide some assistance because of his relationship with Ahmed Tavfik and his role in gaining the GOOD account for Capcom in the first instance.
- Nr. Akbar discussed with his brother and Mr. Schail Khan, his contacts at GESS, whether the beneficial owners would agree to take the opposite position in silver to GDOD. His brother and Mr. Schail Khan verbally approved this transaction. As a result, Capcon matched its short positions in silver with the market by corresponding long positions booked to the GESS account. The incentive for

Akbar would "make some profit for you" (GESS). He claimed in the past to have made those involved with GESS between \$40 and \$50 million.

- o Both Ahmed and Al Fathi Tavfik were awars of the situation and Ahmed Tavfik agreed in writing to reimburse GESS a maximum of \$10 million for any loss that GESS suffered as a result of taking the position. After Capcom closed its position, the price of silver subsequently fell and GESS lost approximately \$7.5 million to \$8.0 million. GOOD recovered all its previous losses, making an overall profit on the transaction.
- of After the completion of the transaction, Mr. Hounir Gouda, a director of El Rayan, visited London on the instruction of Ahmed Tavfik to verify the loss in the GESS account. The \$10 million originally promised was not, at Ahmed Tavfick's instigation, received by Capcou.
- o The \$11 million was credited to account GESS to cover this loss.

Our investigation has been unable to confirm Mr. Akbar's claim that GESS provided the cover for the silver position. Exhibit 15 shows a chart of the price movement in silver for the period from 3rd October 1986, to 12th May 1988. This shows a significant rise in the price of silver at the end of April 1987. When this chart was presented to Mr. Akbar, he confirmed that it was around this time, and not July 1987, that the GOOD/GESS cover transaction arose.

A review of the client ledgers for 28th April 1987 has identified that account GOOD had sold short 6 million owners of silver. At the same time account ZITS 2 was long of 200,000 ounces, while ZITS 3 was long of 3.6 million ounces. However, account GESS did not trade in silver in the period from 14th April 1987 to 3rd June 1987. The outstanding positions on these accounts are summarised in Exhibit 16.

Exhibit 16(1) shows GOOD's short position of 6 million ounces. The sixth column shows the prices at which these contracts were dealt, the column to the right the then current contract price and the next one the unrealised profit or loss on these contracts. The open contracts show an unrealised profit of \$4.3 million.

"Exhibit 16(ii) shows the long position of ZITS 2 of 200,000 ounces with an unrealised loss of \$34,740, while Exhibit 16(iii) shows the long position of ZITS 3 of 3.6 million ounces with an unrealised loss of \$9.8 million.

Our investigation therefore suggests that it was ZITS and not GZSS that devered the GOOD position. However, Mr. Akbar is adament that it was GZSS that provided cover, not ZITS.

Mr. Furi was able to recall an occasion where GOOD's dealing was covered by an account over which Mr. Akbar had authority. He could not however recall which of Mr. Akbar's accounts was involved, though he thought it was probably GESS.

Mr. Parry's explanation of the transactions was as follows:

- e Initially, he could not recall this transaction precisely, though later he had some recollection. In the early days of Capcom's relationship with GOOD, he had been responsible for the account and had carried out 75-80% of the trading on the account. However, he had not had responsibility for this transaction and believed it was Mr. Akbar's way of covering Capcom. Mr. Akbar had discussed it with him after the event. He also confirmed that Mr. Akbar may have told GOOD about the transaction "as a marketing tool".
- o He agreed that the transaction did appear "a little odd", although, if the beneficial owner of account GESS were Hr. Akbar, the whole transaction would be more explicable.

(d) GESS - \$5.5 million

Mr Akbar's explanation of this payment is as follows:

- The payment to CESS was not to make up for previous losses made by GESS or for the development of a real estate business, but rather represented a loss by Al Fathi Tavfik to GESS. This loss was to be repsyable "as early as possible". The money has not been repaid to date.
- The loan was arranged at the instruction of GESS i.e. Mr. Akbar's brother and Mr. Schail Khan.
- Any written record of the loan was "not with me" (Mr. Akbar). He did suggest that if such documentation did exist it could either be with Al Fathi Tawfik or Capcon. However he did not believe that such documentation existed.
- o No written record was made of the loan because of firstly, exchange centrol imposed by the Egyptian Central Bank, and secondly the troubled position of El Rayan.
- o The loan had been arranged because at the time of the GOOD/GESS cover transaction El Rayan had promised GESS a significant level of funds for investment.

According to Mr. Farry, Capcom has no knowledge of this loan, or the circumstances surrounding its receipt. So written record exists at Capcom.

(m) Red Roses - \$2.6 million

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On 9th September 1988, this sum was paid by Finley to Trade Development Bank, Geneva, account Red Roses. Hr. Akbar was unable to explain the nature of this transaction and said that he had received an instruction to make this payment over the calephone from Al Fathi Taufik. He made no further enquiry.

(f) Mr. Khan's role

Mr. Akbar has stated that although Mr. Khan had been a second signatory on all the Finley letters, he did not understand the nature of the transactions. Mr. Akbar had made Mr. Khan aware of these transactions because "if anything goes wrong with me (Mr. Akbar), someons should be responsible". Mr. Khan would be able to go back to the Hiddle East and establish the exact nature of these receipts and payments because of his close friendship with Ahmed Tawfik.

Mr. Khan confirmed that he had not understood the nature of the Finley transactions. He was also not aware to which accounts in Capcom payments had been credited. He had been asked to sign the letters by Mr. Akbar, believing that he was merely authorising them. He did go on to say that even though he did authorise the novement of these funds, he believed only one authorising signature was necessary. He trusted Mr. Akbar and believed all the funds related to the creation of a real estate business.

(g) Other Finley related transactions

On 11th April 1988, \$2.3 million was paid to Finley from account GOOD 15. This sum was paid on Mr. Akbar's instruction to the Middle East Bank account held with the Bank of California International, New York. The documentation supporting the payment is attached as Exhibit 17. Our investigation has identified that included within the contents of Mr. Akbar's desk were Finley's chaque stubs, one of which noted a payment of \$2,250,000 to GTI.

On 22nd April 1988 Mr. Akbar sent a letter on FAS headed paper addressed to the treasurer at Capcom. This instructed him to issue five cheques in favour of Mr. Shamsuz Zaman, Mr. Perver Shahid, Mr. M.R. Shah, Mr. Akbar's brother and Finley. A copy of this letter is attached as Exhibit 18. Similar payments were also made on 9th February 1988. Mr. Akbar has explained that these payments were made to the fund managers of the PERV account which included Finley. As discussed previously in this Affidavit, the fund managers and the beneficial owner of the PERV account, Al Fathi Tawfik, the chairman of El Rayan, share profits equally.

On 14th June 1988, a cheque for £120,000 drawn on Finley's Hidland Bank account and signed by both Hr. Althor and Hr. Khan was paid into account TWOY. Hr. Akbar explained that this was in respect of commission due to TWOY.

(h) further

Explanations received to explain the purpose of the various receipts and payments by Finley have been unsatisfactory. In particular, no documentary evidence exists to support Mr. Akhar's essertion that \$23.3 million received by Finley was remitted personally by Al Fathi Tavfik, who is now dead.

Dealing first with the payment of \$11 million to GESS in respect of the covering position taken in 1987, there are a number of matters that render Hr. Akbar's explanation unconvincing:

- Our investigations show that cover appears to have been provided by ZITS, not by GESS. Therefore explanation of the payment as being recompense for a loss taken by GESS would only make sense if this loss had in some way been transferred from ZITS to GESS. However, Mr. Akbar is adament that it was GESS that provided the cover.
- The commercial reality of the written agreement by Ahmed Tawfik to reimburse GESS up to \$10 million for any loss suffered suggests that he was in fact prepared to realise the losses made on his silver dealings. If this were his intention, it would have been simpler to close his position rather than provide an indemnity to GESS.
- o Mr. Akbar's reasons for the provision of the cover are confusing. He originally claimed that the transaction was arranged because Capcon was concerned about its "high credit risk exposure" to GOOD. Subsequently, he claimed that the principal purpose was to mitigate demands on Capcon's liquidity.

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Mr. Akber estimated the loss made by GESS to be \$7.5 million to \$8 million although the loss to ZITS was actually \$9.8 million. Given the size of the claimed loss by GESS there seems no reason why GESS should then be paid \$11 million as compensation for the cover.

We have also not received any convincing explanation of why the directors of Capcon, understandably concerned about the sixe of the GOOD debt, should apparently be comforted by cover provided by another client.

In respect of the other payments by Finley, there are again deficiencies in Mr. Akbar's explanations:-

- The payment of \$4 million was credited to GOOD on the basis that this sum was not to be disclosed to Al Fathi Tawfik's brother, Ahmed. However, the latter would have been able to see the money appearing on the GOOD statements which Mr. Farry has stated are sent regularly to GOOD.
- o No evidence is held by Mr Akbar or anyone else at Capcon of the loan of \$5.5 million, although we have not contacted either Mr. Akbar's brother or Mr. Schail Khan, Mr. Akbar's contacts at GESS, to confirm whether a loan agreement exists.
- o Mr. Akbar has explained that the purpose of Al Fathi Tawfik's loan to GESS was that, in accordance with Islamic precepts, any excess funds remitted should not be placed on an interest bearing deposit account. This statement conflicts with the last paragraph of the letter from Finley to the Middle East Bank dated 13th September 1988 which instructs the bank to place \$8.3 million on call deposit, an interest bearing account.
- No documentation supports the payment of \$2.6 million to Red Roses. Details of account Red Roses are not known. However, according to Mr. Akbar's diary on 12th September

1988, a copy of which is attached as Exhibit 19, both the name of Rad Roses and Robert Musella are noted. Mr. Husella is the PBI undercover operative associated with much of the investigation which gave rise to the US indictment against Capcom and Mr. Akbar.

All the transactions involving Finley are most curious and the explanations provided by Mr. Akbar are either illogical or not capable of corroboration. A risk may exist that the monies transferred by Finley to Capcom should not have been credited to the GESS account and that these sums are liable to be repaid to Finley. Direct confirmation from the ewners of Finley should be obtained by Capcom about the application of these sums.

COOD

(a) Introduction

We have carried out a broad review of each receipts and payments on the GOOD account for the period from January 1988 to Octaber 1988. Based on our review, funds of about \$45 million were received by Capcon and credited to the 15 accounts maintained by GOOD. Payments of about \$13 million were also made from the GOOD accounts in this period implying net receipts of \$32 million. Set out in Exhibit 20 are summaries of all the receipts and payments identified by us on GOOD accounts 1, 3 and 15 for the period from 1st January 1988 to 31st October 1988. No funds of any significance were received into or paid from the other 12 GOOD accounts.

During the period from January 1988 to October 1988, the balance on the GOOD accounts moved from an approximately flat position at the end of January 1988 to an aggregate debit balance of about 64 million (\$7 million) at the end of October 1988. Due to the very large volume of trading being monducted, we have not carried out an analysis of the trading activity on the accounts with a view to estimating their profitability; however a broad review indicates that, overall, the trading activity was loss-making during the period in question. Mr. Parry estimates that losses of approximately \$20 million have been incurred on the GOOD accounts during the period. The net amount remitted, added to the movement

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on the account is \$39 million. There are two possible explanations for the apparent discrepancy between this amount and Mr. Parry's estimate of the trading performance:

- Mr. Parry's estimate is incorrect and the losses on the GOOD accounts were greater (up to \$39 million).
- o Other settlements or transfers have taken place that were not specifically designated as cash entries and therefore were not included in our review of cash receipts and payments on the accounts.

Without carrying out a detailed analysis of trading on the accounts we are not in a position to ascertain which of the above explanations is correct. It is, however, apparent that gross receipts of \$45 million were remitted to the GOOD accounts during the course of 1988; these have either been lost through trading, or paid out or otherwise transferred. Over \$31 million of these gross receipts were remitted in the period from January to the end of June 1988.

A review of the nature of the entries in Exhibit 20 indicates that many of the funds received were in relatively small amounts and were by negotiated bankers drafts. We have been told by Hessers. Akbar, Puri and Parry that this was a common method for funds to be received on the GOOD account. Investors in El Esyan would draw bankers drafts in favour of El Rayan, its employees or employees of Capcom (Hr. G.R. Khan and other personnel in the Capcom's Cairo office) and these drafts would be endorsed over to Capcom's name and paid in to its account. Drafts would also be drawn in favour of Hr. Akhar for the same purpose. The more significant receipts and payments on the GOOD accounts are discussed in the following paragraphs.

(b) <u>\$765.000 receipt</u>

This receipt on 14th January 1988 comprised three bankers drafts: \$175,000 drawn in favour of General Securities, \$75,000 in favour of Mourice Salieb Girgis and \$15,000 in favour of Mr. G.R.

Than. The first two drafts were drawn on BCCI (Overseas) Limited, Riami, Florida. The draft in favour of General Securities Limited was subsequently returned by the bank and was debited to the GOOD account on 21st January 1988.

(c) \$150,000 paid to Shakarchi Trading

On 10th February 1988, Capcon received a telex from Ahmed Tavfik giving instructions to make a payment of \$150,000 to Shakarchi Trading. The telex was marked for the attention of Hr. Farry.

Mr. Parry was not able to explain the nature of this transaction, although he thought that it was quite normal for Ahmed Tavfik to use the GOOD account effectively as a bank account. Mr. Puri was also unable to provide an explanation for this transaction. He was, however, awars that other Capcom accounts which had been introduced by GOOD transferred money to or from Shakarchi. Shakarchi were principally a gold bullion dealer with which a significant number of Egyptians dealt.

Attached as Exhibit 21 is a newspaper article which mentions Shakarchi Trading in a discussion on the laundaring of drugs money in Switzerland.

(d) \$4 million receipt

This receipt from Finley on 15th September 1988 is discussed above.

(a) \$3 willion and \$2.5 willion paid to BCCT

These payments, totalling \$5.5 million were made on 9th and 10th March 1988 and also are discussed above. They were remitted to BCCI (Grand Gayman) shortly after four payments of \$5.5 million were made to Capcom via BCCI (Grand Cayman) and credited to the TWOY 2 account.

(f) \$2.1 willion said to Finley

Finis payment on 11th April 1988 is also discussed above. It was remitted to Finley's account at the Bank of California.

(g) Simmary 🔩

As with the ather client accounts, explanations of various receipts and more especially payments on the GOOD accounts have been unsatisfactory. Furthermore, the way in which funds were received merits further investigation in the light of the regulatory problems El Rayan are currently experiencing.

The identity of the beneficial owner or owners of the GOOD accounts is not clear and it is not certain that balances on the 15 accounts are capable of set-off one against each other. Although the accounts were opened in name of El Rayan, there is reason to believe that Ahmed Tavfik and others operated the account as if they were personal dealing accounts. Both Mr. Puri and Mr. Parry have said that there was never really a distinction in their minds between El Rayan and Ahmed Tavfik. Mr. Akbar has informed us that Al Fathi Tavfik is the beneficial owner of the PERV account and the connection, if any, between that account and the GOOD account, and the GESS and TVOY accounts that may be established or inferred from the transactions passing through Finley merits further investigation before making firm conclusions about the ownership of the accounts or the propriety of transactions on them.

SALT OF PAS PROPERTY

(a) Background

On 17th September 1986, FAS purchased a property at 107 Grays Inn Road, London for fl.63 million from House of Sethia Limited, a company in receivership and connected with Johnson Matthey. Early in 1987, this property became FAS's office. As total office space was significantly in excess of FAS's requirements, FAS only occupied the ground floor and let the first, second and third floors.

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A loan of f1.63 million to fund the property purchase was provided by GZSS. This sum was debited to the GZSS account in Capcom's books. The funds were resitted in five tranches from 17th September 1988 to 22nd October 1988. The loan agreement is attached as Exhibit 22.

The property was sold in two parts: some land at the rear of the building in June 1988 to Hampstead Properties and the building in August 1988 to Eastern Peddlar Limited. Mrs. Furi explained that FAS had been forced to sell as it was no longer able to finance the lean.

On 19th May 1987, fl.5 million of the outstanding balance on the losn from GESS was repaid and replaced with a loan from Middle East Bank. This in turn was repaid in early 1988, using a bridging loan from Sheikh Mooruddin. The remainder of the outstanding balance on the GESS loan, including interest, was repaid in two amounts, fl95,000 and f82,000 paid directly by FAS. Exhibit 23 summarises the movements in these loans.

A review of receipts and payments on Capcom's client accounts has identified that certain of these loen repayments, together with proceeds arising from the sale of the property, have passed through Capcom. The amounts concerned are discussed below.

(b) Deposit of F195 000

On 31st March 1988, £195,000 was paid from account GOOD to Barretts (the purchasers' solicitors) who paid an identical sum to FAS on 8th April. Mr. Puri authorised the payment by GOOD. On the same day as it received the £195,000, FAS remitted it to Capcom, where it was credited back to account GOOD. According to papers produced by FAS, the £195,000 remitted to Capcom represented repayment of part of the original loan from GZSS. Hr. Puri explained that the payment of £195,000 from account GOOD was a mistake but was unable to explain from which account this sum should have been paid.

(c) Sale of land for £350,000

On 21st June 1988, a sum of £350,000 was received by FAS in respect of the sale of the land beside the building and was immediately remitted to Capcom. In Capcom's books, upon Mr. Akhar's instructions, this was credited to the TWOY account.

According to the records at FAS, this sum was remitted to rapay Sheikh Meoruddin's bridging loan,

(d) Balance of Cl. 405,000

A sum of f1,405,000 was received by J.A. Forrest, solicitors acting for FAS, on 16th August 1988. This represents the balance of the sale consideration and was paid from the TVOY account at Capcon. Of this sum, f1,398,100 was remitted by J.A. Forrest to FAS and the balance withheld to cover solicitors' fees

FAS remitted f1,290,767.61 to Capcom on 31st August 1988 in tranches of £81,989.62 and £1,208,777.99. According to FAS, the former amount was in settlement of the outstanding balance on the loan from CESS, while the latter sum was in settlement of the loan from Sheikh Nooruddin.

In Capcom's books the whole sum of £1,290,767.61 was credited to account GESS. Both these entries were made upon the instruction of Mr. Akbar.

Information obtained from Mr. Akbar about these confusing transactions is as follows:

- He was unable to provide an explanation for the payment by account GOOD of £195,000 to Barretts as the deposit on the property sale, and its return to the same account. sight days later.
- Sheikh Noomiddin is closely associated with his brother and Hr. Sohail Khan, both of whom are connected with both the GESS and TWOY accounts. Hr. Akbar believes that he

- would have received the repayment instructions for Sheikh
 Hooruddin's loan from either his brether or Hr. Schail

 Khan.
- Eastern Peddlar Limited who purchased the FAS building are sweed by or associated with Hr. Sehail Khan and Hr. Akbar's brother.

Mr. Furi has told us that he had been asked by Mr. Akbar's brother to set up Eastern Peddlar. He could not recall exactly when he received this request, although he did believe that it was sometime between late 1986 and early 1988.

(a) Summary

Exhibit 23 clarifies the transactions involved in the purchase and sale of this property and the redemption of the associated loans. However, the explanations we have received concerning this transaction have been both confusing and conflicting.

We have been unable to obtain satisfactory enswers for the reason why f195,000, representing the deposit on the sale of the property was paid from account GOOD and then was credited back to GOOD eight days later. According to FAS's records, this sum was to be used to repay the balance of the loan from GESS but as this sum has not been credited to the GESS account, it is possible that this loan may not have been discharged.

The explanations we have received concerning Eastern Peddlar suggest that this company is associated with account TWOY although we are not in possession of any documentary evidence to support this. If this connection does exist, it would explain the payment of f1,405,000 from account TWOY for purchase of the property. As the sale consideration was f1.6 million, the deposit of f195,000 should probably also have been paid from this account. An adjustment to credit account GESS and debit account TWOY in the sum of f195,000 may therefore be necessary.

It remains unclear whether Sheikh Nooruddin's loan has actually been repaid. Our review of certain of Capcom's client accounts has not identified any of these accounts as the source of the funds for

Sheikh Nooruddin's original lean in early 1988. As indicated above, proceeds from the sale of the property have been credited to announts TWOY and GESS in apparent repayment of Sheikh Nooruddin's loan. Mr. Akhar claims that Sheikh Nooruddin was closely associated with his brother and would have agreed to these accounts being credited. If this were not the case, Sheikh Mooruddin's loan would appear to remain outstanding. To clarify this position independent confirmation should be obtained from all parties to the transaction of their asceptance of the treatment by Capcom of receipts and payments.

Though this transaction is relatively small in comparison to other unusual receipts and payments on client accounts at Capcon, in provides evidence of the way in which monies were switched between accounts by Mr. Akbar on an apparently arbitrary basis. Further, the transaction clearly suggests a close link between GESS, TWOY, Sheikh Mooruddin and Mr. Akbar's brother.

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GESS - OTHER TRANSACTIONS

(4) Drues Money

Section 8.4 of the Capcom Report to SIB discussed the US indictment which names 14 defendants of whom the last two are Mr. Akbar and Capcom. The indictment rafers specifically to a sum of \$25,000 paid into Capcom on 28th September 1988 and relates that Mr. Akbar had met a US law enforcement officer acting in an undercover capacity and discussed the laundaring of proceeds from cocaine sales. This sum was allegedly remitted to Capcom pursuant to these arrangements.

This sum was received from a company called Hardeman Company Limited. Exhibit 24 contains the bank remittance advice, together with Capcom's own receipt advice.

Hr. Akbar has explained the nature of this transaction as follows:

 He had spoken to Hr, Robert Husella, the undercover operative, about investing funds in Capcon. The sum was

therefore remitted in order to establish an asseunt in Gapton's books.

- The pum, however, was subsequently returned as Mr. Musella was about to get merried and required the funds.
- o The sum was credited to the CESS account by mistake. An account in Mr. Musella's name had not been opened because completion of occount opening documentation was outstanding.

A further receipt of \$500,000 which was also credited to the TESS account is not mentioned in the indictment but, according to Cingsley Hapley, Hr. Akbar's solicitors, has been investigated by HK Lustons & Excise as allegedly being connected with the laundering of irugs money.

The sum of \$500,000 was received from Sandert Limited ("Sandart") on 14th September 1988, Exhibit 25 contains the relevant bank remittance advice and Capone's own receipt advice. The \$500,000 was returned to Sandert on 6th October 1988.

Mr. Akbar's explanation of this transaction was as follows;

- The sum was remitted by Mr. Musalla on behalf of a company established by him and the funds were to be invested by Capcom.
- The \$500,000 was returned as the company's year-and was approaching.
- o The funds were again credited to the GESS account by mistake in the absence of completed account opening documentation.

(5) Sale of shares in CE

As discussed previously, the consideration for the sale of Captom's shares in CFI was \$1,950,000; this amount is due from a number of Captom's shareholders, Mr. Saghir and Zask, Mr. Akbar has

said that he arranged the finance for the purchase of the shares on behalf of these individuals.

On 21rd September 1988, \$1,950,000 was received by Capcon from CFI. We have been informed that this sum was remitted to CFI by Ixers Investments Limited ("Ixers") for onward transmission to Capcon. Mr Akbar has told us that he beneficially evens Ixers and eriginated this transaction, On receipt, this sum was credited by Capcon to the CZSS account. Mr. Akbar has explained that this sum represented the settlement of the sale of Capcon's shares in CFI but had been incorrectly credited to GZSS.

On 22nd September 1988, \$2 million was paid from account GESS to CFI on Mr. Akbar's instructions. We have not been provided with any explanation by Mr. Akbar for this payment.

Mr. Parry considers that a connection exists between the payment by CISS to CFI of \$2 million and the subsequent receipt by Capcom from CFI of \$1.95 million. Accordingly, the not effect of these transactions as currently recorded in the books of Capcom is to leave outstanding the debt due by CFI's shareholders.

(c) Melices

Melitro is a trust company based in Venuatu. It will arrange the formation of companies under that country's legislation and provide shareholding facilities and nominee directors. The trust beneficial ownership of such companies and their constitution is not a matter of public record and in order to obtain such information, permission of the beneficial owners must be provided to Melitro.

On 20th April 1988, a payment of \$125,000 to Helitco was debited to the CZSS account. Mr. Puri has explained that this was in respect of the capital subscription of an offshore bank established by Helitco on his behalf which had nothing to do with Capcon or Capcon Bankers. The funds were subsequently received back by Capcon and credited to the CZSS account on 26th May 1988; The transaction therefore assumted to a temporary advance by CZSS which was authorised by Mr. Akbar under the authority of his Power of Attorney. We have not asked Mr. Akbar about this arrangement.

(d) £25,000 cash

On 17th August 1988, a payment of £25,000 was debited to the GESS account. This payment was made in the form of a sheque drawn to cash and a letter from Capcom enclosing £25,000 in each attached to the payment authorization has been countersigned by Mr. Akbar in acknowledgement of his receipt of the money. Mr. Akbar has explained to us that, following instructions received from Mr. Schail Khan, he handed this money to the wife of a Saudi individual who was in London for medical treatment in order to meet the cost of this treatment. (We does not remember the name of this individual.)

(e) Summer

A summary of all receipts and payments on the GESS account from lsc February 1988 are attached as Exhibit 26. This shows a large number of receipts and payments for a wide variety of purposes, few of which, if any, are connected with trading undertaken by GESS. It seems as though the GESS account was treated by Mr. Akbar almost as an assessment of convenience from which payments exhibit be made without the need to provide proper written record.

PREDRIEGO

(a) Introduction

On 3rd October 1988 Capcon received \$10 million from Predilect Investments Limited ("Predilect"), British Virgin Islands. The monies were credited to account CESS 2 which had been opened by Capcon specifically upon Hr. Akbar's instruction for the purpose of receiving this money. It has subsequently been revealed that Predilect are owned by the Nigerian National Petroleum Corporation (INNECT). The chairman of NNEC is the oil minister of Nigeria. The money was received as the first tranche of \$50 million to be invested with Capcon following a Capcon proposal document entitled "A strategy for investing a \$50 million portfolio". The balance of \$40 million was to be received in a further four tranches over a period of two and a half months.

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Asserding to the proposal document, Capeau was to invest sums received in a diversified pertfelle. The primary dealing strategy was to be made by Capeau's team of fourteen investment traders and was to be supported by a "technical and fundamental back up unit". The proposal document concludes that Capeau was siming to return to Fradilect about 3 to 5 per cent per annum above dellar interest rates on this portfelie without taking undue risks.

According to Mr. Abbar, MNPC did not place money directly with Capcom due to Higerian exchange control restrictions. Profilect was thus established to evoid these controls.

Although it is not clear from the proposal document, Capcom intended to place monies from Prodilect with a trading advisar salled Security Capital Management Ins. (*SCM*). This agreement does not mention NNPC or Fradilect.

The salient features of the draft agreement are as follows:

- Cash or securities valued at \$20 million were to be deposited with \$CM, although subsequent further contributions could be made.
- 5CH was to deal on behalf of Capcon.
- Capcon was to act as primary broker with respect to futures contracts and securities. It was to charge a flat fac of \$30 per contract for the first 120,000 sentracts per annum and then \$25 per contract thereafter.
- SCH made no guarantee as to the return on these funds. It was not liable for any losses other than those arising through negligence.
- \$CM was to charge both a quarterly management fee and an incencive fee.
- The draft agreement had no expiry data, though it sould be terminated immediately by Capena or with sixty days written notice by SCK.

e Investments were to be sometantly hedged to the greatest extent possible to produce a return of one year dellar . LIBOR plus 2t.

Receipt of funds

Exhibit 27 is a copy of the confirmation that Capcom sent to Prodilect to acknowledge the ressipt of the funds. This showed that Prodilect was to receive a fixed return of 11% for one year rather than a semi variable return of between 3 to 5% above dollar interest

The explanations we have received on this transaction from $\rm Hr$. Akbar and Hr. Parry conflict in certain respects. Hr. Akbar's explanation was as follows:

- Noney was to be placed with SGN, an arbitrageur who was returning 4 to 5% ever market interest rates "with no risk".
- Gapeom would be trading for its own account. If the funds returned a sum greater than 11%, a profit would arise to Gapeom, while if less than 11% it would result in a loss for Capeom. It was met normal for Capeom to enter into such a transaction.
- e . He had discussed this matter fully with Mr. Farry.

Mr. Farry's explanation of this deal however was somewhat different:

- He agreed that Capcon was to trade the money and they had been talking to a US arbitrageur. Capcon had "guaranteed" Predilect a minimum return of dellar LIBOR plus 2 or 34: this he thought was about 11%.
- Ne believed that all profits generated from trading these funds were to be passed on to the customer (although Capten would bear any losses) though he agreed this was not clear from the receipt advice. Capcon was expecting

brokerage of about 64 on the principal therefore implying a return of dellar LIBOR plus 104 from the US arbitrageur. He believed that this was a reasonable rate of return.

(c) Almas

In addition to paying Prodilect a minimum return of lit on these funds, Capasa was to pay introducing brokers commission of 2t to Almas Holdings Limited ("Almas"). A copy of a letter from Almas setting out these terms can be found at Exhibit 28. The managing director of Almas is Mr. Ajmy Shaik who had been a colleague of Mr. Akbar's at BCCI. Mr. Akbar did not know who owned Almas.

Mr. Akbar's explanation of this agreement with Almas was as follows:

- Although the latter indicates that Almas was to receive an introducing esemisation, Capcom had not yet agreed to pay this. Hr. Akbar had merely given Hr. Shafk an understanding that if Capcom were to make money from the deal, Capcom would consider paying a commission of 2% to Almas.
- Me, Mr. Akbar, was not to receive any share of this 2% commission and had not discussed this matter with his fellow directors.

Mr. Parry confirmed that he had not been made awars that a commission would have to be paid to Almas. He was however awars that some sext of a commission would have to be paid to an introducing agent and regarded such an arrangement as quite normal in the circumstances.

(d) Return of funds

On 12th October 1988 Capcou received written instructions from Predilect, asking for the immediate recurs of the funds. In the crisis fellowing Mr. Akbar's departure, senior management at Capcon sought assistance from Mr. Puri. A copy of 4 note of a meeting

attended by Mr. Puri and senior management at Capess can be found at Subibit 29. At this meeting they metad the fact that these funds had been-incorrectly credited, at Mr. Akbar's instruction, to assessmt GESS 2.

On 11th October these funds had been transferred by Capcom to account XTRAMS, a suspense account used by Capcom for funds received from sustaners who have not completed account documentation. The funds were then returned to Predilect on 12th October 1988. Mr Shaik who, according to the note, knows Predilect, had written to Capcom clearly stating that these funds were not drugs related. A copy of this letter can be found at Exhibit 10.

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(a) SIMMATY

Available evidence suggests that as investment management arrangement was to be entered into en behalf of Predilect and that this was subsequently terminated. However, Mr. Akbar's and Mr. Parry's views conflict as to whether these funds were to be traded for Capcom's own account or Predilect's own account. The proposal document provided to the Chairman of MOFC does not make this clear, although the agreement with SCM suggests that Capcom would be acting as principal. A review of Capcom's business profile submitted to the AFBD would not praclude it from entering into an arrangement on this basis as Capcom is suthorised to act as principal in a number of financial products, including those that would have been involved in this arrangement.

FINANCIAL RESOURCES :

(a) Capcom

A draft salgulation of liquid resources at list October 1988, based on the draft balance sheet set out previously is as follows;

FIGURE FREOMETER		f_million
Investments Debtors Cash and short term deposits		16.6 2.1 29.3
Total liquid assets Liabilities	2 NJ	48.0 (34.8)
TOTAL LIQUID RESOURCES		13.2
FINANCIAL RESOURCES REQUIRED		
Absolute minimum requirement Expenditure requirement		0.1
'Createst of above Investment position risk (say)	eri er	0.6
FINANCIAL RESOURCES REQUIRED	7	2.0 -
EXCESS RESOURCES		11.2

A reconciliation of the net assets to the total liquid resources of Capcom at 31st October 1988 as follows:

	f million
Not Assets per draft balance sheet Lass: itams not included in liquid resources calculation:	35,0
- fixed assets - unsecured trade debters - amounts due from shareholders	(7.9) (11.9)
of GFI term deposit being UAE Dirham loan	(1.1)
to acquire shares in MISCORP	دفيف
Total Liquid Resources -	13.2

The following assumptions have been made in calculating liquid resources:

- Fixed tangible assets have been excluded in accordance with AFED rule 8.41.8.
- Client trade debtor belances of fll.9 million have been excluded from the liquid resources calculation as they are unassuzed.

- e'" The assume due from the shareholders of CVI is unsecured and as a result is excluded from the calculation.
- The term deposit to HISCORF has also been excluded as it about to classified as other essets under AFRO rules and me prior written approval has been obtained from the AFRO to treat this as a liquid resource.

The periodic return to 31st October 1988 submitted by Capcon to the AFED shows excess resources of \$12.1 million. A resonciliation of the above figure to that shown above is as follows:

		f_million
	EXCESS RESOURCES PER CAPCON'S	
	PERIODIC RITURN	12.1
Less: ^N	MAZ Dirham losn not excluded from liquid	
	resources calculation by Capana	(0.9)
Add:	Client segregated cash balances excluded	
	by Capess not excluded by us	0.7
Less:	Unsecured client belances not excluded	
	by Capean	(0.7)
	9	11.2

Although the above calculation shows excess resources of fll.2 million, this is before any assessmt is taken of the affact of:

- The amount to be placed in suspense relating to the potential liability of Capcon on the profit switching transactions discussed above (\$3.3 million - approximately f1.9 million).
- The implications of funds being placed to the credit of accounts possibly without the knowledge or approval of the remitter of those funds, for instance:

- the credit of \$42 million to the TMMY assount representing receipts of funds from various sources.
- the credit of \$16.5 million to the CZSS assount and \$4 million to the COOD assount representing remittances from Finlay
- the amounts placed to the credit of the 15 GOOD assessments and the rights to set-off between those sessents
- the eredit of approximately (1.6 willion to the TVOY and GESS accounts representing the discharge of the lean from Sheikh Heoruddin to FAS relating to the purchase of the FAS property.

The financial position of Capeou also depends on the absence of any rights of set-off or similar charges on the assets of Capeou and of any undisclosed creditors by vay of guarantee or otherwise.

(b) FAS

A summary of the financial resources calculation submitted by FAS to AFRD at 30th September 1988 is shown below:

11 • 1 ₁₁	£000
Investments Debtors	158 63
Cash and short term daposits	138 359
Deduct Liabilities	an
TOTAL FINANCIAL RESOURCES	268
FINANCIAL RESOURCES REQUIRED	
Abselute minimum requirement Expenditura requirement	10 62
Greatest of above Investment position risk	42 47
FINANCIAL RESOURCES REQUIRED	89
EXCELS RESOURCES	159

The following points should be noted:

- The liabilities figure is incorrect and should be f171,000 instead of f111,000. Mr. Rahman, of FAS has said this was an error on his part.
 - e Included within debters of £64,000 is £20,000 of other unsecured debters. This should be excluded from the liquid resources calculation as we believe no authorisation has been obtained from the AFBD.
 - an investment position risk being 30% of the investments has been excludated on the helding of ATC shares. We have been informed by Mrs. Puri that ATC is a MASDAQ stock and as such traded on the OTC market. Hence, we believe that a 100% investment position risk requirement of 1158,000 is meeded. However, Mr. Rahman has told us that a 30% requirement was made on the recommendation of the AFED,

The implication of the above points to the liquid resources is as shown below:

		(000
	Excess Resources per Periodic Return submitted by FAS	159
4481	Incorrect figure used for liabilities (f171,000 - f111,000)	(60)
	Other unsecured debters which should have been excluded from the liquid resources calculation	(20)
	Incorrect calculation of investment position risk requirement (£158,000 - £47,000)	an
	HET DEFICIENCY	(32)

CONCLUSIONS

Mr. Akbar

An authorized investment business must descent that it is a fit and proper person to carry on an investment business of the kind and scale that it is sarrying on. In determining what constitutes fit and proper behaviour, much guidance and interpretation has been issued. It seems to me that the relevant considerations are well summarized in the objective and spirit of the AFED rules. These state that a member firm must observe high standards of integrity and fair dealing in the conduct of its business, comply with best market practice, act with due skill, mare and diligense in providing its services, act in its customers' beat interests and observe proper standards of disclosure and accountability. Where a member firm is a company, the fit and proper person requirement extends to a consideration of the fit and properness of its directors and controllers.

Mr. Akhar was, until 13th Octaber 1988, a director of both Capaca and FAS. Under AFED rules, a controller of a company is defined as anyone who is entitled to exercise more than 15 per cent of the veting power at general meetings, and thus Mr. Akhar remains a controller of both Capaca and of FAS. Mr. Akhar, in my opinion, is not a fit and proper person to be director or controller of Capaca, FAS or any other investment business. I discuss below the circumstances that have led me to reach this conclusion.

Artificial profits

Mr. Akbar has admitted that, "in order to save face", he instructed that artificial transactions be carried out between the GESS, ZITS and FUND accounts in order to increase the profitability of the Fund. Mr. Akbar has teld us that he had the authority of Mr. Sohail Khan and his brether and the authority of his own Fower of Attorney to effect the transactions on the GESS account. Me has also teld us that neither Mr. Sohail Khan nor his brother are the beneficial owners of the GESS account and that he does not know who is. If Mr. Akbar does not know who the beneficial owners of the GESS account are, he cannot therefore know whether the beneficial owners do or do not approve of these transactions.

Mr. Akbar has teld us that he is the beneficial owner of the ZITS assuunt and that on that besis he had the power to authorise artificial transactions to the detriment of the secount. So also has a Power of Attorney to operate the account. Although we have seen what purports to be Mr. Akhar's Power of Attorney, we have not seen any evidence to prove that he is the beneficial owner of the secount and therefore could authorise the transactions in that capacity.

FAS acts as trading advisor to the Pund but meither FAS not Mr. Akbar has a Fewer of Attornay to operate the account. From what we have seen and been told, it appears to us that Mr. Akbar and Mrs. Puri did in fact issue trading instructions on the Fund account and that Capson's dealers were accustomed to follow them. In the case of the profit ewitching transactions, both Mr. Akbar and Capcon's dealers agree that it was Mr. Akbar who gave the dealing instructions. These transactions benefitted the Fund, in which we have been informed that his brother is a major shareholder.

It appears to me that it will be difficult to discover the identities of the beneficial owners of the GESS or ZITS accounts and then to obtain their approval for the profit switching transactions. By wirrus of his Pawers of Attorney, Mr. Akbar does appear to have the authority to operate both accounts, although be does, of course, have a duty to set reasonably in the use of those powers. Without the animoviadgement of the beneficial owners. I as not hovever in a " pasition to determine conclusively whether these powers were valid, or the use of these powers approved of, for the periods in question. Even if Hr. Akbar does have the necessary power and the consent of the beneficial evners to carry out such transactions on the accounts, it appears to me that to arrange for artificial transactions to be booked in Capcom's records in order that he could save face with investors in the Fund is an extraordinary and deceitful way to carry on an investment business. In my spinion. Mr. Akbar's actions in this regard do not meet basic standards of integrity, fair dealing or disclosure and accountability.

In the cases of the other apparently similar transactions between the GOOD, PERV and FUND accounts, Mr. Akbar has denied that these were profit switching transactions, but has told us that they

arese from client instructions on the CCCD and PIRV accounts of which the FORD account formitpusly stood the other side. We have not been presented with any evidence to prove that client instructions were given in these cases, and in two of the three identified eases, the deal slips were stamped at the same time [Subsequent Capcon report]. Capcon's dealers have explained to us that this was due to administrative delays and have provided explanations for the transactions that breadly agree with Xr. Akhar's. In the absence of clear proof from the beneficial owners of the COOD and PERV accounts that these transactions were properly authorised, there remains the possibility that these transactions are of the same artificial nature as the GESS and ZETS transactions. If they are, I believe that the eircumstances suggest that Mr. Akbar would have been instrumental in instructing them and, because he has no power to authorise transactions on the COOD and PERV accounts, so doing without the approval of the beneficial ewears would clearly not be acting in the best interests of Capcon's customers nor, in my opinion, would it be a fair and henest way to conduct business, At the least, the failure to time stamp deal slips at the time of receipt of sustomer instructions represents a serious lapse in control procedures at Capcon and a breach of AFBD rules.

COOD position cover

Mr. Akbar has teld us that in July 1987 be arranged for the GESS account to take an opposing position to a substantial exposed silver bullion position on the GOOD account. His explanations of the rationals for these transactions have been confusing, but it appears that his basic purpose was to defend the liquidity position of Capcom (at a time when he was neither a director of, nor shareholder in, Capcom). By his own admission, the result was for the GESS account to lose \$7.5 million to 68 million. He has further explained that this amount was reimbursed by the GOOD account in September 1988 (14 months later) by the payment of \$11 million from Finley.

Once again Mr. Akbar has told us that he was acting under the authority of his Power of Attorney and that he had obtained the approval of Mr. Schail Khan and his brother for carrying out the

transactions on the CIII account. We are, for the reasons discussed above, unable to confirm whether this was the case, or whether the true beneficial events persented to the transactions.

Whilst we have traced in Capcom's records a substantial silver bullion position in the 0000 assount at the time Mr. Akbar has told us that these transactions were effected, we have seen me evidence to support Mr. Akhar's assertion that the opposing position was taken in the GESS assount. It appears to us that this position was taken in the ZITS assuunt. It is however quite clear (as Mr. Akbar has edulated) that whilst this setion limited Capcon's eredit risk in the signation to that already existing, it did nothing to reduce that risk. The GOOD assesunt was permitted to retain a substantial silver position showing a large less which was not severed by mergin. This represented a significant credit risk which would have increased further if the price of silver had continued to move adversaly. In fact, the price of silver moved in favour of the GOOD account, but this erested a large less on the GESS (or ZITS) account which, we have been told, was subsequently reinbursed. The end result was that the COOD account effectively raslised the less that was inherent in its position at the time of the asvering transection, plus interest on the amount reimbursed to CESS. The arrangement did protect the short term liquidity position of Capcom and limit Capcom's exposure to less, but the quastion arises in my mind of whether the arrangement was in the best interests of either customer. COOD ended up realising the full amount of the inherent less (plus interest) and GESS (if it was GESS) insurred a less and took the risk that GOOD would not reimburse that less;

Whatever the metive or semeunt used (be it GISS or IIII) it once again appears to me to be an extraordinary way to conduct an investment business, to arrange for one assessment to take a lose to the benefit of another, albeit that Mr. Akbar has told us that this loss was subsequently reimbursed, so that the liquidity position of the firm could be supported,

Finley transactions

The \$11 million receipt into the GESS account which, according to Hr. Akbar, compensated GESS for the silver bullion severing

transaction, was one of three receipts from Finley in September 1988. In total \$20.5 million was received by Gapsess and credited either to the 600D of GESS accounts on Mr. Albar's instructions. Mr. Akbar has explained the rationale for each of the three receipts but neither he mer anyone else has been able to provide us with any documentary evidence to support the validity of crediting the accounts used.

We have not seen any evidence to indicate the source of the funds, but Mr. Akbar has told us that they were remitted by Mr. Al Fethi Tavfick, the chairman of El Rayan, to start a property fund. I understand that Mr. Al Fethi Tavfick is now dead, El Rayan has been placed in the control of the Egyptian authorities, and that there is soncern that the directors had misapplied investor's money, It seems to se that there must exist the risk that the funds were either not remitted by Mr. Al Fathi Tavfick in the first instance and that, whether they were or not, they may have been subsequently misapplied and are subject to repayment to the proper authority. In the circumstances, it seems to se that it will be difficult to obtain confirmation of the source of the funds and the properness of their application. At the very least, Mr. Akbar has, in my opinion, failed to observe proper standards of accountability and disclosure in relation to these transactions.

Cancon Bankers

We have been informed that Capcon Bankers was established in order to provide Capcon's Egyptian elients with a credible deposit taking services yielding good rates of interest. Although we have been informed that it was Nt., Furi who was principally responsible for setting up the company., Nr. Akbar played a part and he is, together with Nr., Furi, a shareholder. We have not been provided with documentation to support what we have been told about the corporate constitution of Capcon Bankers and we have been told that it does not maintain any accounting records.

From the explanations that we have received. I do not understand why Emptian banks should wish to deposit money on an unsecured basis with a bank registered in Venuetu and I find the stated rationals for its existence unconvincing. I believe that its

activities and the relationship of those activities with Capeou needs further investigation to determine whether there are any infringements of the Banking Ast 1986. One thing, however, that is clear to me is that Capcou Bankers is taking deposits of significant amounts from Egyptian banks and is not maintaining proper records of this activity. Hr. Akbar, by virtue of his charchelding in Capcou Bankers and his prominent position in Capcou, is in part responsible for this shortcoming and, for the same reason, is likely to be responsible if further enquiry concludes that there has been an infringement of the relevant banking legislation.

From what we have seen, representations were made to the representatives of at least one Egyptian bank that Capcom Bankers was part of the Capcom group of companies. If Mr. Akber and Mr. Puri are the shareholders, this is "Electly not the case and, in my opinion, their shareholdings may present them with undue conflicts of interest with their positions as shareholders in and former directors of Capcom.

SimpleTY

In each of the sames discussed above, and in other cases discussed previously in this Affidavit, Mr. Akbar has been responsible for transactions in very significant sums of money in respect of which he appears to have taken no stope whatsoover in order to ensure that proper documentation exists to justify those cromsections. He has used client accounts (particularly the CISS account) as if they were his own bank sessumes. He has frequently relied on the alleged authority of Powers of Attorney, but has not been able to demonstrate to us that his actions in so doing are supported by the beneficial evers of the accounts concerned. Even if Mr. Akbar is able subsequently to produce relevant supporting documentation and the full agreement to his actions of the baneficial sweezs of accounts over which he helds fewers of Atterney, I believe that in many of his actions he has not acted in a mammer appropriate to the position of director or controller of an invesment business and consequently is not fit and proper so to do.

Hr. Akhar's Arathar

We have not Mr. Akhar's brother, but we have been made aware of his involvement with Capcon and its client base at various points in our investigation. We have been teld by Mr. Puri that Mr. Akhar's brother provided a significant proportion of the finance for Mr. Puri's 14.48 per sont shareholding in Capcon. We have been teld by Mr. Akhar that his brother arranged the financing, by General Securities, of his own purchase of Sheikh Ehalil's 13 per cent shareholding in Capcon. Once again, we have not been provided with any decumentation to support the terms of these financing arrangements, but it appears to me quite likely that Mr. Akhar's brother is in a position to exercise significant influence over both the shareholdings so financed. If he is thus able to control the exercise of voting power associated with the shares, he will fall within the definition of a controller of Capcon.

From what we have been told, I do not consider that Nr. Akhar's brother is a fit and proper person to be a controller of an investment business. I have discussed above the alleged involvement of Mr. Akhar's brother in consenting to the artificial profit switching errangements on the GESS and FUND accounts and the GOOD/GESS silver bullion position severing arrangement. In so consenting, Mr. Akhar's brother has demonstrated that he is prepared to permit purely artificial transactions for the benefit of his brother's reputation and transactions without any economic justification for the benefit of the liquidity of Capcou to be carried out on an account over which he has an element of control. In the case of the artificial profit switching transactions, he would have apparently benefitted personally from the increase in the Fund's profitability.

The further significant set of transactions with which Kr. Akber's brother is associated is the less on the TVOY 2 account in March 1987 and its subsequent reimbursement. Kr. C.R. Khan has rold us that Mr. Akber's brother arranged four looms of \$5.3 million each from &CCI in the names of four companies controlled by Mr. Khan and temitted these sums to Captom. The funds were reserved by Captom designated as having originated from these companies. I find it hard to imagine what legitimate purpose could have caused Mr.

Akhar's brother to ranic funds in this way. The TMOY I assesunt was nominally his own assessmt (although we have been teld that he may have been eperating it on behalf of others); I see no reason why the funds sould not have been berrowed by him and remitted in his name to Capcon. This is one further example of actions apparently designed to senseal and misland rather than demonstrate proper standards of assessmentability and disclosure.

Shatabolding arrangements

I have discussed above the evidence that points to the fact that Mr. Akbar's brother has arranged finance for the purchase of 47.48 per sent of Capcer's shares. Mr. Akbar himself owns 24 per cent of Capcom's shares excluding the 33 per cent financed by ... Coneral Securities, [Sale to Pheroan]. Again, as I have discussed above, we have not seen documentary evidence supporting the financing arrangements and it is thus possible that arrangements may exist between Mr. Akbar, his brother, Mr. Puri and General Securities or others which further complicates the beneficial ewnership of Capcom's shares. On the basis of evidence available to us, however, it is quite pessible that between them, Mr. Akbar and his brother are in a position to exert significant influence ever, and possibly baneficially own, 71,48 per cant of Capcom's shares. It is also possible that the beneficial evnership of these shares may ultimately rest elsewhere and that Mr. Akber and his brother are ecting merely as meminess.

The transaction about which most doubt seems to exist is the sale of Sheikh Khalil's shares. Despite the fact that we have seen a contract specifying that the shares were seld to Mr. Akbar for a sensideration of the million, Mr. Akbar has told us that it was not intended that he should assume beneficial ownership of these shares and that the sensideration was in fact (8.25 million, the balance being satisfied by the cancellation of a lean from General Securities to Sheikh Khalil. Mr. Akbar is unclear as to who is the beneficial owner of the shares, and has apparently suggested that it is still Sheikh Khalil as he is still able to exercise the voting rights attached to the shares. Sheikh Khalil has, however, informed us that he sensiders that he has disposed of his shareholding. Beneficial ownership of the shares therefore appears to lie either with Mr. Akbar or General Securities.

under the sale agreement by a payment debited to the GISS account. This payment was made at a time when the assumt was already everdrawn and Capass may therefore have breached section 151 of the Companies Act 1985 which prohibits a company providing financial assistance for the purchase of its own shares. If this is the case, then by erranging and authorising the transaction Nr. Akker has been directly responsible for causing Capass to breach company low, a further indication of his not being a fit and proper person to not as a director or controller of an investment business.

Financial position

The draft calculation of Capesm's financial resources at 31at October 1988 set out previously in this Affidavit shows that Capcom has excess financial resources of fil.2 million under AFBD Rules. This calculation, however, is made before any account is taken of the potential adverse effect of providing a sum in respect of liability under the artificial profit transactions, or of Capcom being liable to reimburse funds placed to the credit of various assesumts without the knowledge or approval of the remitter. I make the latter point because I have been presented with me documentary evidence to support the fact that a number of significant receipts should have been placed to the credit of the assesumts that were actually credited. I discuss some specific examples of such receipts in the following paragraphs.

Firstly, in total \$42 million (appreximately £24 million) was remitted during the period from February to August 1988 and credited to the TUOY 2 account in order to repay the loss realized on the S&P 500 Futures transactions closed out in March 1987, \$22 million was remitted from four companies under the sontrol of Mr. G.R. Khan under the arrangements summarised above. \$5 million appears to have been remitted by Mr. Akbar's brother himself and \$15 million by Gradit and Finance Corporation, Grand Cayman. We have not been presented with any evidence to identify the ultimate beneficial remitters of these funds not to prove that they did, in fact, wish the funds to be placed to the credit of the TWOY 2 account and the possibility must therefore exist that these sums may be refundable. We have been informed that they were so placed on the instructions of Mr. Akbar.

was required by Capcou from Finley and placed to the credit of the GOOD and GESS accounts. Once again, I have seen no evidence to support the fact that these sums were properly applied on the instructions of their beneficial owner.

Thirdly, ever \$45 million (approximately £29.5 million) was received by Capcom ever the period January to October 1988, mainly by bankers draft from Egyptian private individuals, and placed to the cradit of the various GOOD accounts. By subsequent payments, trading and other transfers, these funds were spent or lost. I have seen no evidence to support the fact that these individuals realised that their funds were being applied in this fashion or that they realised the scale of loss making activity on the essuant. Given the current state of affairs of El Rayan and its directors, I would have thought it very likely that Capcon will be asked to explain its handling of this occount and I believe that it is quite sentesivable that Capcon will be asked to repay some or all of the funds remitted.

Fourthly, appreximately (1.6 million was credited to the TWOY and GESS accounts representing the discharge of the lean from Sheikh Resruddin to FAS relating to the purchase of the FAS property. I have seen no ewidence to suggest that these credits walldly discharged the lean from Sheikh Neoruddin, and if they did not, he will therefore be a creditor of Capcom for that amount.

It believe that in the case of all the above ramittances, the fact that the company cannot provide evidence of the proper application of these funds, or identify their remitter, leads to considerable uncertainty as to the financial position of Capcon.

Not only is the current financial position of Capess in doubt, but its future profitability is also questionable. The accounts that have earned Capess the sajority of its revenue in the past have now ceased trading (the FUND, GESS, GOOD and PERV accounts earned 77 per cent_of Capeom's revenue in the year ended list October 1988). Capeom recognises that it will have difficulty in replacing the business lost and has built up its marketing effort, helped by the

currently no indication that business volumes will reach their former levels, and that an operating loss of £1.5 willion is forecast for the current year.

CAPCER

The everall responsibility for the management of Capcom's affairs lies with the directors. The management of day-to-day operations is the responsibility of the executive directors and other appointed efficers. Our investigation has principally concentrated on the period from January to Nevember 1988, during which time Nessra. Akbar, Puri and Parry were the executive directors and Hessra. Romrell and Hagness and Sheikh Khalil were non-executive directors. The other employee with the most significant responsibilities was Mr. Snow, the company secretary and chief accountant.

Even prior to his appointment as a director, we have been told that Mr. Akhar played a pivetal role in Capeen. We have been tald that he was largely responsible for arranging its formation and was usually consulted on attrategic decisions affecting the company. Clients introduced by him generated the majority of Capeon's business. His appointment as a director in February 1988 and his assumption of executive responsibilities in May 1988 therefore appears to have been a natural extension of his existing involvement in Capeon.

Despite his status in the affairs of the company, I am surprised that from all we have seen and been told, Mr. Akhar's instructions and vishes would be followed unquestioningly by his fallow executive directors, Mr. Snow and the dealing staff even before he became a director. On almost every occasion where we have sought information on the underlying nature of significant transactions or arrangements, we have been told that no documentary evidence exists to support those transactions or arrangements and that Mr. Akhar is the only person who could help us further.

Martin -- --Parry and Pari told us they had no knowledge or made no enquiry. Meither knew of the ertificial profit switching transcations, nor the source of the Finley ressipts of the reasons for crediting such large sums of soney to the relevant assounts which were, at the time, heavily everdrawn. Both resembered breadly the COOD/CESS position severing transaction, but were unewere of the relationship with the subsequent receipt of 511 million from Finley about which Mr. Akbar has teld us. Despite the fast that both are directors of Capcon Bankers, Mr. Parry is very vague about the way in which in operates and both believe that it keeps no accounting records. Mr. Parry did not know that Mr. Akbar intended to trade the sensy received from Prodilect for Capcom's assount, rather than for Predilect's, and knew mething of the side commission arrangement with Almas (Mr. Puri had sessed executive responsibility prior to the Fredilect transactions). Neither knew anything about the arrangements concerning the repayment of the TWOY 2 outstanding balance, except that the balance had been outstanding for some time and that (although apparently only at the instigation of the auditors) Mr. Akbar's brother had in March 1988 signed a deciment acknowledging the then remaining debt and specifying repayment

The fast that an unsecured debt assembling to ever half of Capone's not worth had been outstanding for nearly a year to that time did not appear to be a matter of serious sencern to either. Also, the fast that the GESS and PERV assembles (both assembles introduced by FAS or Hr. Akber) were in substantial overdraft for much of 1988 did not appear to be a metter of serious unnears to either, nor did the source of reseipts on the GESS account. Mr. Puri was not apparently concerned that both assembles had breached studied limits authorised by the board, and Mr. Parry did not even know that such limits existed.

While Mr, Puri knew that Sheikh Khalil had resigned as a director in February 1988, and Mr. Parry knew that Sheikh Khalil was considering his position, meither apparently enquired into the reasons for making a payment of 64 million to Sheikh Khalil from the GESS account, nor did they enquire further and ensure that the appropriate entries were made in Capcom's statutory books.

picture that emerges is that Heasts. Puri and Farry were secustosed to follow Mr. Akhar's instructions and make no enquiry into his actions or those of his brother. They were propared to tolerate shortsowings in the resultant standards of assountability and disclosure at Capaca. They were propared to make no enquiry into Mr. Akhar's handling of affairs on the GESS, FUND. ZITS, GOOD and PERV secounts and his brother's handling of the TROY 2 account, all accounts on which, as I have noted above, questionable transactions of one form or another took place.

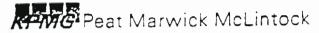
This raises in my mind the question of whether Mesers. Puri and Farry are fit and proper persons to be directors of an investment business. If Mr. Akber and his brother (neither of whom, the available evidence suggests, are fit and proper "persons) 'are controllars of Capcom and there is any doubt about whether Mr. Perry is a fit and proper person, the question also rises in my mind of what is left to support the fit and properness of Capcom itself. When the uncertainty over the financial position and future prospects of Capcom is added to these concerns. I consider that to allow the business to continue represents an unacceptably high risk to other investors and in my opinion there is little justification for Capcom being permitted to retain its authorisation as an investment business.

ZAS

Apart from the transactions associated with the purchase and sale of FAS House, none of the unusual transactions discussed in this Affidavir has passed through the books of FAS. FAS is, however, inextricably linked to Capson and many of these transactions by virtue of its close associations with Capcon and the clients concerned. FAS was formed solely to act as an introducing broker to Capcon and introduced the GESS and ZITS accounts to Capcon. It also acts as trading advisor to the Fund which benefitted from artificial profit switching transactions with the GESS account and other of Capcon's clients.

a sensideration of FAS's conduct of its investment business. Firstly, Nr. Akhar's actions in withdrawing £25,000 in cash from the £258 account and handing it to a Middle Eastern individual [whose name he cannot remanher], while acting under the authority of the power of attorney granted to FAS, may constitute the handling of alient money. FAS, being an introducing broker, is not permitted to handle client messy. Secondly, if FAS's investment in ATC is fully disallowable for the purposes of the financial resources calculation, FAS has a deficiency of financial resources.

Whether or not 7AS is deemed to be im contravention of the client money or capital adequacy rules, I believe that sufficient evidence exists to demonstrate that it is not a fit and proper person to carry on investment business. The fact that Mr. Akbar, who is not, in my opinion, a fit and proper person, is a major shareholder, and the fact of its close relationships with Capcon, the fit and properness of which I have serious doubts, are sufficient premises in my view to support this contention.



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JD Orme Esq Director of Enforcement Securities and Investments Board 3 Royal Exchange Buildings London ECJV JNL

29 March 1989

Dear Jeremy

I am writing as requested to set out the status of my draft effidavit resulting from the section 105 Financial Services Act 1986 investigation into the affairs of Capcom Financial Services Limited ("Capcom") and Futures Advisory Services Limited.

The draft was issued on 20 January 1989 and reflected the results of the enquiries carried out by myself and my partner. Michael Wheeler, which were, as stated in the draft, substantially completed by 22 December 1988. The draft does not therefore incorporate any information on events beyond that date. In five places in the draft, I have, however, indicated by noting in square brackets where amendments may be required to reflect information that was advised to us by Capcom, its solicitors or Mr Akbar's solicitors between 22 December 1988 and the date of issue of the draft. These amendments may need further verification by us before we issue the final version. They principally relace to:

- o Capcom's opinion on the artificial profit transactions
- The proposed arrangements to dispose of Hr Akbar's shares
- o The identity of the individual to whom Mr Akber passed (25,000 in cash

On the basis described above, the draft affidavit is to the best of my knowledge and belief accurate although, as I mentioned in my covering letter of 20 January 1989, we will have to consider the drafting with lawyers before finalization. Hearwhile I have no objection if it is shown on the above basis in its unsworn form in confidence to persons directly authorised by you.

Yours sincerely

Lan

IG Watt

Appendix o an Appendix of Special properties in Special Art Annual States on Household States on Appendix States of Special Art Special Ar

PRAFT AFFIDAVIT OF IAN CLENDINNING WATT

CAPCON FINANCIAL SERVICES LIMITED FUTURES ADVISORY SERVICES LIMITED

POHIBITS

Number	
1	Authorities to investigate
2	Incerviews held
3	Capeom shareholding analysis
4	Directors of Capcon since inception
5	Current shareholders in Capcon Futures Inc.
6	Sale agreement for Sheikh Khalil's shares in Gapcom
7	Gapcom client accounts
8	Capcom revenue analysis
9	Shareholders of the Capital Tund
.0	Deal slips for GESS/FUND and ZITS/FUND transactions
11	Summary of profit switching transactions
17	Deal slips for GOOD/FUND and PERV/FUND transactions
: 3	Agreement between Gapcom and Mr. R, Akbar for the
	settlement of debit belance
	Letter to Middle East Bank from Finley International
	Limiced
_5	Chart of silver price movements
Ó	Client ledger showing trades done by GOOD and ZITS in
	silver
. 7	Documentation supporting \$2.3 million payments to Finley
	by coop
3	Lacter from Hr. Akbar to Shoulb Lakhany of Capcon
9	Copy of Hr. Akbar's desk diary for 12th September 1988
)	Summary of receipts and payments on the GOOD account
×	Newspaper articls on Shakarchi Trading
	Lean agreement between GESS and FAS
	Schedule of movement of looms on FAS property transaction
	Documentation supporting receipt of \$75,000 from Hardeman
	Company Limited

mber

Documentation supporting receipt of \$500,000 from Sandart Limited Summary of receipts and payments on the CESS account Confirmation of receipt of funds by Capcom to Predilect Letter from Almas Holding Limited to Capcom re commission Minutes of meeting held on 12th October 1988 Letter from Almas Holdings Limited to Capcom

CAPCON FINANCIAL SERVICES LTD

AUTHORITY TO INVESTIGATE

- 1. The Securities and Investments Board ("the Board") in the exercise of the powers conferred by sections 105 and 106 of the Financial Services Act 1986 ("the Act") and now exercisable by the Board, hereby authorises the following persons namely HICHAEL WHEELER and IAN WATT both of Peat Marwick McLintock of 1 Puddle Dock, Blackfriars, London EC4V 3PD, to exercise jointly or severally on behalf of the Board all the powers conferred by section 105 of the Act for the purposes of investigating the affairs of Capcom Financial Services Ltd in so far as they relate to any investment business which is or has been carrying on, or appears to be or have been carrying on.
- This authority is given it appearing to the Board that there is good reason to exercise the powers contained in section 105 of the Act for the purposes of investigating the affairs of Capcom Financial Services Ltd.

Dated the 27° day of Cuthy 1988

Signed Jet

Director of Enforcement on behalf of the Board

MH006

CAPCON FINANCIAL SERVICES LTD

AUTHORITY TO INVESTIGATE

- 1. The Securities and Investments Board ("the Board") in the exercise of the powers conferred by sections 105 and 106 of the Financial Services Act 1986 ("the Act") and now exercisable by the Board, hereby authorises the following persons namely MICHAEL WHEELER and IAN WATT both of Peat Marvick McLintock of 1 Puddle Dock, Blackfriars, London EC4V JPD, to exercise jointly or severally on behalf of the Board all the powers conferred by section 105 of the Act for the purposes of investigating the affairs of Capcon Financial Services Ltd in so far as they relate to any investment business which is or has been carrying on, or appears to be or have been carrying on.
- This authority is given it appearing to the Board that there is good reason to exercise the powers contained in section 105 of the Act for the purposes of investigating the affairs of Capcom Financial Services Ltd .

Dated the 27" day of Cutty: 1988

signed it the

Director of Enforcement on behalf of the Board

EXHIBIT 2

CAPCOM FINANCIAL SERVICES LIMITED FUTURES ADVISORY SERVICES LIMITED

INTERVIEWS HELD

DATE	INTERVIEWEE
7th November, 1988	Mr G.R. Khan
15th November, 1988	Mr J. Parry
16th November, 1988	Mr S.Z.A. Akbar
18th November, 1988	Mr J. Party
24th November, 1988	Mr A.K. Puri
29th November, 1988	Mr J. Parry
12th December, 1988	Mr S.Z.A, Akbar
14th December, 1988	Mr A.K. Puri
15th December, 1988	Mr G.R. Khan
19th December, 1988	Mr J. Parry

	Original		Issue in		Issue in	fasue in		Sharcholding
Hams	US SMC	Lianyleia	lune_1244	Iranales	OLL LYRA	lune 1985	Transco	at II Or I TANK
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S F Walferd	ì	(1)	NIL		NIL	NIL		
line Coulc		1	MIL		NIL	HIL		
		11)	-					
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C D S Williams			100,000	(100,000)	NH.	HIL		
E. E. Djawhars			158,000	•	1,350,000	2,250,000	(2,000,000)	1,250 anm
I. I. Russig H			110,800		990 000	1,450,000	(2,500,000)	2504800
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Exhibit 4

DIRECTORS OF CAPCOM FINANCIAL SERVICES LIMITED SINCE INCEPTION

	DATE OF	DATE OF
NAME	APPOINTMENT	RESIGNATION
S.F.Walford	27th April,1984	8th May,1984
A.K.Puri	8th May, 1984	9th Sept., 1988
L.E.Romrell	6th June, 1984	21st Oct., 1988
B.Magness	6th June, 1984	20th Oct., 1988
Sheikh A.R.H.Khalil	6th June, 1984	3rd Feb., 1988
S.J.Szunders	20th June, 1984	19th Nov., 1987
J.C.F.Parry	25th Feb., 1985	
S.Z.A.Akbar	5th Feb., 1985	13th Oct., 1988
S.Serageldin	16th Nov., 1988	
M.R.Stewart	16th Nov., 1988	

Eanibit 5

CAPCOM FINANCIAL SERVICES LIMITED SHAREHOLDERS IN CAPCOM FUTURES INC

	4.
Mr. L.E.Romrell	16
Mr. B.Magness	4
Mr. A.K.Puri or Mrs. A.K.Puri	10
Mr. R.E.Powell	10
Mr. M.Saghir	19
Mr. S.Z.A.Akbar	28
Zask Investments and Trading Limited	9
Capcom Financial Services Limited	_4
	100

Eshibic 6

ACTOTIVES!

South Arabie (Seller) and Syed Ziausdin Als Arbar of 22 Besimphil). Conduct (Seller) and Syed Ziausdin Als Arbar of 22 Besimphil).

MIRES-

- 1: Seller agrees to sell and Buyer agrees to buy 8,250,000(Eight million two hundred and fifty thousand) ordinary shares of (1 dech fully paid). Campy Financial Services Limited (Rogo No 1811895) which are present? Dougd by the Seller.
- his first maillest of those shares are registered in the name of the Seller. The million of these shares are registered in the name of Elsayed Eljakharmos monthes for the seller, one million two hundred and fifty thousand shares are deglistered in the name of Sheaku Kamal Ibranim Adman as nonlines of the Seller.
- The consideration for this sale is the sim of 14,000,000 (four multium counds sterling) payable by bank draft upon execution of this agreement, sy signing this agreement Seller confirms receipt of the Bank Draft.
- of Solver undertakes to execute the necessary transfer forms for those $\delta(\omega) = 0$ requested by this busine.
- . Augst dyream that with the signing of this agreement, Euger will tar. Note from the Switer all the responsibilities of being a Shorobouder of Garden Financial Services Limited. With the signing of this agreement all our premious accounts from 1976 toward nave been fully sociled and we always that we want society with analysis of the significant water order.

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- PRESENCE OF

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May . Micher Challen Noor - Tily

Account radt	Mame	Dote A/C	Type of	FAS Elleni	Pawer of
FUND	The Capital Fund	Sept. 1985	E	YES	NONE
CIEZZ	General Securities Corporation	13/1/1986	8	YES	FAS
0000	EL-Rayon Trading Company	Net keows	E	NO	NONE
PERV	Mr. Parvez Shohid	Not known**	E	NO	NONE
TWDY2	Mr. Reziuddin Ali Akbar	25/10/1984**	, Ē	NO	Mr. Alber
žmš	ZASK Invenments & Trading Ltd.	27/9/1984	Ē	YES	Mr. Alber

* Information supplied by Mr.S.Perrers, Compliance officer, E - experienced

FDOO

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Exhibit 9

CAPCOM FINANCIAL SERVICES LIMITED

SHAREHOLDERS OF THE CAPITAL FUND AS AT WITH SEPTEMBER 1988

NAMES OF SHAREHOLDERS

- S. Khan
- R. Siddiqi
- Lindar Limited
- S. Adham
- F, Adham
- Sara Adham
- N, Adham
- Sheikh K. Adham
- Binham
- Mr. Jamshed Ali
- R.U. Akbar
- Mr & Mrs A. Khan
- A. Jamai Hassan
- S. Akanni
- Assad M. Khawaja
- S. Ayyubi
- Emerprise Express Lid

Exhibit 10

(ETHYU SZYKUKI SZYLY 🛕

DUPL ICATE

ORIGINAL SENT THRU WEST END COURTERS ON FRIDAY, 14TH OCTOBER 1988

SIGNED FOR BY 'BLUTA' OF CAPCOM

edited water on the female or the management of the management of

October 13, 1988

STICTLY PRIVATE AND CONFIDENTIAL

Cascom Financial Services Limited 9-13 St. Andrew Street London [C4A 3AE

Dear Sirs,

PREDELICT INVESTMENTS, BRITISH VIRGIN-ISLANDS

I certify that the above mentioned company is wholly beneficially owned by the Higerian Mational Petroleum Corporation, Lagos, Higeria.

I also certify that the funds of USS9.999.623.00 sent to Capcom financial Services Limited on 3rd October 1988 are in no way related to drugs transactions.

These declarations are made on the mass, of my full personal anomiedge of these facts.

A. Shaller Streeter

Tours faithfullys

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DATE	(PAID)	SIGNATURES	NATURE OF TRANSACTION			
0-Feb- 88	(\$150,000)	DW & AKP	Payment made according to a selex insaruction marked for the ancation of J. Parry from Ahmod Tawfick. Payment made to Shakarchi Trading AG, attention David Mehanne. Shakarchi Trading have according to a recent press article been linked to money laundering.			
liFeb-88	\$1,400,000	DW & PS	Source of funds not known.			
1-Fcb-80	199,770	DW & PS	Cheque drawn to the order of GR Khan			
1-Feb-88	\$6,087		Source of funds not known			
SiFeb BB	\$200,000	BN & AHX	Cheque drawn to the order of Nabil Said Moussa			
5-Feb-84	\$250,000	BN & AHX	Cheque drawn to the order of Sayed Hassan Abdel Hafia.			
6 Fcb-81	\$34,660	DN & AHX	Cheque drawn to the order of Deysa El Dein Akbar			
6 Feb:88	\$200,000	DW & AHK	Cheque drawn to the order of CAPCOM Financial Services Ltd.			
6 Fcb-88	\$10,000	DW & AHK	Cheque drawn to the order of Adel Mikhail Abdel Messik			
7.Fcb-##	\$249,965	BN & AHK	Cheque drawn to the order of GR Khan			
S.Feb.BE	\$700,000	DW & BN	Source of funds not known.			
8.Feb-88	\$400,000	BH & AHK	Cheques drawn to the order of the following -Sayed Hassen Abdelhafiz \$250,000 -Atmod Saleh Sayed Ahmed \$150,000			
8.Fcb-88	\$162,000	BN & AHK	Wire transfer from Mrs F Elsayed Mansi			
# Fcb:##	\$65,500	BN & AHK	Cheque drawn to the order of Nabil Said Moussa			
	I, DW: DERICK WILL IS (HOIJAMMED	св мэглэёсмені ястаны	rani), ATIK.: AKTAR KHAN (cecile controller), PS.: PAUL SNOW, ZA-MR.; AKBAR; B			

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CAPCOM FINANCIAL SERVICES LIMITED GOOD ACCOUNT RECEIPTS AND PAYMENTS FOR THE PERIOD IST LAMILARY, 1918 TO JUST OCTOBER, 1918

DATE	FUNDS RECEIVED (PAID)	SIGNATURES	NATURE OF TRANSACTION		
-Fcb-88	\$28,000	BN & PS	Cheque drawn to the order of 14 agdy Mohamed Soliman		
Fcb-8K	\$6,965	BH & PS	'Cheque drawn to the order of Mr Z Akhar		
Fcb-14	\$1,249,920	BN & PS	Cheque draws to the order of Sahar Mohamed Abou Baltz Aly Lossy		
3-Feb:88	\$500,000	BN & PS	Wire transfer received from Geza Finance Corpf. Telex instruction addressed to J. Parry/ Rafat.		
3 Feb 48	\$1,249,900	BN & PS	Wire transfer received from Egyptian Gulf Bank		
5-Fc b -BB	\$516,384	DW & PS	Cheques drawn to the order of the following -Nabit Said Moussa \$80,000 -Moussafa Eissa Afifa \$150,000 -Aly Abded Ash Rumadan \$149,900 -Said Hassa Abdel Hafyez \$136,484		
5 Fcb #8	\$411,500	DW & PS	Three cheques drawn to the order of Nabil Said Moussa		
5 Fch-88	\$890,000	DW & PS	Cheque drawn to the order of El Rayan Transactions Co		
8-Fcb-RL	\$199,800	DW & PS	Cheque drawn to the order of El Sakes Mohamed		
9-Fcb-KB	\$90,400	DW & PS	Cheque drawn to the order of Aly Abdel Aal Ramadan		
9 Fcb-81	\$1,000,000	DW & PS	Source of funds not known.		
y Feb KK	\$179,400	DW & PS	Source of funds not known		

AKP-AK PURI, DW-DEKICK WILE IS (cx mung cocon accomum), AHK-AKTAR KHAN (credicontroller), PS-PAUL SNOW, ZA-MR-AKBAR, BN-RASHIR MIRMORA MMED

2

CLIENT	FUTURES	FOREIGN Excliange	BULLION	OTHER	TOTAL
	E.000	F.949	£,000	1.000	£'600
AFEX	52	50 r			102
FUND	534	200			7,14
FUND 2	45				45
GESS	78	150		150	178
6000	2.062	1,270	600	185	4,117
HISH		150		,	150
NOTY	264	153			417
PERV 2	59	150	50 ·		219
X-ACCOUNTS	306	200	148	100	754
OTHERS	_214		• ••	100	_214
	1614	2.323	291	433	2.179

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CLIENTS	DATE OF TRANSACTION	FIX DEALING CURRENCIES	TRANSACTION AMOUNT MILLION	CAPCOM'S COMMISSION S	PROFIT MADE FUND \$1408
GESS/FUND	31st March 1988	£/S	18	NIL	36
	27th April 1988	E/S	(10	NIL	40
	23th April 1988	£/\$	125	NO.	125
	23rd May 1982	E/S	140	NIL	700
	17th June 1925	MDM	\$10	NA	275
	27th June 1988	LA	E 40	NJL	320
	28th June 1988	LIS	(2)	MIL	420
	29th June 1988	£/\$	140	NIL.	400
	30th June 1988	£A.	[40]	ML	400
	19th Sept 1988	C/S	(25	NOL	200
	22nd Sept 1988	L/S	£10	NIL	20
	22nd Sept 968	\$/Y	\$10	NIL	15
	23rd Sept 1988	(A	CIS	1,500	104
	27th Sept 1981	M	í.te	ML	58
	TOTAL			1.300	2.613
ZITS/FUND	With Sept 1988	L/S	£30	HIL	120
COOM/FUND	2 had Sept 1988	LS	(9	2,700	35
	27th Sept 1988	Gold	21.000ozs	MIL	1(10)
	TOTAL,			2.700	177
PER V/FUND	28th Sept 1988	Gold	25,000ozs	MIP	109

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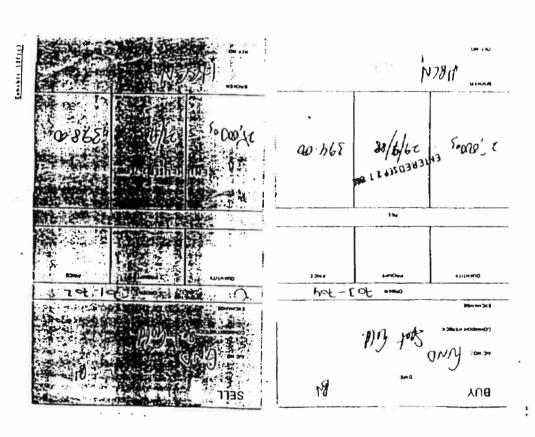
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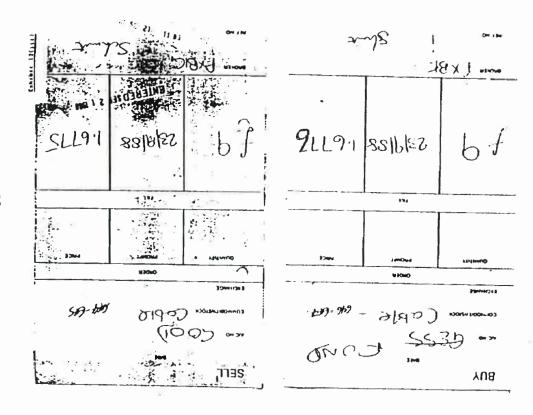
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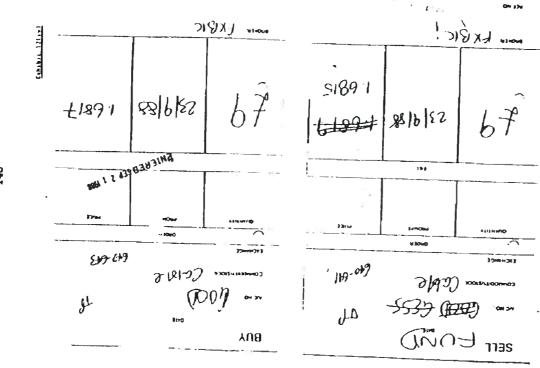
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Exhibit 13

TATA DOLL

is Agreement is made this would day of March 1988 between

FOOM FINANCIAL SERFICES LIMITED of 9-13 St Andrew Street, London EC4A DAE REOKER")

*1

. SYED RAZIUDDIN ALL ARBAR of PO Box 8517, Muttrah, Sultamete of Omeo TCUSTORER")

The CUSTOMER acknowledges that he is the owner of account TWOY2 majorained by the BROKER and that he is responsible for payment of the debit balance is that account.

The CUSTOMER acknowledges that the said debit balance scood at US\$ 15,370,655.87 as at 29th February 1988 and that the balance continues to attract interest at a rate of 21 above the call deposit rate of Masufacturers Manover Trust Company, London for the currency concerned. The CUSTOMER agrees that such interest may be debited to the account.

The CUSTOMER undertakes to clear the debit balance in the account in accordance with the following schedule.

- 1) Vithin 7 days of signing this Agreement US\$ 5,000,000
- 11) 2y no later than 30th April 1986 US\$ 3,000,000
- 111) By no later than 31st May 1988 US\$ 3,000,000
- (iv) By so later than 30th June 1988 the debit helance remaining in the account

CHICED BY THE CTESTONICS

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SCHED ON BEHALF OF THE CONTANT

WE.

Enhibit 14(11)

FINLEY INTERNATIONAL LTD.

ni . s. de F. m Piss Histor Hautur Middler The LAI

13 September 1922

Tourname 01 677 5513 27 377 1426 Teles (8418707 1225) 1 7

The Xenager Nidole East Bank 1 Lomoard Street London ECJ

Dear Sir,

To the debit of our Account 40.047 133 002 with you, kindly pay USSS,500,0007- (Five million five hundres thousand) to Capcom Financial Services Limited, London, account with you, relies 18. Sestember 1928.

Thanks and regards:

Yours faithfully,

517 44 Der

G R Khen

23,280 1,100 16,650

E-mibit 16(111)

FINLEY INTERNATIONAL LTD.

13 September 1932

The Manager Diddie East Bank 1 Lombard Street London III

Der Sir.

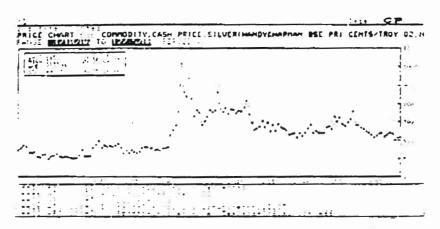
To the depit of our Account No.047 133 002 with you, kindly remit USS2,800,0007- (Two million six numbers thousand) value 19 September 1988, to Trade Development Bank, Geneva, Account ROSES with them.

Thanks and regards.

Tours faithfully,

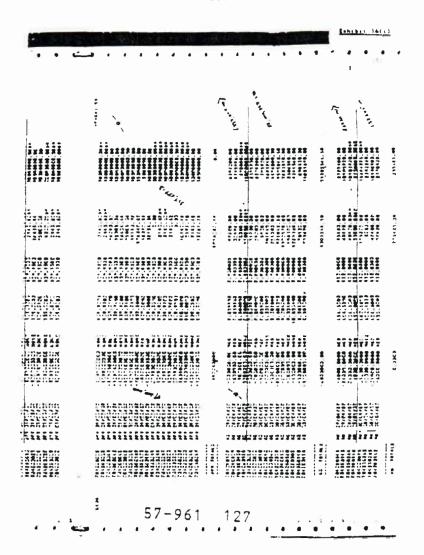
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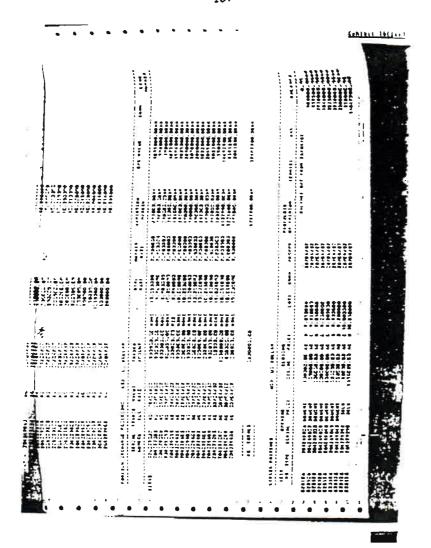


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E=hibit 18

22 April 1988

Mr Shoalb Lexhani Capcom Financial Services Limited 9-13 St Andrew Street London EC4

Dear Sir.

RE. ACCOUNT PERV.

As per the instructions of Mr Pervez Shahid, kindly debit his account with you and issue the following cheques at your earliest:

- 1. USI100.000 TUS Dollars one hundred thousand puty) Fvg. Mr Shemauz Zamen
- 2. US\$1\$3,390-(US Dollars one hundred fifty three thousand three hundred ninety)

Fug. Mr Parvez Shahid

1. USS1.680---(US Dollars one thousand six hundres eightys-ig)

Fug. Mr M R Shan

4: US\$450.000 US Bollars four hundred and fifty thousand |)

Fvg. Mr Raziuddin Aktiar

5. US\$44,930 (US Dollars forty four thousand nine hundred thirty)

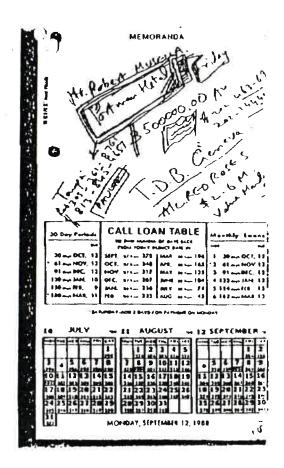
Fvg. M/s Finley international Lid

Thanks and regards,

Yours faithfully.

F.A.N. I have: 107 Civile from Rend, London WY 12 STZ. Te 94 4M 6777. For all 4M febr. The neighborhood and handle handle





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ARP ARPENION DERICK WILLIS (commission accomment) AllK. ARTAR KHAN (cords (mission)) PS PAUL SHOW, PA BIR AKTAR BN BASHIR MURMON (MISSION DE MARIAR BN AKTAR BN AKTAR

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V

CAPCOM FINANCIAL SERVICES LIMITED GOOD ACCOUNT RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST LANUARY, 1981 TO 11ST OCTOBER, 1981

DATE	(PAID)	AUTHORISING SIGNATURES	HATURE OF TRANSACTION
I Feb.III	\$28,000	DN & PS	Cheque drawn to the order of Magdy Mohamed Soliman
2.Feb ##	\$6,965	DN & PS	'Cheque drawn to the order of Mr Z Akhar
3.Fcb.##	\$1,249,920	BH & PS	Cheque drawn to the order of Sahar Mohamed Abou Bakt Aly Lody
3-Fcb ##	\$500,000	DH & PS	Wire transfer received from Geza Finance Corpl. Telex instruction addressed to J. Parry/ Rafat.
3-Feb-88	\$1,249,900	BN & PS	Wire transfer rectived from Egyptian Gulf Bank
5 <u>:</u> Fcb 88	\$516,314	DW & PS	Cheques drawn to the order of the following - Nabid Said Moussa . \$80,000 - Moustafa Eissa Affiri \$150,000 - Aly Added Aal Ramadan \$149,900 - Said Hasan Abdel Hafyez \$136,484
5-Fcb 18	\$411,900	DW & PS	Three cheques drawn to the order of Nabil Said Moussa
5-Feb:##	\$190,000	DW A PS	Cheque drawn to the order of El Rayan Transactions Co.
#_Feb-##	\$199,000	DW & PS	Oveque drawn to the order of El Saket Mohamed
9-Fcb-80	\$90,400	DWARS	Choque draws to the order of Aly Abdel Asl Ramadan
9 Fcb-88	\$1,000,000	DW & PS	Source of funds not known.
9 Fc & ##	\$179,400	DW & PS	Source of funds not known,

ARP-AK PURI DIV. DERICH WILLIS (cs. management accromitant). ARK: AKTAR KHAN (credit controller), PS-PAUL SNOW, ZA. 318. AKBAR. DN. BASIN: HIRMOHAMMED.

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CAPCOM FRANCIAL SERVICES LIMITED GOOD ACCOUNT RECEPTS AND PAYMENTS FOR THE PERIOD IST IAMUARY, 1988 TO 31ST OCTOBER, 1988

DATE	(I'AID)	AUTIONISMO SIGNATURES	NATURE OF TRANSACTION
O Fcb BA	(\$850,000)	DW & AKP	Payment made according to a teles instruction marked for the mention of J Parry from Ahmed Tawfick. Payment made to Shukarchi Trading A.G. attention David Mchanne. Shukarchi Trading have according to a recent press article been linked to money laundering.
l:Fct:88	\$1,400,000	DW & PS	Source of funds not known
i.Fcb-31	\$ 99 .770	DW & PS	Cheque drawn to the order of GR Khan
I Feb RR	\$8,087		Source of funds partanown
5-Feb 88	\$200,000	BN & AISK	Cheque drawn to the under of Nabit Said Moussa
S.Feb.BB	\$250,000	BN & AHK	Cheque drawn to the order of Sayed Hassan Abdel Hafiz.
6 Fc 8 8 8	\$34,660	BH & AHK	Oreque drawn to the order of Deyaa El Dein Akhar
6 Fcb 88	\$200.000	DW & AHK	Overque drawn to the order of CAPCOM Financial Services Ltd
6-Fc6-18	\$10,000	DW & AHK	Cheque drawn to the order of Adel Mikhail Abdel Messih
7 Fc6-88	\$249.965	DN & Alik	Chaque drawn to the neder of GR Rhan
B:Fcb ##	\$700,000	DW & BN	Sowice of funds not known,
\$ Fcb 81	\$ 400,000	вн & АНК	Chaptes drawn to the order of the following -Sayed Hassen Abdelhafiz \$250,000 -Ahmod Saleh Sayod Ahmed \$150,000
8 Feb 88	\$162,000	BN & AHK	Wire transfer from Mrs F Elsayol Mansi.
R. Feb. BR	\$65,500	DN & AHK	Cheque drawn to the order of Nabil Said Moussa

ARP. AR PURIL DW. DERICK WILLIS (co. management accountant). ARK: AKTAR KHAN (credit controller), PS: PAUL SNOW, ZA-MR. AKRAR; BN. BASINR HURMOHAMMED

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CAPCOM FINANCIAL SERVICES LIMITED GOND ACCOUNT RECEIPTS AND PAYMENTS FOR THE PERIOD ISTLANUARY, 1916 TO 31ST OCTOBER, 1916

IMTE	(PAID)	SIGNATURES	NATURE OF TRANSACTION
19 Fcb 81	\$190,000	DW & AHK	Checane drawn to the order of CAPCOM Financial Services Ltd
24,Fc b 88	\$285,000	DW & AHK	Wire transfer from Mahmoud Award draws on BCCL (Overseas) Miami Florida
24:Fc6: 8 8	\$700,000	DW & AHK	Wire transfer from Ayman Abdul Monern Mashhour,
24-Fcb 81	\$7,884	DW & AHK	Chequie drawn to the order of Mr. Z. Akbar
24 Fc6-88	\$200,000	DW & AHK	Wire transfer from Ayman Abdul Monein Mushbour
25-Fcb- 3 8	\$250,000	DW & AHK	Wire transfer from Ayesan Abdat Monoin Masshour.
Mar.RR			
7-Mar-88	\$199,980	DW & AllK	Chaque drawn to the order of El Rayan Transactions Co.
7.My.##	(\$5,000)	DW & AllK	Teles instruction addressed to I Parry from Ahmed Tawfick instructing CAPUOM to pay Mr Silvestic Arcenela, Cadia City, Philipmes
25 Mar. 18	(\$2,300,000)	DW & BN	Amount paid to "GOOD"
Apr. 88			
4.Apr.88	(GBP 195000)	BN & AKP	Payment made to Barrens, Barrens are a firm of solicitors who solicit for the psechaser on the FAS property sale. This sum is equivalent to the deposit FAS received from Barrens as part of the sale consideration.
13-Apr.11	GBP 195000	PS & AHK	This sum was received from EAS and represents the deposit they received from Barrous as part of the sale of their property

1 | Teccived from Barreis as part of the sale of their property

ARP - AR PURI DW DERICK WILLIS (commangement accommuni) AHK - ARTAR RHAN (credit controlled), PS - PAUR SHOW, ZA - NR - AR BAR - BNA

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CAPCOM FRANCIAL SERVICES LIMITED GOOD ACCOUNT RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST JANUARY, 1988 TO JUST OCTORER, 1988

DATE	(PAID)	SIGNATURES	NATURE OF TRANSACTION
7-Aprill	(\$70,800)		Transfer to GOOD account 1ff
1 Apr II	(\$20,611)		Transfer to GOOD account []
7-Apr-38	(\$1,608,965)		Transfer to GOOD account 2
7:Apr 88	(\$5,442)		Transfer to GOOD account 4
7-Apr SE	(\$118,614)		Tennsfer from GQOD account 5
7-Apr.11	(\$51.271)		Transfer to GOOD account 6
1.Apr.EE	(\$204,081)		Transfer to GOOD account 7
ZiApriEE	(\$35,400)		Transfer to GOOD account \$
7-Apr-88	(\$35,400)		Transfer to GOOD account 9
18-Apr-88	(\$42,40)		Transfer from account TARK
IR:Apr-88	(\$7,756)		Transfer to GOOD account 6
18-Apr-35	(\$20,000)		Transfer to GOOD account 4
24-Apr-88	(\$250,000)		Information not available.
7-Apr.88	DM 116300		Transfer from GOOD account 10
7: Apr. \$1	D94 619482		Transfer from GOOD account 2
7-Apr.11	DM 38400		Transfer from GOOD account 4

ARP. AKPURE DIN DERICK WILLIS (c. management accommon). AHK. AKTAR KHAM (credit convolte), PS. PAUL SNOW, ZA, MR. AKRAR RN-BASHIRI HURMONAMMED.
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CAPCOM FINANCIAL SERVICES LIMITED GOOD ACCOUNT RECEIPTS AND PAYMENTS FOR THE PERIOD IST JANUARY, 1988 TO 31ST OCTOBER, 1988

DATE	(PAID)	SIGNATURES	NATURE OF TRANSACTION
7 Apr.11	DM 59150		Transfer from GOOO account #
7. Apr. #1	DM 59150		Transfer from GOOD account 9
26.Apr. 83	(DM 10850)	'	Information and available
7-Apr.##	(Y 18950000)		Transfer to GOOD account 10
7: Apr 88	(Y 9475000)		Transfer to GOOD account El
7-Apr:88	{Y 47075999)		Transfer to GOOD account 2
7. Apr.M	(Y 947500H)		Transfer to GOOD account \$
7-Apr:##	(Y 9475000)		Transfer to GOOD account 9
May AR			
12 May III	(\$172,162)		Transfer from GOOD account ts
12 May 88	\$14,019,534		Transfer from GOOD account 3
13-May 88	1299,090	ZA ÆÐN	Cheque thrawn to the order of Mohamed Abdel Salam Mohamed
1.3-May-88	\$39,930	ZA & BN	Cheque drawn to the order of Salah Abd El Aal Ramadan,
16-May 88	169,965	ZA & RN	Cheque drawn to the order of Musicala Tawfik Abdelfatah

AKP-AK PURIL DW DERICK WILLIS (companyonem accomum). AHK AKTAR KITAN (condicionum). PS. PALR SHOW ZA NIR AKRAR DI HASTIR HURMOTANIMI D

CAPCOM FINANCIAL SERVICES LIMITED GOOD ACCOUNT RECEPTS AND PAYMENTS FOR THE PERIOD IST JANUARY, 1996 TO 31ST OCTOBER, 1986

DATE	(PAID)	SIGNATURES	NATURE OF TRANSACTION
un BE			
17-lun-88	\$45,000	PS & AHK	Wire transfer from Rayan Investment Group drawn on Wesheimer Memorial bank, Houston, Texas.
27-Jun-88	(\$45,000)	BN & AHK	Monics paid to Mohamed Monies Abdul Salams upon the instruction of Ahmed Tawfich, the chairman of El Rayan.
lul 11		1	
15-lul-1	\$4,495,000	BN & AHK	Source of funds not known
Aug-88			
15-Aug-81	\$8,600		Transfer from GOOD account 10
15-Aug-88	(\$431,438)		Transfer from GOOD account 11
15-Aug-88	(\$242,105)		Transfer from GOOD account 13
15-Aug-81	(\$269,356)		Transfer from GOOD account 14
15-Aug-88	\$20,240		Transfer from GOOD account 2
15-Aug-88	(\$40.00)		Transfer from GOOD account 3
15-Aug 88	(\$343.213)		Transfer from GOOD account 4
15 Aug 88	(\$100,460)		Transfer from GOOD account 5

T T AKP. AK PURI, DW. DEBICK WILLIS (cs. Listagement accomment). AHK. AKTAR KHAN (creditermoliks), PS. PAUL SNOW, ZA. MR. AKRAR, BN., BASHR HURMONIAMMED.

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CAPCOM DINANTIAL SERVICES L'IMITEQ GOOD ACCOUNT RECEIRTS AND PAYMENTS FOR THE PERIOD IST LANUARY, 1918 TO JIST OCTOBER, 1918

DATE	(PAID)	SIGNATURES	HATURE OF TRANSACTION
15 Aug- 22	\$46,754		Transfer from GOOD account 6
15 ¹ Aug-88	\$12,350		Transfer from GOOD account 8
15-Aug #8	(\$239,853)		Transfer from account MONI
29 Aug:88	\$300,000	ATIK	Wire transfer from El Rayan
30-Aug-88	\$250,000	BN & AFIK	Wire transfer from Mubarak and Bros Co.
IS-Aug-El	DM 5320	İ	Transfer from GOOD account [4
ISiAwg #E	DM 103		Transfer from GOOD account 2
15-Aug:88	(Y 35305)		Transfer to GOOD account 2
Scp:88			
I-Sep BB	\$100,000	DH & AHK	Wire transfer from CAPCOM Futures Inc.
9-Sep 18	\$999,965	BNAAHK	Wire transfer from CAPCOM Futures Inc.
12-Scp-81	\$300,000	PS & AHK	Wire transfer from CAPCOM Futures Inc.
13-Sep- 84	\$45,000	PS & AHK	Wire wansfer from Mubarak and Bros Co
13:Scp:##	\$193,684	PS & AHK	Wire transfer from CAPCOM Futures Inc.
15 Sep. 88	14,000,000	PS & AHK	Wire transfer from Finley International via the Middle East Rank

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CAILUM FINANCIAL SERVICES L'IMITI D. GOOD ACCOUNT RECERTS AND PAYMENTS FOR THE PERIOD IST IANUARY. 1994 TO 31ST OCTOBER 1914

IMIE	PUNDS RECEIVED (PAID)	SIGNATURES	NATURE OF INANSACTION	
0a:11	\$450.000	PS & AIIK	Wire transfer from El Rayan & Co.	

AKP-AKPURI, DW-DERICK WREIS (ca management accommun). AHK-AKTAR KHAN (credit (produter) PS-PAUL, SNOW, ZA-MR. AKBAR, BM-BASHIR NURMOHANIMED 9

CAPYOM FINANCIAL SERVICES LIMITIQ GOOD I ACCOUNT ROLLAR PECENTS AND PAYMENTS FOR THE PERIOD 1ST FEDRUARY, 1988 TO 11ST OCTOBER 1918

DATE	HUNDS RECEIVED	SIGNATURE	NATURE OF TRANSACTION
	1	J.G	

May IRR			Account apened
E Mar-88	200,000	DW & AHK	Source of funds not known.
1 Mar 88	100,000	DW & AJIK	Wire transfer from Mohamed Abdul Wahab Saleh
# Mari##	250,000	DW & AJIK	Wire transfer from Abdid Wahab Saleh Eldin
# Marc##	174,990	DW & AHK	Source of funds not known, however ordering bank URS Geneva.
# Mar ##	150,000	DW & PS	Wire transfer from Mohd Abdul Wakab Ezziddin.
9 May 22	249,980	DW & PS	Cheque drawn to the order of Mahmoud Salah El Sayed
9-Mar-14	(000,000,0	DW & Alik	Paid to Security Pacific International Bank, New York, Account BCCI (Overseas) Grand Cayman Discussed in section 6 of the report
9 Mar RR	200,000	DW & PS	Wire transfer from Molid Abdul Wahah Et Sayed
In Mar XI	(2,500,000)	DW A BN	Paid to Security Pacific International Bank, New York, Account BCCI (Overseas) Grand Cayman. Discussed in section 6 of the report.
II-Mari88	419,415	DW & AHK	Cheques drawn to the order of the following: -Aly Abdel Aal Ramadan \$125,200 -Said Haran Abdul Haleea \$154,000 -Musufa Tarefuk Abdul Farah \$100,000 -thab Et Din Mahmoud Roushdy \$40,000
14-Mar 88	100.000	DWAPS	Wire transfer from Mohamed Abdul Wahah Saleh

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CARCOM FINANCIAL SERVICES LIMITED GOOD 1 ACCOUNT DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD 1ST FURNIARY, 1914 TO 21ST OCTOBER 1948 TOATE 1 FUNDS RECEIVED (AUTHORISING) NATURE OF TRANSACTION

DATE	(PAID)	SIGNATURE.	NATURE OF TRANSACTION
21 Mar 88	36,965	DW A PS	Cheque drawn to the order of Mitrad Ahmad Mahmoud Altayed
21 Mar 88	25,965	DW & PS	Cheque draws to the order of Murad Ahmad Mahmoud Alsayed.
21-Mar.18	84,965	DW A PS	Cheque drawn to the order of Museafa Tawfik Abdul Finah
21-Mar 88	431,480	DW & PS	Source of funds not known, however ordering bank Egyptian American Bank,
23 Mar 88	47,960	DW & PS	Cheque drawn to the order of Mohamed Hassan Mohamed
23-Mar 88	150,000	DW # b2	Wire transfer from Mahdi M. Salem.
23-Mar-88	191,930	DW APS	Cheque drawn to the order of Mahmoud Abdel Monseif Ahmed Rashed
24 Mar #8	#00.000	DW & BH	Wire transfer from Mohamed Abd El Khalek Ahmed.
24-Mar-\$8	104,305	DW &BN	Cheque drawn to the order of Haseeh Mahmoud Khafifa. Choque drawn on BCC1 (Overseas), Miami, Florida.
14-M±-11	101,905	DW & BN	Chaque drawn to the order of Fadel Mahmoud Ezzat. Cheque drawn on BCC (Overseas), Miami, Florida;
25-Mar-88	19,955	DW & BH	Cheque drawn to the order of Ahmad Mahmoud Hasson.
25-Mar 88	49,995	DW & BN	Chaque draws to the order of Blar El Dis Mahmoul Ribishoy.
25 Mar 88	249,770	DW & BN	Cheque drawn to the order of Mohamed Abdel Khalek Ahmed
25 Mar 88	599,947	DW & BN	Funds transferred from Brenchase,

ARP: AR PUBLI, DW: DERICK WILLIS (commiscenced accommuni), AHK: ARTAR KHAN (crofit computer), PS: PAUL SNOW, ZA: MR: AKBAR, BM: BASHIR NURMORPHMED

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CAPCOM FINANCIAL SERVICES LIMITED GOOD JACCOUNT DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD IST FEBRUARY, 1248 TD 31ST OCTOBER, 1548

DATE	(PAID)	SIGNATURE	HATURE OF TRANSACTION
21-Mar 88	49,915	® NE AWG	Cheque draws to the order of Ashraf Ali Mohammed
28-Mm 88	200,000	DWABN	Wire transfer from Abdul Wahab Salam
29.Mw.1E	150,000	DWABN	Wire transfer from Mobil Shafi Ezzaidin
29-Mar 88	440,000	DWABN	Cheques drawn to the order of: -Alened Ahmed Ahdul Fattah \$350,000 -Fikri Hakem Armis \$90,000
Apr. II			
4-April\$	6,601		Source not known,
4-Apr.88	84,965	ВН	Cheque drawn to the order of Mustafa Tawfik Abdel Farak.
4-Aprill8	71,950	BN	Cheque drawn to the order of Musials Tawfik Abdel Falah
4.Apr. #8	∴6 9 ,965	NO THE	Cheque drawn to the order of Nabeel Said Mousa
4-April 1	31,965	BN & DW	Cheque draws to the order of Mustafa Tawfik Abdel Fatah
4;Apr-88	49.965	BN & DW	Cheque drawn to the order of Murad Ahmad Mahmoud Ahayed.
4-Apr-11	49.965	BHADW	Cheque drawn to the order of Murad Ahmad Mahmoud Alsayed
4-A pr. 18	42,465	8N 4 DW	Cheque drawn to the order of Murad Ahmed Mahmoud AlSayed
4. Apr. 83	39,965	HH A DW	Cheque drawn to the order of Murad Ahmed Mahmoud AlSaved

AKP. AK PURI, DW. DERICK WILLES (cs management accountum), AHK. AKTAR KHAN (redisconnelles) PS. PALB, SNOW, ZA. MR. AKBAR, RM. BASHIR NURMOHANIMED.

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CAPCOM I MANCIAL SERVICES LIMITED () GOOD I ACCOUNT DOLLAR RECEITES AND PAYMENTS FOR THE PERIOD IST FERRILARY, 1988 TO 31ST OCTOBER, 1988

FUNDS RECEIVED AUTHORISING (PAID) SIGNATURE

(PAID)

l-ApriBB	19,965	BNADW	Cheque drawn to the order of Mustafa Tawfik Abdel Fatah
I-April8	28,465	BNADW	Cheque drawn in the order of Saher Mohamod Ahmad
4 April 8	24,965	BN & DW	Cheque drawn to the order of Saber Mohamod Ahmad,
S Apr RE	500,000	BN & DW	Funds transferred from Brenchase,
S-Apr-BL	150,000	BN ♣ DW	Wire transfer from Mohd Yousef Salem.
7-Apr-88	699,985	BN & DW	Whe transfer from Islamic International Bank
7-Apr:88	699,940	DW & PS	Cheque drawn to the order of Et Rayan & Co.
7-Apr-88	150,000	PS & AHK	Source not known
I:Apri 88	10,000		Source not known
I-AprillE	200 000	PS & AHK	Wire transfer from Mohamed Abdulasi Abdul Magsood.
l April1	50,000	1	Source not known
II-Apt:88	26,965	AHK & PS	Cheque drawn to the order of Sayed Mostafa Abd El Fatah.
Raing A-11	52,965	AHK & PS	Cheque drawn to the order of Mirrad Ahmed Mahmoud AlSayed.
L:Apr:88	(10,000)		Information not available
HA-rep. ST	200.000	AHK	Wire transfer from Ahmed Ahmed

NATURE OF TRANSACTION

AKP-AK PURI, DW. DERBCK WRIEIS (cs. manapement accommun). AHK. AKTAR KIJAN (coedis continue). PS-PAUL SHOW, ZA: MR. AKRAR "RN-BASHIR NURMON/AMMED.
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CAPCOM FRANCIAL SERVICES LIMITED

GOOD 1 ACCOUNT

DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD IST FEBRUARY, 1918 TO 31ST OCTOBER, 1918

DATE	FUNDS RECEIVED (PAID) S	SIGNATURE	NATURE OF TRANSACTION
l 1-Apr-M	172.990	AHK A PS	Source and known
13-Apr-88	130,000	AHK & PS	Wire transfer from Muhanna Khella Barsourn.
14:Apr-88	317,690	AHK & PS	Source not known.
15-Apr-10	124,930	AUK	Cheque drawn to the order of Atel Abbid Malak,
IS-Apr-BB	499,985	AHK	Wire transfer from Mohamed Abd El Khalek Ahmed
19-Apr-88	11,559	AHK & PS	Cheque draws to the order of Moustafa Eisa Affify,
19-Apr 81	99,935	AHK & PS	Cheque drawn to the order of Ahmad Tawfik Abdel Fanah
19-Apr: \$8	149,955	AHK & PS	Cheque drawn to the order of Ahmad Tawfilt Abdel Fattals
20 Apr 81	199,930	AHK & PS	Cheque drawn to the order of Salah Abdel At Ramadan
20 Apr 88	299,930	AHK & PS	Cheque drawn to the order of Habil Sald Moussa.
21-Apr:\$\$	1999,980	AHK & PS	Cheque drawn to the order of El Rayan & Co.
21-April4	399,985	AHK & PS	Cheque draws to the order of Mohamed Abd El Khalek Ahmed
22-Apr-\$\$	500,000	AHK & PS	Money transferred from Brenchase,
25 Apr #1	25,465	BN & PS	Cheque draws to the order of Saher Mohamed Ahmad
25 Apr BR	34,465	BN & PS	Cheque deawn to the order of Ahmed Jad Al Karim Abdul Nahi

25 Aprill 34,465 | HIN & PS | Complicion and in the control of the

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CAPCOM FINANCIAL SERVICES LIMITIU GOOD 1 ACCOUNT DOLLAR RECEIPTS AND PAYMENTS FOR THE BERROO IST FERRUARY, 1994 TO 21ST OCTOBER, 1994

DATE	(PAID) 3	SKINATURE	NATURE OF TRANSACTION
25 _: Apr-88	49,965	BN & PS /	Cheque drawn to the order of Musiala Tawfik Abdel Finiah.
25-Apr 88	49,965	NN A PS	Cheque drawn to the order of Mustafa Tawfik Abdel Fattab.
25 Apri-88	74,965	BNAPS	Cheque drawn to the order of Mustafa Tawfik Abdel Fattah
25-Apr-88	74,965	BN & PS	Cheque drawn to the order of Mustafa Tawfik Abdel Fattah
25-Apr-NI	99,980	BN & PS	Cheque drawn to the order of Essam Eldin Mohamed Emam
25-Apr-18	134,965	BN & PS	Cheque drawn to the order of Musicala Tawffe Abdel Fattah.
25-Apr-88	299,980	BN & PS	Cheque drawn to the order of Mahmoud Hamad Nehamed.
27-Apr 88	125,000	BN & PS	Wire transfer from Mohamed Abdul Aziz Magsood.
28-Apr-88	95,000	BN & PS	Wire transfer from Fikri Hilmy Amices.
29-Apr-88	180,000	AHK & PS	Source not known, however funds transferred from Alahli flank of Kuwa
May H			-
2-May-88	199,930	AHK & PS	Cheque drawn to the order of Hosny Helmy Ahmed.
3-May-88	1.705,000	AHK & PS	Money transferred from Brenchase,
4-May-II	149,955	AHK & PS	Cheque draws in the order of Mohammad Abdul Khalek Ahmad
4-May-RR	499,985	AIBK & PS	Wile transfer from El Rayan & Co

AKP- AK PURL DW: DERICR WILL IS (cx management accountant); AHK: AKTAR KHAM (credit contention); PS: PALE SNOW, 2A: MR: AKBAR, BN: BASHIR NURMON AMMED.
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CAPCOM FINANCIAL SERVICES LIMITED GOOD I ACCOUNT DOLLAR RECEIPTS AND PAYMENTS FOR THE FERIOR IST FERBUARY, 1986 TO 31ST OCTOPER, 1986

I MATE | THUNDS RECEIVED LAUTIKARISING

	(PAID)	SIGNATURE	TOTAL TRANSPORTE
5.May-88	399,980	BN & PS	Cheque drawn to the order of Salah Abdul Aal Ramadan
SMiy:11	299,930	ON & PS	Cheque drawn to the order of Sami Abdel Hamid Abdallah
5 May-88	149,980	BN & PS	Cheque drawn to the order of Muhamed Abd El Salan Nohamed
6 May 11	119,880	BN & PS	Cheque drawn to the order of Aly Abdul Aal Ramadan,
9:May:RE	8,226	AHK & PS	Cheque drawn to the order of Hoda Hasan Hasana
9-May-88	74.930	AHK & PS	Cheque drawn to the order of Sherif Sadek Abdul Kader
May St.	114,890		Source not known
H May-88	284,930	BN & PS	Cheque drawn to the order of Suwaiten Masoud All
12:May: 34	49,965	BN & PS	Cheque drawn to the order of Ahmed Jad Alkarim Abdul Nabi.
12 May 14	15,465	BH & PS	Cheque drawn to the order of Ahmed Mohamod Bassan Al Adf.
12-May-18	18,965	BN & PS	Cheque drawn to the order of Ahmed Mohamed Hassan Al Aifi,
12-May-88	(14,019,534)	PS.	Balance transferred to account GOOD.

HATURE OF TRANSACTION

AKP-AK PURL TIM. DI RICK WREIS (communication accommunication) AHK. AKEAR KHAN (code consider) IS PAUL SHOW ZA. HR. AKEAR BN. BASHIR PRIMODEN HAIFO

CAPCOM FMANCIAL SERVICES LIMITED GOOD I ACCOUNT DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD IST FERRUARY, 1988 TO DIST OCTOBER, 1988

DATE	(PAID)	SIGNATURE	HAITURE OF TRANSACTION	
Jun 88	1	1 1	No movement in finds.	
hal 88			No movement in funds,	

AKP. AK PURI, DW. DERICK WILLIS (cr. management accountant); AHK. AKTAR KHAN (cr. discensiolite); PS. PAIR, SNOW ZA. MR. AKRAR; RN. RASHIR NURMO: AMMED.

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) V LE	(PAID)	SIGNATURE	NATURE OF TRANSACTION
\Apr-11			Ассоня opened
11-Apr 88	(2,300,000)	DW & PS	Paid on Finley, Discussed in section ?
May 88	1 1		
-May 88	909.818	AHK & PS	Funds transferred from Brenchase Limited.
6-May RE	1,000,000	AHK & PS	Wire transfer from Islamic International Bank
9-May-14	218,000	BN & PS	Funds wansferred from Brenchase Limited.
12-May-88	172,162		Transfer to account GOOD
May 1988			Account clased
		LI LI	250

ARP. ARPUR, DÍV. DERROK WILLES (ex monoperiore accriminari). AMR. ARBAR KEIAN (cicle (minifici): PS. PAUL SNOW, ZA. MR. AKBAR JAN DASHRI MIRMOHANIMED.

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WALL STREET JOURNAL/EUI

Swiss Agree to Speed Up Money-Laundering Bill

RERNE (Reuter) - The Susar Puleral Council agreed to space up Justice Minister Elitabeth Kopp's pines to reate money Marehering a crime.

Mrs. Keep mid her meetry weak produce a draft hav to be self to partiament by next spring, making it as offense positishable by an enach as five years' imprisonment in contend the cryotism arigin of meney.

Referring to the discinsive by public prosecutors this month that 1.5 billion foreign many many have been clearly many may have been clearly the drug memory may have been clearly the abovers clear that we many interesting in Switzerland has reached a scale which makes it abovers it is a processed in the introduction of a cravallar law."

mirroduction of a crystical law."

The lainer acandal has proved as subhartnessings to Mrs. Kepp. Usual October, her horboard, Hans, was vice charmans of a Eurich Poshcial Uniting company that prosecutions were quested as stying had handled money from Lubanese drug synughters. Both he and the company, Shaarthi Trading Us, denied the allegations and he charges have been brought against other;

The money-in-undering measure will be spite off trues a general revision of Swite criminal law due in the next reyears. As a result, it will become insomer, but probably not before 1910.

Some banks have criticized prolingnary drafts of the law, which they used failed to distinguish between deliberate and orginal money hundering. They also object to prolice-type functions being imposed on banks.

Exhibit 77(i)

GEHERAL SECURITIES CORPORATION

NAME bis Avenue Krieg 1208 Geneva Suisse

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may desire from time to time.

5) This lean shall be repaid upon demand but it is emplaaged, without prejudice to the foregoing, that full repayment will be made within times, years of the date of this agreement.

SIGNET CO. SEMPLY OF ... General Securation Corporation...

Mi Grade Ringgariaeng Avter, in en drat 44 3s., sendes Afres 1202 GENEVE Joi, (512) 42 52 52

SIGHED ON BEHALF OF . FULURES Advisory, Services Little

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LECALISATION DE SIGNATURE :

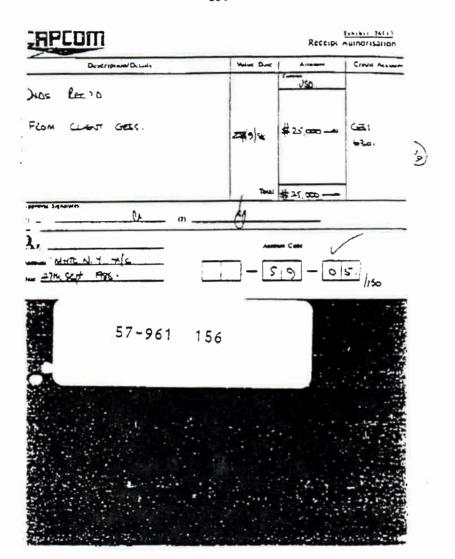
Vu par Me Robert-Pascal FONTANET, notaire à Genève, soussigné, pour légalisation de la signature apposée ci-dettus par Madame Cécile RINGGENBERG. Genève, le 17 février 1987



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CAPCOM FINANCIAL SERVICES LIBRITED CESS ACCOUNT STERLING RECEIPTS AND PAYMENTS FOR THE PERIOD LIST FERRUARY, 1996 TO 31ST OCTOBER, 1996

DATE	(PAID)	SIGNATURE	NATITURE OF TRANSACTION
4th Feb	(4,000,000)	A KP/FS	Funds paid to Sheikh Khalil in past or final settlement of the sale of shares in Caperon. Discussed in full to section 2
104 Mar	(3,000)	AKINDW	* Cheque cashed by Mr Akhar.
26th July	(15,000)	ZAMEN	Cheque cashed by Mr Akbar.
26th July	100,000	ZAJBN	Funds received from Kingsley Napley.
I fish Aug	1,290,797	PS/AHK	Funds received from FAS. These funds were part of the proceeds from the so of the FAS property and west remitted to Capcom in settlement of outstanding leans to GESS and Sheith Nounablin. Discussed in full in section 11
17th Aug	(25,000)	ZAJBN	Choque cashol by Mr Albar,
24h Aug	360,000	AHIKIZA	Amount credited following the cancellation of a chaque made poyable to Arafa Trading & Contracting Establishment. Discussed in full in section &
2 014 Sepi	(5,000)	AIW/ZA	Choque eashed by Mr Akbar.
76th Scpt	(13,859)	AF#K/ZA	Pald to Barretts. Barretts acted at the solicitors to the purchasers of the FAS property.

AKP-AK PUBLID¹⁸. DERICK WILLIS for management accounting), AHK-AKTAR KHAP (curda controller), PS-PALE, SNOW, ZA: MR. AKBAR (BM. BASHR PURMORÍA MAREO

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CAPCOM FINANCIAL SERVICES LIMITEQ GESS ACCOUNT DOLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD LIST FERRUARY, 1988 TO JUST OCTOBER, 1918

DATE	(PAID)	SIGNATURE	NATURE OF TRANSACTION
lim Feb lim Feb	52,600 356,250	DW/PS DW/PS	Both these cheques were made payable to Mr R. Akbar, the original punts having been credited to account I FRV. Discussed in full in section 7.
Ph Fcb	(619)	BN/AKP	Paid to CTTCO
29th Feb	10,772	BNVALIK	Funds received from Irving Trust Co.
15th April	(5,500,000)	BNAHK	Surn paid Securny Pacific Enermational Bank, New York, Account BCCI (Overseas) Ltd. Discussed in full in section 6.
20th April	(125,000)	BN/AIIK	Paid to Mcliico Call account, ANZ Bank (Vannetu) Lid
27th April	231,987	BH/PS	Funds received from Brenchase,
19 4 M ay	265,400	PS/AHK	Information not available
Жф М эу	125,000	PS/AIHK	Funds received from ANZ Bank McBourne,
tóm Junc	(975)	PN/ZA	Paid to International Trust Cg. Liberia
Ad July	(20,000)	PS/AHIK	Paid to Richard Fear,
Sith Puly	25,000	PS/AHK	Received from CFI.
lst Scpt	(6,000)	PSJAHK	Half yearly fee paid to Kerry Fox in he position as a director of the Capital Fund
Ids Sept	(30,000)	BNARK	Paid to Barclays Calen
14th Sept	500,000	PS/AHK	Received from Sandari Ltd. This sum as we are informed been investigately 11 M. Custonis & Fische - Discussina full in Section R

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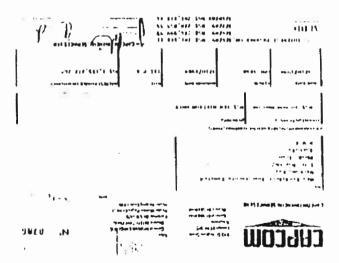
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GUSS ACCOUNT CUSS ACCOUNT COLLAR RECEIPTS AND PAYMENTS FOR THE PERIOD IST FFOR VARY 1988 TO TIST OCTOBER 1988

DATE	(PAID) (PAID)	SIGNATURE	NAISIRE OF TRANSACTION
16th Sept 19th Sept	1,000.000 10,000,000	PS/АНК PS/АНК	Funds remitted by Finley from the Middle East Bank. According to Mr. Abbat these funds were in cover the losses made by GESS when covering GOOD's position in silver in 1987. Discussed in full in Section 7.
19th Scpt	5,500,000	РЅ/АНК	Funds remitted by Finley from the Middle East Bank, According to Me. Abbar these funds were remitted as a loan to account GESS. Discussed in full in Section 7.
22nd Sept	(2,000,000)	PS/AHK	Paid to CFI.
23rd Supt	1,950,000	PS/AHK	Funds received from CFI. According to Mr. Akbar, these funds were incorrectly credited to account GESS. The flunds were received by Capcom in settlement of their sale of shares in CFI. Discussed in full in Section II.
28th Sept	25,000	PS/AIIK	Funds received from Elardeman End, it is this sum that is specifically mentioned in the indictinent. Discussed in full in Section it.
6th Oct	(500,000)	PS/AIIK	Return of funds received on 14th September, 1988.

ARP-AR PUBLISM DERBOR WILLES (or management accounters), ATIK-AKTAR KITAN (circles consoller), PS. PAIR, SNOW 7A. MR. AKRAR, BN-BASTIRI NURMORI AMARI D.
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PRIVATE AND CONFIDENTIAL

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Tribber 4, 1982

Seen Tri lester.

we refer to the discussions the uncarsigned had with you regarding obtaining funds for Concom financial dervices from Predilect Investments limited, wickems Cay, P.D. Sox \$62, Boar Tinh, Tortoia, British Yingin Islands to the weap of the services of the property sum, and this would be asid to us quarterly.

As you are sween, the first transhe of using Million has been credited to your account with Manhapturers managed Trust, New York. We should appreciate of you would kindly forward to us the requisite receipt so that we can pass it on to our clients, Predilect Investments Limited. Please note that interest for Predilect should be pass to:

famulacturers renover Trust, New York for Osterretchische Landerbank AG. Vienna

for credit of Preditect Investments Limited USD Sub Account CAPCOM 134-170-054/52/200

Hease also note that our 2% should be remisted eventerly to:

loyds Banc Pic ine Smannt Plaza 39 Water Street ew York New York 12039

ew York, Sea York 12022

or credit of Llayes Bank Pic + Swiss Cottage Branch 145 Finchiey Road London (Va) 500 For JSD Account No. 11827210 - Aimes Holdings Limited

a showld socrecists of you would kindly acknowledge your agreement of less terms and reserved of these instructions by signing and returning me enclosed dony of this letter.

anesue ice

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QUESTIONS FOR ROBERT MAGNESS

- 1. When you first met Hr. Akber in the summer or early fall of 1983, whom did he identify as his "wealthy Arab clients"?
- 2. How did Mr. Akbar represent himself to you? Did he indicate to you at that time that he worked for BCCI?
- 3. Prior to meeting Hr. Akbar what did you know about BCCI?
- 4. Did Kr. Romrell introduce you to Mr. Akbar? Was he present at your meeting with Mr. Akbar? What was the date of the meeting?
- 5. What were the "prior, reportedly satisfactory business dealings with Akbar" engaged in by Romrell?
- Did you understand from Mr. Rowrell that he had conducted any business with BCCI? Did he specify any business dealings with BCCI at that time or at any later date?
- 7. For whom did you understand Mr. Puri worked?
- E. Was the other person who accompanied Mr. Akbar and Mr. Puri at your meeting in 1983 a men or a woman? What was the nationality of this individual? For whom did this individual
- 9. How did you learn that Mr. Akber had made or arranged certain Colorado investments for his principals resulting from the trip?
- 10. Who approached you to invest in the Steamboat Springs condominium project?
- 11. How much did you invest?
- 12. Who at BCCI arranged the financing for the Steamboat Springs condominium project? Please specify the names and locations of each person at BCCI with whom you dealt in connection with this project, and their role.
- 13. What was the amount of financing provided by BCCI?
- 14. Now did you communicate with BCCI concerning this project? Were any Arab investors involved in this project? If so, please identify each one.

- 15. Prior to your investment in the Steambost Springs condominium project, had you ever financed an investment with a Middle Eastern bank? If so, please identify each one.
- 16. Where is Winterwood Associates, Inc. incorporated? Please identify the directors of Winterwood Associates.
- 17. When was the loan from Winterwood Associates paid off?
- 18. Where Is Amigo Farms, Inc. incorporated, Please identify the disrctors of Amigo Farms Inc.
- 19. Whom at Amigo Farms Inc. arranged for a line of credit from BCCT? In what amount?
- 16. How did Mr. Romrell describe the financial brokerage firm in London when he first approached you for start-up rapital?
- c1. "Who did he identify as the other investors? Please be as specific as possible, identifying each individual by name and nationality."
- 22. Did Mr. Romrell indicate to you that Mr. Adham had been former chief of Saudi intelligence? If not, when and how aid you learn this information?
- On what basis did you come to the conclusion that the nvestment in Capcom "seemed to make economic sense"?
- 4. Do you know Mr. Kerry Fox?
- §. What did you understand Mr. Fox's role to have been in appoint?
- 5. In 1986 you "dropped in on at the offices of Capcom in ondon." What was the purpose of your trip to Europe?
- 7. Why did you visit the offices of Capcom? Did you arrive nannounced or had you contacted Capcom prior to your rrival?
- 8. Did Hr. Abedi or Hr Naqvi, or any other BCCI officer, ttend the Christmas party?
- 9. Please describe the dates and substance of any assunications you have had with Sheik Khalil.
-). Prior to your investment in Capcom, had you ever invested τ any commodity futures firm?
- . What can you recall from any of the "periodic poversations" you had with Mr. Romrell concerning Capcom?

- How many conversations did you have? What did you discuss specifically?
- 32. Do you know or have you ever met Hohammed Rahim Irvani, Ali Irvani, or Bahman Irvani? If so, please specify the circumstances.
- 33. Do you know or have you ever met Clark Clifford? If so, please specify the circumstances.
- 34. Do you know or have you ever met λ lfred $\mathtt{Hartman7}$ If so, please specify the circumstances.
- 35. Did you ever take out any loans from Capcom, or any Capcom affiliate. If so, please specify the purpose of each such loan, the date inturred, the amount of the line, the terms of the loan, the date the loan was repaid, and the source of funds for repayment of any such loan.
- 36. What was the source of funds for the \$90,000 you invested in Capcom? Did you take out any loan for any portion of this investment?
- 37. Did you receive any payments or gifts of any nature whatsoever from Capcom, its affiliates, officers, or directors since the late summer or early fall of 1983?
- 38. Please identify all financial transactions pertaining to Capcom involving more than 55,000.
- 39. Do you know Charles Howard? If so, please specify the circumstances. In the event you have undertaken any business or investment activity with Mr. Howard, please identify the name, date, and nature of the activity.

.

Bob Magness 4725 S. Holly St. Englewood, Co. 80111

May 12, 1992

Senator John Kerry of Massachusetts United States Senate Washington, D.C.

Dear Senator Kerry,

I understand from members of your staff that the Subcommittee that you chair is looking into BCCI and has questions about an English commodity futures brokerage firm called Capital Commodities Dealers Ltd. ("Capoom") that your staff thinks I might be able to answer. I would like to help. Therefore, after consultation with the staff, I provide this letter because your staff indicates that you do not wish to burden sources of information unnecessarily. I nope you concur, in light of the information provided in this letter, that any further information required of me can be provided informally.

What I understand about the Subcommittee's interest is serived from discussions with Nessts. Devid McKenn and sonathen Miner of your staff. The focus is on what I knew, by virtue of being a director of Capcom or otherwise, about apcom and its relationship with BCCI. In October 1988 apcom was indicted by a federal grand jury in Tampa, storida for money laundering activities with which BCCI was allowed by a sociated. Thus I understand why given the subcommittee's interest in BCCI, it might want to know about apcom and my association with it.

Actually, there is not a lot I can tell about Capcom and my association with it.

A business associate of mine, Larry Romrell, had had some prior, reportedly satisfactory business dealings with r. Akhar involving the sale or financing of some ski resort roperty Larry had developed. Larry described Rr. Akhar as banker in whom he had developed some trust and confidence. do not recall that Larry, or Mr. Akhar, mentioned which sank Mr. Akhar was with. Even had he mentioned ScCI it could have meant nothing to me at the time. I knew nothing

about BCCI. Lerry and I were interested in selling certain ranch properties in which we owned an interest. He thus thought I might want to meet Mr. Akbar as a prospective

I met Mr. Akbar on only two occasions and I believe I spoke with him on only one other occasion by telephone. I first met him in the late summer or early fall of 1983 when he came through Denver to look at some possible investments in Colorado ranch, ski resort or commercial office properties for one or more of his clients. This was a period when there was a lot of reported investment activity by oil rich Arabs in the United States generally, and Colorado in particular. He did not identify his clients to me.

All I recall of the meeting is this. Returning from a trip to visit farms and ranches owned by my associates and myself Larry and four of our farm associates brought Mr. Akbar to my office in Denver with a young colleague, Mr. Puri, and perhaps two junior colleagues, about whom I have no particular recollection. Mr. Akbar was introduced as an investment representative and adviser to several wealthy clients. My impression was that Mr. Puri worked with or for Mr. Akbar. Since there were nine or ten of us in the meeting, we only had a brief conversation about Colorado and the ranches. Then, Larry Romrell and Bob Saffell took Mr. Puri and one of his party to see a condominium project in Steamboat Springs. They felt that the condos were too small an investment for them. While no sales resulted from their visit they did indicate an interest in financing this project for a U.S. Group.

The financial proposal to finance the purchase of the Steamboat Springs project was on terms that I thought of as commercially attractive, although not unusually so, a secured lean one percentage point over the quarterly London Interbank rate. Once that financing was in place, at Larry's invitation, I joined with Larry and a mutual real estate broker friend as a 31.33% investor in the fourteen condominiums in January 1984 through an entity, Winterwood Associates, Inc., a Colorado corporation. SCCI leaned \$2,000,000. for the Winterwood project. Some months later, another venture in which I have a 33.33% interest, Amigo Farms, Inc., another Colorado corporation, arranged for a \$180,000. line of credit with SCCI on comparable terms. Those two borrowings are the full extent of my business dealings with SCCI. All communications and negotiations with SCCI about their initial financing of these ventures was conducted by Larry. I had no previous experience with SCCI or any Mideast hank or bankers. In neither of these investments were there any Mideast investors or directors.

About June 1984, sometime after Mr. Akhar's trip to

Denver, Larry Romrell told me that Mr. Akbar or Mr. Puri had invited him. and me if I wished, to join with other investors and provide a one-percent shere of the start up rapital for a financial brokerage firm in London to trade for their existing clients and new clients. After a brief discussion of the prospects for the venture with Mr. Itemsell, I agreed to buy a 1% interest for approximately \$15,000. I really don't recall very much of the details of that Larry discussed with me about the new firm, where than that Mr. Akbar or Mr. Puri expected it to succeed on the mass of their ability to persuade their existing stable of clients and others that they would attract, to trade through to I understood that my subscription price was the same as the other investors. I was not offered nything for my investment beyond the interest in Capcom. or was I offered anything as an inducement to become a emper of Capcom's board of directors. I simply understood has board was to be made up of the investors. I do not ecall whether the other directors were identified, although this possible they were. I do not recall mention of a Mr. dham and/or that a director was a former chief of Saudi ntelligence.

Although I had never before invested in a commodities utures firm, I did decide to invest in Capcom for no reason ther than my concurrence in my colleague's view that the nvestment seemed to make economic sense. If Mr. Akbar and r. Purl had the clientel they were thought to have, it sends a pretty good basis for such a venture. The nvestment itself involved a very small portion of my net orth. As it turned out, that was a good thing since I lost very penny I invested in Capcom, a total of about 590,000. hich I borrowed from a local Denver bank. Your staff have sked whether I sver received any payments or gifts of any iture whatsoever from Capcom, its affiliates, officers or receives since the late summer or early fall of 1981. The maly gifts I ever received were a Parker pen at Christmas and a watch at our first meeting, a customary tradition of presigners who bring a gift when they first meet you in erson. Meither of these gifts were expensive. The obvious (ception is my colleague Larry Romrell and in that instance othing out of the ordinary given that my family and his slow a close personal relationship.

In September 1985, my first wife died in Frankfurt, srmany on a Sunday. At the request of Larry, Mr. Puri ired, as I recall, \$100,000 from Capcom to me in Frankfurt n Honday morning in case of emergency expenses. Due to the sone differences money wired from Denver would not have crived until Tuesday. As it turned out, the money was not equired and returned to Capcom in two or three days.

Insofar as my involvement in the business of Capcom is oncerned, that is also rather straightforward. I had

virtually no involvement in the business as a one-percent sharsholder. I transacted no business with Capcom. The only role I ever played was as one of the members of Capcom's Bears of Directors. Even as to that, I never was required to attend a single secting of the Board of Directors, and I never did. I did periodically receive requests to approve, by proxy or signature, rather routine corporate resolutions, mostly opening accounts and the like, and I did that. I also received a few reports from time to time. They consisted entirely of financial statements from Capcom's auditors — who were Arthur Anderson & Co. — occasional board minutes and periodic oral reports from Mr. Rowrell. All of these conveyed apparent normal progress of a lawful business.

Your staff have also asked if I have had any personal or business dealings with any of the directors of Capcom (other than of course with Mr. Romrell). The answer is no except that I met with Mr. Puri a couple of times during his visits to the U.S. Morsover, except for the social event described below, I do not recall ever meeting or communicating with Sheik Khalil. I did not ever meet Sheik Pharon, or Mr. Adham, or anyone identified as their associate. My only contact is that we were all directors of Capcom at some point. I understand that you have gotten a separate report from TCI that affirms the lack of any business relationships with TCI and any of these men or their known affiliates.

In December 1986 on a return trip from Europe totally unrelated to anyone or anything connected with BCCI or Capcom, Larry and I visited the offices of Capcom in London. What I saw there was wholly consistent with the impression I previously had from the auditors' reports and from Mr. Romrell. It was a busy fairly modest trading office, with people apparently earnestly engaged in their trade. As it was the holiday season, Larry and I and our families joined a Capcom employee Christmas party that night. I do not recall meeting a Mr. Abedi or Nagvi or anyone I understood was a BCCI officer that evening or thereafter. Rr. Akber, Mr. Puri and Sheik Khalil were there, but no business was discussed in my presence. Since wives and children were present, it was a purely social evening for us.

I never visited the Chicago offices of the Capcom affiliate that was on the Chicago board of Trade. I was not a director or officer of that entity. Insofar as news reports of me investing in that firm, what I think actually happened was that the shareholders of the London firm were allocated shares of the Chicago sussidiary by virtue of their ownership of the London firm. In any event, it is my clear recollection that the only money I invested in any capcom entity was the \$90,000 I ultimately invested in the London unit.

As I mentioned, I believe I only had one other conversation with Mr. Akhar. It was a telephone call from nim. I do not recall anything of the conversation except that I could not understand him measure of him accent and the poor connection. Probably for that reason, he never called me again nor did I call him. For that matter, putting aside those portions of my periodic conversations with Mr. Romrell that touched on Capoom from time to time, I do not recall that I ever called anyone from er about Capcom, nor do I recall ever being called by anyone else from or about Capcom.

Thus, as you can imagine, I was totally shocked and deeply emparassed when I learned in October 1988 that Capcom had been indicted. I believe I learned it from Mr. Romrell when he reported to me that he had gotten a call from a Capcom employee, John Parry an Englishman in Lendon, reporting the event and, as I recall, asserting to Larry that it was all a mistake.

Once I got the news, I spent a fairly brief period unsuccessfully trying to get my investment returned to me, and resigned from the Board as did Mr. Romrell.

That is the story of my involvement with Capcon.

It has resulted in expected, but honetheless painful, press speculation of something more sinister than the simple truth that I was just plain defrauded. But that is all there was. As you might expect, I have searched my memory and still I am left with the conclusion that I knew nothing that would have led me to suspect any involvement in money laundering or similar activity.

I have drawn some consolation from a transcript that my lawyer obtained through a FOIA request of a federal undercover agent's meetings in London with Mr. Akbar. I understand your Staff has a copy of that transcript. In it Mr. Akbar explained at least three times that Larry Romrell and I were deliberately kept in the dark by the Capcom nanagers. That is certainly true. I had absolutely no idea that Capcom was involved in any unlawful activity.

Accordingly, while I understand why the Subcommittee would like to know the story, I am hopeful that this information answers those questions.

In addition to the foregoing, you have asked a few other questions to which I would like to respond.

I have never met Hohammed Rahim Irvani, Ali Irvani, Sahan Irvani, Clark Clifford or Alfred Hartman. I do not know any of these people personally, and have had no dealings with them. However, I did know Kerry Fox quite

well in the late 1960's and early 1970's. Kerry was a sales representative for some major U.S. suppliers that made sales calls on our microwave division. I never discussed any matter concerning BCCI or Capcom with Kerry. To the best of my recollection, I have not seen Kerry in the past eight to ten years.

Please advise me or my counsel if there remain any questions.

Sincerelly yours.

Bob Hagness

Subscribed and affirmed before me this 13th day of May 1992 .

Hatricia Id. Culps

Notary Public

10-19-94

Commission Expiration Date

United States Senate

June 9, 1992

Mr. Bruce F. Black Moime, Roberts and Owen Suite 4100 1700 Lincoln Denver, Colorado 80203

Deer Mrn Elach:

As I indicated to you on konday, the Subcommittee is interested in following up on the interview held with Mr. Romrell in our offices on June 5, 1592. I am therefore sending along a set of questions which the Subcommittee requests be answered in affadavity form and provided to our offices no later that June 25, 1667.

Thank you for your continued cooperation. Should you have any questions, please con't hasitate to call me at (202) 224-

Devic McKeeh
Investigative Counsel

57-961 174

QUESTIONS FOR MR. LARRY ROMRELL

- 1.) Where were you born?
- 2.) Where were you educated?
- 1.) Where were you first employed after school? Please describe the nature of the business and your responsibilities.
- 4.) When did you first meet Mr. Kerry Fox? How often did you have contact with Mr. Fox during the decade of the 1960's (weekly, monthly, semi-ennually)? During the the decade of the 1970's ? During the 1980's ? Please tell the Subcommittee what you know about Mr. Fox: professional background.
- 5.) When did you first meet Kr. Robert Magness? Please describe your relationship with Mr. Magness as it has developed over the years.
- 6.) Do you know if Mr. Magness knows Mr. Fox? If so, when did you learn this? Please describe the relationship between Mr. Magness and Mr. Fox as you understand it.
- 7.) Do you know if Mr. Fox has a security clearance? If so, how do you know this?
- 8.) When did you become General Manager of Western Mountain Microwave? What was your salary at this time?
- 9.) During the 1970's did you receive a security clearance from the U.S. government? Please list the agency which gave you the clearance. Please indicate the level of clearance, the date granted and the date terminated.
- 10.) On how many occasions (projects) did you use your clearance during the decade of the 1970's? During the 1980's?
- 11.) As the General Manager of Western Mountain Microwave, did you travel overseas for business purposes? To what countries? Please describe the foreign projects on which you worked? Was Kerry Pox involved in any of these projects? If so, please specify the substance of each such project.
- 12.) When did Western Mountain Microwave become part of TCI? When did WTCI spin off from TCI? Why?
- 13.) When did you become a Vice-President of WTCI? What was your annual salary as a NCI Vice-President?
- 14.) As Vice-President for WTCI did you ever travel overseas on

- isiness? Please describe the projects you worked on and whether in not they required use of your security clearance.
- When and how did you first meet 1.A. Akbar?
- ...) What did you understand Mr. Akber's employment to be? od Mr. Akber indicate that he was interested in purchasing real tate in the West for wealthy Mid-East clients? Did he identify cose clients to you? When did you first learn that Mr. Akhar presented Mr. Khalil?
- (1) When did you first meet Mr. A.R. Whalil?
- .; Did you understand Hr Khalil to have been employed by the udi government (if so, in what position(s)? Did you learn that had connections to any intelligence agencies? If so, please edify how you learned this information?
- Tim you ever learn that Mr. Khalil was meeting with presentatives of the Feberal Reserve in Mashington D.C. in Til, 1951? If so, from who, and on what date?
- .) Did you introduce Mr. Akbar to Mr. Magness?
- 0 fed you introduce Mr. Ehalff to Mr. Magness?
- of Please identify all real estate ventures in which you were solved with Mrs Khalil as a partner, manager, broker, or any ter capacity.
-) Reparcing each purchase of real estate in the United States Mr. Khalil, please specify your understanding of the purpose the purchase -- governmental, business, investment, personal to ect.?
- } Did BCCI*provide the financing for these real estate pjects? Please provide the terms for any financing provided by If on each project. Why did you deal with BCCI rather than a sal American bank?
- _) During the period 1981 to 1984, did you ever visit any of 5 BCCI offices? Where? Which BCCI officials were you produced to?
- _) Did you ever have any discussions about the .scommunications business during this period with Mr. Akbar, Khalil or with anyone associated with BCCI? If so, please scify the substance of such discussions.
- i) One of the documents that you provided to the Subcommittee ficates that in 1982 you offered to manage BCCI's investments the United States. What investments had BCCI made in the ted States? Who did you understand to have been managing se investments? Did BCCI encourage you to propose

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investments? What were you told that you would receive in return? Did you receive any payment from BCCI at any time? If so, please specify the amount received and the purpose of the proposel.

- 25.) What investments did you suggest to BCCI? Please briefly list all proposals, including relevant dates.
- 30.) Please specify if any of your proposals were acted upon? How many involved the communications industry?
- 31.) Did any employee or official of BCCI ever provide introductions to any employee or official of TCI or WTCI in the Mid-East? If so, please specify.
- 32.) Did TCI, WTCI or any related entity ever supply any communications equipment to Ireq? To any country in the Middle-East? If sc. please specify.
- 33.) Did TCI, WTCI or any related entity ever have any contact with any branch, or official connected to the National Banco Lavaro? If \$1, please specify:
- 34.) Did the Saucis or anyone from BCCI ever recommend any individual for employment at TCI or WTCI?
- 35.) In 1984 was TCI in an expansion and acquisition mode? Was WTCI in an expansion and acquisition mode? If so, how was that expansion financed?
- 36.) What is TCI, England? When was it established, and for what purpose?
- 37.) Have you ever had any role in TCI, England?
- 38.) Have you ever visited the offices of TCI, England?
- 39.) To your knowledge, has Mr. Akbar, Capcom, ECCI, or any ECCI shareholder ever had anybusiness dealing, or proposed business dealing with TCI, England? TCI, U.S., or any related entity?
- 40.) Please explain a Narch 19, 1984 letter from you to Mr. Akbar in which you claim to have "established a \$100,000 credit line with which to purchase stock and, in addition that you have authorised me to purchase stock in your behalf up to a \$100,000 limit." Did you, in fact, establish a joint credit line? For what purpose?
- 41.) Why were you chosen to be a director of Capcom?
- 42.) Did you have any background in the commodities markets?

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- (3.) During the time that you were a director of Capcom, did you ever provide any advice on the operations or management of Lapcom?
- (4:) How many Capcom Board of Directors meetings did you attend?
- (5.) Did you ever attend any of the BCCI annual conferences?
- (6.) As Chairman of the Board of Capcom, did you ever travel 'verseas? If so, for what specific purpose?
- ?.) What was your initial investment in Capcom? fow did you decide to make your investment in Capcom?
- (E.) What was the initial capitalization of Capcom?
- $\epsilon \tilde{\beta} \approx 800$ many shares of stock did you hold of Capcom at its inception?
- 50.) How much money did you and Mr. Hagness ultimately invest in Tapcom?
- First New much of your total investment in Capcom was financed? The provided the financing!
- Hay How many shares of Capcon stock did you ultimately hold?
- Fig.) When, and from whom, did you first hear the name Paten Holdings? At the time, what did you understand Paten Holdings to reg. What do you now understand Paten Holdings to be?
- 14.) Did you ever hold stock on behalf of Mr. I; Akber? Why?
- i5.) Did you consult any counsel as to the legal consequences of holding stock on behelf of another individual? If so, please specify.
- 56.) Did you at any time and for any purpose ever act as a nominee for Mr. Akbar, Capcom or BCCI? If so, please specify.
- 57.) What is Peniel Investments?
- 58.) Mave you ever met Cecile Ringenberg? If so, please specify the date, location and substance of the meeting(s).
- 59.) Who is Robert Powell? Did Mr. Akbar or Mr. Ehalil ever discuss Mr. Powell with you? When did Mr. Powell become a member of the Capcom Board of Directors? What was the size of his holdings in Capcom? Did the size of his holdings change over time?
- 10.) What was ZASK? What did ZASK stand for?

- 51.) What was the Ixors account? Did you help to establish an Ixora trust in the Cayman Islands? What legal counsel did you use? Who refered you to the legal counsel?
- 52.) Did you have signatory power over an Ixora bank account?
- 53.) Do you currently and have you ever maintained an offshore banking account? If so, please provide the name of the institution, relevant dates, account numbers, and approximate current value of the accounts.
- 54.) What was the Capital Fund? When and how did you learn that Kerry Fox was a director of the Capital Fund? Did you ever discuss the Capital Fund with Kerry Pox?
- 65.) During the period that you were the Chairman of the Board of Capron, on how many occasions oid you meet with Mr. Akbar? With Mrs. Knallia Did you ever meet Mr. Powell? Did you ever Mr.Kamal adhami
- 56.) What was the rationale behind the 1987 corporate reorganization of Capcon $[{\rm U.S.A.}]^2$
- 57.) Was there an investigation by the Chicago Board of Trade during this period? Did investigators from the CBOT interview you at this time? Has anyone from any of the regulatory exchanges ever interviewed you?
- 58.) Do you know or have you ever met any of the following individuals:
 - Mr. Charles Hostler?
 - Mr. Richard Helms? Mr. Raymond Close?
 - Er. Robert Altman?

 - Mr. Mohammed Hammoud? Mr. Roy P.M. Carlson?
- 69.) Please describe the process by which you made documents available to the Subcommittee? Where were the documents held? Did you turn over all relevant documents?
- 70.) Please provide the Subcommittee with a list of all political contributions which you have made during the last 12 years. Did anyone from BCCI or Capcom ever ask you to make a political contribution to any U.S. politician?
- 71.) Have you ever visited Oman? Do you know if Mr. Fox has ever visited Oman?

ANSWERS OF LARRY ROBRELL TO QUESTIONS FROM SERATE SUBCOMMITTEE

1. QUESTION: Where were you born?

ANSWER: St. Anthony, Idaho on December 30, 1939.

2. QUESTION: Where were you educated?

ANSWER: I graduated high school in Pocatello, Idaho. After I graduated high school, I attended a technical school connected to Idaho State College for one year, where I studied electronics.

 QUESTION: Where were you first employed after achool? Please describe the nature of the business and your responsibilities.

ANSWER: Just before the 1959 school year was ever I obtained a job at Pocatello's first television station, installing the studio and transmitter equipment. I later helped operate this equipment. I believe sometime in late 1960 the television station lost its network affiliation with NBC to a competing station in Idaho falls. All of the employees were let go and I found employment in Salt Lake City with a subsidiary of Time, Inc., which was bought out shortly after I went to work there by Columbia Pictures. My primary responsibility was operating transmitter equipment for their station KTVX. Also housed in the same building, which I operated, was the local educational broadcaster's equipment as well as an FM station.

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OUESTION: When did you first meet Mr. Kerry Fox? How often did you have contact with Mr. Fex during the decade of the 1960's (weekly, monthly, semi-annually)? During the decade of the 1970's? During the 1980's? Please tell the Subcommittee what you know about Mr. Fex's professional background.

ANSWER: I first met Kerry Fex in approximataly 1962 or 1961. He was with Collins Radio Company of Dallas, Texas at that time. Collins was one of our principal suppliers of microwave equipment. During the 1960's I had contact with Hr. Fex approximately semi-annually. During the 1970's I had contact with Hr. Fox approximately penthly. From approximately 1981 through 1984, when Hr. Fex and I were engaged in real estate investments together, I had contact with him approximately weekly. After 1984, my contact with him approximately weekly. After 1984, my contact with Hr. Fox was sporadic but infrequent.

Hr. Fox's professional background, as I knew it, is based on information from him. It is my understanding that he worked with Aramco Oil Company and then, I believe, Collins Radio in Dallas. He spent a short time with Hartin Harietta in the commercial microwave effort and then returned to the company which acquired Collins Radio, Rockwell Radio Division. Eventually, he left there for his current position. During all of my association with Mr. Fox I always believed him to have the highest personal integrity, and I never saw anything that caused me to question his honesty and trustworthiness. trustworthiness.

QUESTION: When did you first meet Mr. Robert Magness? Please describe your relationship with Hr. Magness as it has developed over the years.

ANSWER: In 1961, for personal reasons, I decided to look for a job in Hontana. I contacted Mr. Magness's chief engineer, who I had met during my employment with the Pocatello broadcast station, and was tentatively hired by him subject to an interview with Bob Magness. The date of hire was March 1, 1961. I met Bob Magness at his office sometime during the second week of March in 1961. We became close friends and have remained so to this day.

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6. QUESTION: Do you know if Mr. Magness knows Mr. Fox? If so, when did you learn this? Flease describe the relationship between Mr. Magness and Mr. Pox as you understand it.

AMSWER: Mr. Hagness knows Mr. Fox. I do not know when I learned this, but I believe they have known each other since the early 1960's. Mr. Fox was an officer in a company with which we did a lot of business. I believe that the relationship between Mr. Hagness and Mr. Fox has always been related to our purchases of equipment from Collins and Rockwell.

7. OUESTION: Do you know if Mr. Fox has a security clearance? If so, how do you know this?

ANSWER: I do not know if Mr. Fox has a security clearance.

8. QUESTION: When did you become General Manager of Western Hountain Microwave? What was your salary at this time?

ANSWER: I became General Nanagar of Western Microwave in approximately 1964. My salary at that time was approximately \$24,000.

 QUESTION: During the 1970's did you receive a security clearence from the U.S. government? Please list the agency which gave you the clearence. Please indicate the level of clearence, the date granted and the date terminated.

ANSWER: I received a security clearance on May 31, 1972 from the Defense Industrial Security Office in Columbus, Ohio. Hy level of clearance was Secret. As part of a corporate decision to get out of the government contracting business, all corporate employees' security clearances were terminated in 1992. Hy clearance was terminated on March 6, 1992.

10. QUESTION: On how many occasions (projects) did you use your clearance during the decade of the 1970's? During the 1980's?

ANSWER: I do not recall ever using My clearance or seeing any classified information or documents. My understanding is that I had a clearance because I had managerial responsibility over projects that may have related to classified material, and that everyone associated with such projects was required to obtain a clearance.

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ii. QUESTION: As the General Hanager of Western Hountain Microwave, did you travel everseas for business purposes? To what countries? Please describe the foreign prejects on which you worked. Was Kerry Fex involved in any of these projects? If so, please specify the substance of each such project.

ANSWER: There was never a company called Mestern Mountain Microwave. There were two companies, one called Western Microwave, and one called Mesuntain Microwave. In approximately 1974, I travelled oversees to Coventry, England on the invitation of GEC to look at equipment developed by GEC. I spent approximately one week at GEC's facilities. Kerry Fox was not involved in this project in any way.

11. QUESTION: When did Western Hountain Microwave became part of TCI? When did WTCI spin off from TCI? Why?

ANSWER: I believe that Western Microwave and Mountain Microwave became subsidiaries of MTCI, a subsidiary of TCI, in 1970 when TCI was organized. MTCI was spun off from TCI in 1984 as a separate public company in which TCI did not own any shares.

13. QUESTION: When did you become a Vice-President of WTCI? What was your annual salary as a WTCI Vice-President?

ANSWER: I became a vice president of MTCI in about 1984 at the time that WTCI was spun off from TCI. My annual salary at that time was approximately \$38,000.

14. QUESTION: As Vice-President for WTCI did you ever travel overseas on business? Please describe the projects you worked on and whether or not they required use of your security clearance.

ANSWER: I travelled overseas on business to Saudi Arabia in approximately 1975 with Xerry Fox as part of WTCI's contract with Rockwell to install microwave equipment in the Saudi desert. We were there for appreximately 10 days, during which time I did not meet or have any contact with any Saudi officials. I also travelled overseas on business on several occasions to Sarajevo and Belgrade, Yugoslavia with ABC television in commention with the television coverage of the 1984 Olympics. He security clearance was required for any of these projects. See also my answer to question II.

- 15. QUESTION! When and how did you first meet Z.A. Akbar? ANSWER: I first met Mr. Akbar semetime in the fell or winter of 1980-81. See also answer to question 16.
- 16. QUESTION: What did you understand Mr. Akbar's employment to be? Did Mr. Akbar indicate that he was interested in purchasing real estate in the West for wealthy Mid-East clients? Did he identify those clients to you? When did you first learn that Mr. Akbar represented Mr. Khalil?

ANSWER: In 1980 and 1981, Kerry Fox and I were building a duplex in Vail, Colorado. We intended to sell the larger unit of the duplex to cover the costs of buying the land and building the duplex. Mr. Fox suggested that he might know of a prospective buyer, Sheik Khalil. Mr. Fox contacted Mr. Khalil to see if Mr. Khalil was interested. I understood that Mr. Khalil told Mr. Fox that Mr. Khalil vould be sending his solicitor to look at the property. Mr. Fox and I went to the Denver airport to meet Mr. Khalil's representative and met Mr. Akbar.

interested. I understood that Mr. Khalil told Mr. Fox that Mr. Khalil would be sending his solicitor to look at the property. Mr. Fox and I went to the Denver airport to meet Mr. Khalil's representative and met Mr. Akbar.

When I first met Mr. Akbar, I understood him to be Mr. Khalil's representative and that he had travelled to Colorado, on behalf of Mr. Khalil, to look at the Vail duplex built by Mr. Fox and myself. Sometime during that visit I also learned that Mr. Akbar was associated with a bank called BCCI. Either at that first meeting or sometime after, Mr. Akbar told me that he represented other wealthy Mid-East clients, whom he did not identify to Me. Sometime after that first meeting, Mr. Akbar told me that his clients might be interested in investing in Colorado real estate.

17. QUESTION: When did you first meet Hr. A.R. Khalil?

ANSWER: I met Mr. Khalil sometime in the late winter or spring of 1981 when Mr. Khalil came to Colorado to look at the Vail duplex.

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18. QUESTION: Did you understand Mr. Khalil to have been employed by the Saudi government (if so, in what position(s))? Did you learn that he had connections to eny intelligence agencies? If so, please specify how you learned this information.

ANSWER: Mr. Fox spoke to me about Mr. Khalil before I ever met Mr. Khalil. Mr. Fox described Mr. Khalil as a wealthy Saudi businessman, and I believe that Mr. Fox mentioned that he had prior business dealings with Mr. Khalil. At some point, and I do not recall the seuros or time, I got the impression that Mr. Khalil had been connected with Saudi intelligence. These impressions were never confirmed, and I never discussed the subject with Mr. Khalil.

19. QUESTION: Did you ever learn that Mr. Khalil was meeting with representatives of the Federal Reserve in Washington D.C. in April, 1981? If so, from who, and on what date?

ANSWER: At some time, and I do not remember when, Mr. Khalil told me that he would be visiting Washington for a few days. I believe that he mentioned that his son, Khalid Khalil, attended school in Washington. I never learned that Mr. Khalil met with representatives of the Federal Reserve in Washington in April 1981, or at any other time.

21. QUESTION: Did you introduce Hr. Akbar to Hr. Nagness?

ANSWER: Yes. I do not remember the exact date. Once when Mr. Akbar was travelling through Colorado, I believe with Mr. Puri, he asked if he could meet Mr. Magness. Mr. Akbar and Mr. Puri came to Mr. Magness's office and I introduced them to Mr. Magness.

22. QUESTION: Did you introduce Mr. Khalil to Mr. Magness?

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ANSWER: To my knowledge, Mr. Magness met Mr. Khalil only once. That meeting was at a dinner that Mr. Magness and I attended in London sometime in the mid-1980's.

23. QUESTION: Please identify all real estate ventures in which you were involved with Mr. Khalil as a partner, manager, broker, or any other capacity.

ANSWER: Pox-Rowrell partnership built a duplex in Vail, Colorado. Mr. Khalil leased the larger unit in the duplex, with an option to buy.

Mr. Khalil suggested that he invest in other projects

Mr. Ehalil suggested that he invest in other projects in the area with Mr. Fox and me. Mr. Fox and I discussed investing in several lots of raw land in Beaver Creek, Colorado, with the intention of building and selling luxury houses or condominiums. I believe that Mr. Fox discussed the prospect with Mr. Khalil and that Mr. Khalil expressed some interest. The project was abandoned before any deal was closed. I did not consider any other projects with Mr. Khalil.

24. QUESTION: Regarding each purchase of real estate in the United States by Mr. Khalil, please specify your understanding of the purpose of the purchase -- governmental, business, investment, personal use, etc.?

ANSWER: Mr. Khalil leased a unit in the Vail, Colorado duplex built by Fox-Romrell partnership. I understood his purpose in that transaction to be purely personal. Mr. Fox told me that Mr. Khalil had purchased houses in Florida and Dallas. I assumed that Mr. Khalil purchased those houses for his personal use. I am not aware of any other purchase of real estate in the United States by Mr. Khalil.

25. QUESTION: Did BCCI provide the financing for these real estate projects? Please provide the terms for any financing provided by BCCI on each project. Why did you deal with BCCI rather than a local American bank?

ANSWER: I do not know whather BCCI provided financing to Mr. Khalil.

26. QUESTION: During the period 1981 to 1984, did you ever visit any of the BCCI offices? Where? Which BCCI officials were you introduced to?

ANSWER: During the period 1981 to 1984, I visited BCCI's main office in London, on Leadenhall street, approximately three times. The purpose of each of those visits was to meet with Mr. Akbar. Mr. Akbar appeared in every respect to be a legitimate representative of a large international bank with offices throughout London. Mr. Akbar always presented himself to me as a highly professional banker who, in his personal life, was devout, charitable, and dedicated to his family.

I also met other BCCI employees who showed me to Mr. Akbar's office, but I do not remember any of them.

27. QUESTION: Did you ever have any discussions about the telecommunications business during this period with Mr. Akbar, Mr. Khalil or with anyone associated with BCCT? If so, please specify the substance of such discussions.

ANSWER: I have always been proud of TCI and WTCI and my position at WTCI. I told Mr. Akbar and Mr. Puri that both companies were very good companies.

On one occasion, an individual approached me about TCI becoming involved in a cable television project in Saudi Arabia. I thought that Mr. Khalil might be able to help me to learn if the proposed project was legitimate. I also thought that Mr. Khalil might be able to assist us if we decided to pursue the project. I believe that I wrote a letter to Mr. Akbar requesting him to pass my inquiries on to Mr. Khalil. I do not know whether Mr. Akbar passed my inquiry on to Mr. Khalil. In any event, Mr. Khalil never responded, and we did not pursue the project.

28. QUESTION: One of the documents that you provided to the Subcommittee indicates that in 1982 you offered to manage BCCI's investments in the United States. Mhat investments had BCCI made in the United States? Who did you understand to have been managing those investments? Did BCCI encourage you to propose investments? Mhat were you told that you would receive in return? Did you receive any payment from BCCI at any time? If so, please specify the amount received and the purpose of the proposal.

ANSWER: I am not familiar with the document to which you rafar. However, I was not awars of any investments that BCCI had made in the United States. Hr. Akbar had indicated to me that his clients or BCCI — I always had difficulty distinguishing between Mr. Akbar's actions on behalf of his Mid-East investor clients and his actions on behalf of BCCI — might be interested in investing in the United States, principally in "bricks and mortar" office buildings. I suggested some possible investments to Mr. Akbar. I never sought or received any compensation from BCCI or Mr. Akbar for managing properties or anything else.

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QUESTION: What investments did you suggest to BCCI? Please briefly list all proposals, including relevant dates.

ANSWER: I did not suggest any investments directly to BCCI. I passed along to Mr. Akbar various potential real estate investments of which I learned. I did not know whether he was acting on behalf of BCCI or on mehalf of his Mid-East clients. I remember suggesting the

following properties:
In mid-1982 I informed Mr. Akbar that Dr. Charles
Howard was attempting to sell the Houston Hedical Center,
Mr. Akbar visited the Medical Center and had discussions with Dr. Howard but, to my knowledge, nothing came of those discussions.

In early 1983 I informed Mr. Akbar of an opportunity to purchase the Stouffer's Inn near the Denver airport.

I do not recall receiving a response on this prospect.

In mid-1984 I informed Mr. Akbar of an opportunity to purchase the Flaya Vista office building in southern California. I believe that there was some discussion regarding this property but, to my knowledge, nothing CARO Of it.

In mid-1983 I informed Mr. Akbar of an opportunity to purchase some farmland and attached water rights near Miliken, Colorado in a partnership with the Ehrlich hrothers. I discussed this project in some detail with Mr. Puri, but no investment was made. In mid-1984 I informed Mr. Puri of a possible

opportunity to enter into a purchase-leaseback transaction with Beshive International, Inc. relating to a building in a Salt Lake City industrial park. I do not recall receiving any response on this prospect.

In early 1986 I informed Mr. Akbar of an opportunity to invest in a Denver-based laundromat company called

Duds 'n' Suds. I do not recall receiving any response on this prospect.

In early 1986 I informed Mr. Akbar of an opportunity to purchase bare land and attached water rights near Phoenix, Arizona. I do not recall receiving any response

on this prospect.

In the mid-1980's I informed Mr. Akbar of an opportunity to enter into a purchase-lesseback transaction with MTA Films relating to their office building in Los Angeles. There were some discussions about this opportunity, but nothing came of those discussions.

There may have been other properties that I mentioned either directly to Mr. Akber or to Mr. Puri for the attention of Mr. Akber.

3D. QUESTION: Please specify if any of your proposals were acted upon. How many involved the communications industry?

ANSWER: Mone of the proposals was acted on. Mone of the proposals involved the communications industry.

D1. QUESTION: Did any employee or official of BCCI ever provide introductions to any employee or official of TCI or WTCI in the Mid-East? If so, please specify.

ANSWER: Not to my knowledge.

32. QUESTION: Did TCI, WTCI or any related entity ever supply any communications equipment to Iraq? To any country in the Middle-East? If so, please specify.

ANSWER: To my knowledge, neither TCI, WTCI, nor any related entity supplied any communications aquipment to Iraq or any other country in the Mid-East.

WTCI was a labor subcontractor to Rockwell on a project to install microwave equipment in Saudi Arabia.
WTCI did not supply any equipment for this project.

13. QUESTION: Did TCI, WTCI or any related entity ever have any contact with any branch, or official connected to the National Banco Lavaro? If so, please specify.

ANSWER: Not to my knowledge.

34. QUESTION: Did the Saudis or anyone from BCCI ever recommend any individual for employment at TCI or WTCI?

ANSWER: Not to my knowledge.

35. QUESTION: In 1984 was TCI in an expansion and acquisition mode? Was WTCI in an expansion and acquisition mode? If so, how was that expansion financed?

ANSWER: I cannot speak for TCI because I was not part of TCI at that time. MTCI was in an expansion mode in 1984 financed by domestic bank debt. SCCI was not involved in financing any of this expansion, or at any other time to my knowledge.

36. QUESTION: What is TCI, England? When was it established, and for what purpose?

AMEMER: I am not familiar with "TCI, England," and would be surprised if that is the proper name of a company there. To my knowledge, TCI did not have any business in the United Kingdom until it acquired United Artists in December 1991. Therefore, I do not know what "TCI, England" is, when or if it was established, or for what purpose. So far as I know, it has no relationship to the TCI for which I work.

- 37. QUESTION: Have you ever had any role in TCI, England?
 ANSHER: No.
- J8. QUESTION: Nave you ever visited the offices of TCI, England?

ANSWER: No.

19. QUESTION: To your knowledge, has Mr. Akbar, Capcom, BCCI, or any BCCI shareholder ever had any business dealing, or proposed business dealing with TCI, England? TCI, U.S., or any related entity?

ANSWER: The only relationship of which I am now aware was that TCI had an investment in United Artists, which made an investment in ATC, with which I have since learned that Mr. Akbar was affiliated.

40. QUESTION: Please explain a March 19, 1984 letter from you to Mr. Akbar in which you claim to have "established a \$100,000 credit line with which to purchase stock and, in addition that you have authorized me to purchase stock in your behalf up to a \$100,000 limit." Did you, in fact, establish a joint credit line? For what purpose?

ANSWER: In 1984, following the spinoff of MTCI, the stock might became available on the market. I contacted MT. Akbar to inquire whether BCCI would lend money with which I could purchase shares. In that conversation, I understood that MT. Akbar agreed to establish a line of credit for me, and that he also was interested in purchasing stock. There was no discussion of any joint line of credit, or even of how MT. Akbar might finance his purchase. The March 19, 1984 letter reflects that understanding. However, I hever received a response from MT. Akbar. I never received the line of credit mentioned, I never put MT. Akbar in touch with my broker, and, to my knowledge, MT. Akbar never invested in TCI or MTCI.

41. QUESTION: Why were you chosen to be a director of capcom?

ANSWER: Mr. Puri asked me to become a director of Capcom. I did not know his reasons for asking me. I believed that all shareholders were invited to join the board.

42. QUESTION: Did you have any background in the commodities markets?

ANSWER: No.

col. QUESTION: During the time that you were a director of Capcom, did you ever provide any advice on the operations or management of Capcom?

ANSWER: I do not recall that my advice ever was solicited other than with regard to choosing a communications system between the London and Chicago offices. On a few other occasions, I made suggestions to Mr. Puri or Mr. Herst. I do not know if any of my suggestions was followed. I had nothing to do with the day-to-day management of Capcom.

44. QUESTION: How many Capcom Board of Directors meetings did you attend?

ANSWER: I am not sure how many Capcon Board of Directors meetings I attended. I estimate that I attended fewer than 10 meetings.

45. QUISTION: Did you ever attend any of the BCCI annual conferences?

ANSWER: No.

46. QUESTION: As Chairman of the Board of Capcom, did you ever travel overseas? If so, for what specific purpose?

ANSWER: On two occasions I travelled to Cairo for meetings sponsored by Capcom in a marketing effort by Capcom to develop business from Mid-East investors. I gave a welcoming speech at each of the meetings.

47. QUESTION: What was your initial investment in Capcom? How did you decide to make your investment in Capcom?

ANSWER: My initial investment in Capcom was 10,000 pounds. I chose to invest in Capcom because Mr. Akbar invited me to invest and because the investment sounded attractive.

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48. QUESTION: What was the initial capitalization of Capcom?

ANSWER: The initial capitalization of Capcom was one million pounds.

49. QUESTION: How many shares of stock did you hold of Capcom at its inception?

ANSWER: 10,000.

50, QUESTION: How much money did you and Mr. Hagness ultimately invest in Capcom?

ANSWER: We each invested 250,000 pounds in Capcom.

51. QUESTION: How much of your total investment in Capdom was financed? Who provided the financing?

ANSWER: Pater Holdings provided 169,500 pounds in financing, and BCCI provided approximately 59,000 pounds in financing for my Capcom investment. Both loans were secured by the stock.

52. QUESTION: How many shares of Capcom stock did you ultimately hold?

ANSWER: Ultimately I owned 250,000 shares, and held and voted an additional 2,500,000 shares.

53. QUESTION: When, and from whom, did'you first hear the name Paten Holdings? At the time, what did you understand Paten Holdings to be? What do you now understand Paten Holdings to be?

ARSWER: I first heard of Paten Holdings from Mr. Akbar in approximately 1985, at the time of the final capitalization of Capcom. At that time I understood Paten Holdings to be a Swiss bank. I do not now know what Paten Holdings was or is.

54. QUESTION: Did you ever hold stock on behalf of Nr. Z. Akbar? Why?

AMSWER: Mr. Akbar asked me to hold 10% of the stock in Capcom. He told me that I was holding the stock on behalf of one of the other investors, but did not specify whom. He did not tell me that I was holding it on his behalf.

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55. QUESTION: Did you consult any counsel as to the legal consequences of holding stock on behalf of another individual? If so, please specify.

ANSWER: Yes I consulted with counsel. The specifics of those consultations are privileged attorney-client communications.

56. QUESTION: Did you at any time and for any purpose ever act as a nominee for Mr. Akbar, Capcom or BCCI? If so, please specify.

ANSWER: To the best of my understanding, I never acted as a nominee for Mr. Akbar, Capcom, or BCCI. I held and voted 10% of the stock in Capcom, although that stock was paid for by someone else. I do not know who.

57. QUESTION: What is Peniel Investments?

ANSWER: I do not know,

52. QUESTION: Have you ever met Cacile Ringenberg? If so, please specify the data, location and substance of the meeting(s).

ANSWER: Not to my knowledge.

59. QUESTION: Who is Robert Powell? Did Mr. Akbar or Mr. Khalil ever discuss Mr. Powell with you? When did Mr. Powell become a member of the Capcom Board of Directors? What was the size of his holdings in Capcom? Did the size of his holdings change over time?

ANSWER: I never met Robert Powell. I do not know who he is. I noticed his name on the list of Capoom shareholders and assumed that he was another of Mr. Akbar's investor clients. I never asked anyone about his or paid attention to his shareholdings in Capcom. To my knowledge, he never was a member of the Capcom Board of Directors.

60. QUESTION: What was ZASK? What did ZASK stand for?

ANSWER: I understood that Zask was a company that held shares in Capcom Futures, Inc. I do not know what Zask is or was. I do not know where the name came from.

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61. QUESTION: What was the Ixora account? Did you help to establish an Ixora trust in the Cayman Islands? What legal counsel did you use? Who referred you to the legal counsel?

ANSWER: Ixora Investments Ltd. had an account with First National Bank of Chicago. To my knowledge there were no transactions in that bank account. I learned from the Subcommittee that Ixora also had an account at Capcom, but I have no knowledge of that account.

Ixora was a Cayman Islands corporation that was owned by Mr. Akbar. Mr. Akbar asked me to find the name of a Cayman Islands lawyer to set up the company. I asked lawyers whom I knew in Denver if they osuld recommend a lawyer in the Cayman Islands to handle this matter. I do not remember who made the recommendation, but someone suggested that I contact Richard Lightbourne of the Cayman Islands firm of McKinney, Bancroft & Nughes. I corresponded with Mr. Lightbourne and he handled legal matters relating to Ixora for Mr. Akbar. To my knowledge, Ixora never conducted any business whatsoever.

62. QUESTION: Did you have signatory power over an Ixora bank account?

ANSWER: No. To my knowledge, Mr. Akbar was the only person with signatory power.

6). QUESTION: Do you currently and have you ever maintained an offshore banking account? If so, please provide the name of the institution, relevant dates, account numbers, and approximate current value of the accounts.

ANSWER: No.

64. QUESTION: What was the Capital Fund? When and how did you learn that Kerry Fox was a director of the Capital Fund? Did you ever discuss the Capital Fund with Kerry Fox?

AMSWER: I learned about an investment fund (which I believe came to be called the Capital Fund) from Mr. Akhar. I recall only one conversation with Mr. Akhar about it. He did not give me any details. I understood from Mr. Akhar that it was an investment fund, and that he was going to ask Kerry Fox to serve as a director of the fund. At that point, because of personal differences, I was not speaking much with Kerry Fox. I do not recall ever discussing the Capital Fund with Mr. Fox.

65. QUESTION: During the period that you were the Chairman of the Board of Capcom, on how many occasions did you meet with Hr. Akbar? With Hr. Khalil? Did you ever meet Hr. Powell? Did you ever [sic] Hr. Kamal Adham?

AMSWER: While I was on the Board of Capcom I met With Mr. Akbar less than ten times, and with Mr. Khalil approximately two times. I never met Robert Powell or Kamal Adham.

66. QUESTION: What was the rationale behind the 1987 corporate reorganization of Capcom U.S.A?

ANSWER: I do not know what the company's rationale was. I understood that the Chicago Board of Trade was requiring the owners of Capcom Futures, Inc. to give guarantees to the Board of Trade for non-customer trades. Capcom Financial Services Ltd. held 78% of Capcom Futures, Inc. I understood that the Board of Trade would not accept a corporate guarantee from Capcom Financial Services Ltd., but insisted on personal guarantees from the individual shareholders of Capcom Financial Services Ltd. I also understood that some of the shareholders of Capcom Financial Services Ltd. were unwilling to give these guarantees. I further understood that the Board of Trade would be satisfied if the holdings of Capcom Financial Services Ltd. were transferred to other persons who would be willing to give these guarantees. Nr. Akbar asked me to give a guarantee. Nr. Akbar asked me to give a quarantee. Nr. Akbar asked me to did not do any non-customer trades. I agreed to do this, and I gave a personal guarantee.

67. QUESTION: Was there an investigation by the Chicago Board of Trade during this period? Did investigators from the CBOT interview you at this time? Has anyone from any of the regulatory exchanges ever interviewed you?

ANSWER: The Chicago Board of Trade investigated Capons in the first half of 1987. I understood that the investigation related primarily to Capons Financial Services Ltd. trading as a principal, and I understood that this was a common practice for brekerage houses with London and Chicago offices. To my understanding the investigation had nothing to do with the reorganization of Capons Futures, Inc. I was never interviewed by any Board of Trade investigator or anyone from any of the regulatory exchanges at that time. I may have been interviewed earlier in connection with the application for a seat on the exchange.

68. QUESTION: Do you know or have you ever met any of the following individuals:

Hr. Charles Hostler? Hr. Richard Helms? Hr. Raymond Close? Hr. Robert Altman? Hr. Hohammed Hammoud? Hr. Roy F.M. Carlson?

ANSWER: No.

69. QUESTION: Please describe the process by which you made documents available to the Subcommittee? Where were the documents held? Did you turn over all relevant documents?

AMSWER: Prior to the first contact between the Subcommittee and my counsel, I turned over, intact, my files relating to Capcom, Mr. Akbar, and BCCI to my counsel. I understand that my counsel have made available to the Subcommittee all non-privileged documents that the Subcommittee requested. Since receiving the Subcommittee's request, to insure that all responsive documents are located, we started, and are continuing, a page-by-page review of all of my files to sae if any responsive documents might have been misfiled in unrelated files. This process has generated a few additional documents that are being made available to the Subcommittee. To the best of my knowledge, all responsive, non-privileged documents have been located and made available to the Subcommittee. Any additional responsive, non-privileged documents discovered in the ongoing page-by-page review will be produced.

70. QUESTION: Please provide the Subcommittee with a list of all political contributions which you have made during the last 12 years. Did anyone from SCCI or Capcom ever ask you to make a political contribution to any U.S. politicism?

AMSWER: I started keeping a separate record of my political contributions beginning in 1985. To the best of my knowledge, I did not make any substantial political contributions prior to 1987. Nobody from BCCI or Capcom ever asked me to make a political contribution to a U.S. or any other politicism. Nor did anyone from BCCI or Capcom ask me to lobby or make a special request on their behalf. Pollowing is the list of political contributions reflected by my records:

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1987	
Hatch Election Committee Whip PAC/VEF Bush for President	\$ 500 1000 2000
1988	
Californians for Senator Pete Wilson Hecht Re-Election Committee Committee to Re-Elect Joel Hefley Dan Schaefer for Congress Hetzenbaum for Senate	\$ 500 \$00 200 200 1000
1989	
Stevens for Senata George Bush Schaefer to Congress Dinner Coelho John Kerry for Senate Republican Inner Circle Hambership Capitol Conference Catering Dinner	\$1000 1300 250 2000 500 2000 550
1990	
Republican Inner Circle Heating Fees Congressman Ekhart Den Scheefer Devid Skeggs Oliver Horth Roast Roy Romer Hank Brown Ernest Hollings Arliss Sturgulewski Virginia Collins Friends of Daniel Akaka	\$ 340 1000 1250 500 250 1000 1000 1000
1991	
Cablepac Packwood for Senate Dick Traini for Assembly Bill Richardson for Congress	\$1000 1000 1000 500

71. QUESTION: Have you ever visited Oman? Do you know if Hr. Fox has ever visited Oman?

ANSWER: I never visited Oman. I do not know if Mr. Fox ever visited Oman.

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I cartify under penalty of perjury that the foregoing answers are true to the best of my knowledge, information, and belief. Executed at Engleweed, Colorado on July 3, 1992.

Carry E. Rourell

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Robert E. Powell P.O.Box: 5114 Ruwi Muscat, Sultanate of OMen

Tel. NO.: 797120 Fax No.: (968) 708780

Date: 21 June 1992

David McKean Office of Senator John F. Herry United States Senate SR-421 Senate Russell Building Washington, D.C. 2011 U.S.A.

Ref .: Robert E. Powel. / CAPCOM Questions and Answers.

Dear Mr. McRean,

Attached please find complete and/or reformed subject. I have taken the liberty of positions and my answers together believing said format makes the subject more readable. Except for the incomplete enswers for you questions 19, 20 & 25. I believe I have responded in good faith to your questions. You will be provided complete answers to the three questions for which I must obtain additional information before I can respond.

Let me hear from you should you have any need for additional information.

Regards,

Robert E. Powell

Questions for Robert 2. Powell Answers to be provided in affidavit form

- Where were you born? 11
 - Hagerstown, Maryland, USA , 12 January 1929.
- 21 Where were you educated?
 - Hagerstown, Maryland Secondary School, Shippensburg, Pennsylvania, Bs Sc. Ed. Class 53.
- Did you serve in the U.S. armed forces? if so, where? please list all locations where you were stationed for more than six months. Additionally, please describe your duties at each Station.

 - b) US Navy, Feb. 1946. to Feb. 1948 & July 1950 to Sept. 1951
 - c) USS Topeka CL 67, USS Iowa BB 61, USS Latemer APA-142
 - d) Recruit, progressing to quarter Master 2/C
- Did you at any time provide services to the U.S. Armed Forces in Vietnam? If so, please identify the company through which those services were supplied. Additionally, please indicate the dates during which you provided these support services and where you were living at the time.
 - a) Conam Services Inc., a California Company, to US Air Forces at eight or nine Tactical Air Bases in Vietnam 1965 1968.
 - b) Provided operation and maintenance of Diesel Power Generating Plants and Distribution Systems.
 c) Long Beach, California
- When did you first meet Sheikh Kamal Adham? Where did you first meet Sheikh Adham? How were you first introduced to Mr. Adham? What did you understand his business to be?
 - 4) 1968
 - b) New York City

 - c) Mahmoud Arab d) Advisor to H.M. King Fisal.
- When did you first meet Nahmoud Arab? Where did you first Neet Nahmoud Arab? Bow were you first introduced to Hr. Arab? what did you understand his business to be?
 - A) 1968
 - b) Washington DC
 - c) He telephoned requesting a meeting.
 - d) Businessman.

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- When did you first meet A.R. Khalil? Where did you first meet Nr. Khalil? How were you first introduced to Nr. Khalil? What did you understand his business to be?

 - a) 1968 b) New York City
 - c) Nahmoud Arab
 - d) Executive Administrator to H.E. Sheikh Kamal Adham
- What is Global Chemical Systems (Inc)? What services or products does Global Chemical Systems produce? When was it founded? By whom?
 - a) A California Corporation
 - 1- Pabrication of Proprietary Plastic Covers for corrosion control of high Dollar value equipment in transit or storage.
 - 2- Commissioning, operation and maintenance of Power and Desalination Plants and their related distribution systems.

 - E. Brad Atwood Raymond Q. Stauer

J. Willard Nelson Robert E. Powell

When did you become affiliated with Global Chemical Systems?

1974

- 10) Who is on the Board of Directors of Global Chemical Systems?
 - a) See (8) above for Founding members in 1974. b) Today, Raymond Q. Steuer, Robert E. Powell
- 11) In what countries does Global Chemical Systems operate?

 - b) However, I am a Director of the California Company and General Manager of a Saudi Company and an Omani Company with similar names. See enclosed brochure.
- 12) Was there ever a U.S. subsidiary of Global Chemical Systems?

No.

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- 13) Was Global Chemical Systems U.S. recently sold to Chicago-based company named FABRICO? Please be as precise recently sold to as possible about when the company was sold.
 - Partial assets sold to Fabrico, no liabilities were transferred. Assets sold included proprietary formulas, product patterns, fabrication know-how, process know-how, customer and suppliers lists. By Sell Agreement for assets concluded in Nov. 1991.
 - bì
 - Company now undergoing voluntary liquidation.
- 14) How was Global Chemical System U.S. sold -- had the company been advertised as having been for sale or did someone from FABRICO contact someone at Global Chemical indicating an interest in acquiring Global Chemical? who negotiated the deal for both companies? What was the reason for the sale? What was the sale price?
 - Company used word of mouth through customers and suppliers to attract interested parties. No buyer for the total company could be found.
 - Fabrico made its interest known to Global's President E. Brad Atwood. The agreement to purchase assets was negotiated over approximately one year period of time. Negotiations Detween Fabrico and Global were begun by E. Brad Atwood and concluded by Raymond C. Steuer and Robert E. Powell.
 - The nature of the customer procurement cycles (Feast or Famine) made it impossible to maintain consistent production, therefore profitability. Global's products and customers were complimentary (not competitive) with Fabrico's product lines.
 - Fabrico paid Global US\$ 300,000 for the assets purchased.
- 15) When did you first visit Saudi Arabia? For what purpose?
 - Summer 1968
 - Meet the Commander of the Royal Saudi National Guard.
- 16) When did you first visit Oman? For what purpose?
 - Summer of 1976
 - Tender for operation and maintenance of Masirah Island Power & Desalination Plant.

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- 17) When did you first hear about Capcom? How did you first hear about Capcom?

 - Sometime in 1984
 Telephone call from S. Ziauddin Akbar
- 18) Did you invest in Capcom? If so, Why?
 - Yes
 - To help my friend S. Ziauddin Akbar to establish a new company and hopefully to earn some money either through stock partnership or payment of services rendered.

For your information, Ziauddin Akbar and myself were friends since 1976. I met him while he was working with National Bank of Oman (NBO), Muttrah Branch. Ziauddin was a good Account Officer who assisted me in developing a successful banking relationship with NBO. The Oman relationship continued when Ziauddin was transferred to London to work for BCCI. My business relationship with BCCI continued after Ziauddin resigned.

- 19) How much money did you invest in Capcom? Was any portion of that investment financed? If so, by whom?
 - a) Eighty Thousand Pounds
 - b) Yes
 - c) Uncertain at this time, I am attempting to find out.
 (you will be advised within thirty days).
- 20) What percentage of holdings did you have in Capcom between 1984 and 1988? Please list holding on a year by year basis.
 - a) As much as 15% falling to one(1) percent, but I cannot be certain. NO stock certificates have ever been received.
 - b) I am attampting to find out (you will be advised within thirty days).
- 21) Did you ever hold stock in Capcom that was not your own did you ever noin steak in Capcon that was not your own-did you ever act as a nominee? If so, for whom? If so, what percentage of your holdings did you hold as a nominee? If so, did you receive any compensation from Capcom, BCCI or Mr. Akbar for agreeing to serve as a nominee?
 - a) No.

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- 22) How often did you communicate with Mr. Akbar about Capcom? (i.e. weekly, monthly, semi-annually).
 - a) No pattern ever existed.
 b) Ninety Five percent or more of telecon or written communication was originated by either Mr. Akbar or Mr. Saghir. The frequency is best characterized at less than six times a year.
- 23) Did you ever meet Mr. Akbar in Europe? If so, When, where, and for what purposes? Please be as precise as possible, listing dated, locations and substance of conversation(s).
 - al Yes London only.
 - b) No more than once or twice a year.

 - c) Hotel room, restaurants and on one occasion, the CAPCOM offices on 09 St. Andrew Street, London.
 d) The substance of conversations would be our families and mutual friends, Global's business and performance and how it goes with CAPCOM. We would review any CAPCOM papers about my stock or financial commitments that Akbar would request from time to time. Most documents regarding my relationship with CAPCOM would have been signed during my meeting, in London with Akbar.
- 24) Besides Mr. Akbar, have you ever met any officers or directors of BCC17

 - a) Yes b) Mr. M. Swaleh Naqvi and Mr. Agha Hussen Abedi and possibly others.
- 25) Have BCCI ever provided a loan to you or any company with which you have been affiliated? If so, please provide the amount of the loan(s), the date(s) of issue, the terms of the loan(s) and the purpose of the loan(s).
 - a) No. However, in the mid 1980, I did borrow 80,000 Pound Sterling. This loan could have come from BCCI. At this time, I have not yet recovered documents identifying source of these funds. You will be advised within thirty
 - b) The date this loan was negotiated would be some time in 1985 to 1987 time frame.
 - c) The purpose of the 80,000 Pound Sterling loan would be to pay for the 80,000 shares of CAPCOM London stock.

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- 26) As a shareholder of Capcom, did you receive information about the company on a periodic basis? How often? What kind of information?

 - a) Yes
 b) Annual reports, 1985, 1986 and 1987.
 c) Sales promotion literature
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 - d) Information about changes in Stock ownership or call for funds three or four times.
 - e) Notices of meeting nine times. I never attended any Shareholders Meetings or any other meeting for that matter.
- 27) Have you ever visited the Capcom offices in London, in Chicago?
 - a) London, yes one time,b) Chicago, No.
- 28) Have you ever met Mr. Larry Romrell? If so, please provide the date, location and substance of the meeting(s).

23) Have you ever met Mr. Robert Magness? If so please provide the date, location and substance of the meeting(s).

30) Have you ever met Mr. Raymond Clome? If so, please provide the date, location and substance of the meeting(s).

31) Have you ever met Mr. Richard Belms? If so, please provide the date, location and substance of the meeting(s).

32) Have you ever met Mr. Roy P.M. Carlson? If so, please provide the date, location and substance of the meeting(s).

33) Have you ever met Mr. Adnan Khashoggi? If so, please provide the data, location and substance of the meeting(s).

No.

34) Have you ever met Mr. San Bamieh? If so, please provide the date; location and substance of the meeting(s).

35) Have you ever met Prince Hawaff? If so, please provide the data, location and substance of the meeting(s).

- 36) When did you sell your interest in Capcom? To whom did you sell your interest? Why did you sell your interest in CAPCOM?
 - a) It is my conviction that I still own 80,000 shares of CAPCOM London Stock.
 b) Sold stock in CAPCOM Chicago in Aug. 1990. Stock sold back to the company.
 c) At the request of the Company.
- 37) When did you first learn that Sheikh Ramal Adham had a connection to Saudi Intelligence? How did you learn this fact?

 - a) 1968 b) Mahmoud Arab
- 38) Do you know if Sheikh Kamal Adham has or had any connection to any U.S. government entities? If so, Now do you know this fact?

No.

- 39) When did you first learn that A.R. Ehalil had a connection to Saudi intelligence? Bow did you learn this fact?
 - A) 1968
 - b) Nahmoud Arab
- 40) Do you know if shaikh Khalil has or had a connection to any U.S. government antities? If so, how do you know this

41) Do you know if A.R. Khalil has ever held any other official positions in the Eaudi Government?

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- 42) Have you ever worked for any U.S. government entity? No. (except U.S. Navy).
- 43) Have you provided any information to any U.S. government entity? Is so, please provide the name of the entity and the date the information was provided.

- 44) Have you or any company with which you have been affiliated ever provided any services to any foreign government entities? Is so, please specify the date, location and substance of the project(s).
 - a) Yes

 - b) See attached Company Brochure.
 c) All projects involved or were directly related to commissioning, operation and maintenance services or selling of protective covers.
- 45) Have you ever invested in any communications or security systems company in the United States or abroad? If so, please provide the name of the company(s) and the details of your investment.

- 46) Have you been interviewed by any U.S. law enforcement officials concerning your involvement in Capcos? Is so, please provide the date(s) of the interview, the name(s) of the officials, the agency(s) they worked for, whether the interview(s) was (were) conducted under oath and whether or not you were represented by counsel.

 - a) Yes
 b) Date of interview 21 May 1992
 c) Hame of official Joseph E. Onazem, Special Agent,
 Department of Treasury, Internal Review Service. Criminal
 Investigation Division. Address: 600 17th street, 15th
 floor, North Tower, Denver, Colorado 80265
 d) Interview was not conducted under oath.

 - a) I was not represented by counsel.
- 47) Have you ever met Mr. Bruce Rappaprt? If so, please provide the date, location and substance of the meeting(s).

No.

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48) Have you ever met Case Zawawi? If so, please provide the date, location and substance of the meeting(s).

a) Yes H.E. Qais Al-Zawawi, Deputy Prime Minister for Financial Affairs, Sultanate of Oman, at several social affairs. b) I do not have a record about dates or purpose of these social functions.

49) Bave you ever met Mr. Michael Pillsubry? If so, please provide the date, location and substance of the meeting(s).

50) Have you ever met Mr. Kerry Fox? If so, please provide the date, location and substance of the meeting(s).

51) What was the Capital Fund?

I have no idea.

52) What was Capital Management Services?

I have no idea.

53) What was ZASK?

I have no idea.

Subscribed and sworn to (affirmed) before me this 21st day of June 1992 at Huscat, Sultanate of Oman.

My commission expires on : INDEFINITE

Signature of Officer Administering Oath _

terman T. Roule

Title

Vice Control Embassy of the Hulted States of America Manie, Thursday of Omen

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United States Smatt

COMMITTEE ON FOREIGN RELATIONS WASHINGTON, DC 20810-4225

July 1, 1992

by facsimile: (968) 708780

Mr. Robert E. Powell P.O. Box 5114 Ruwi Huscat Sultanate of Omen

Dear Kr. Poweli:

Thank you for your letter and the answers you provided to questions concerning your knowledge of Capcom. The Subcommittee appreciates your cooperation.

Some of your answers prompted additional questions and I am therefore sending you another set of inquiries. Once again, these questions should be answered in affadavit form. Please provide the answers no later than July 15, 1992.

Once the committee receives the answers responsive to questions 19,20 and 25 from the original set of questions, and answers to the attached set of questions. I do not anticipate that anything further will be required from you.

Again, thank you for your cooperation and should you have any questions, please don't hesitate to call me.

Sincerely,

David McKean Investigative Counsel Follow-up Questions for Robert E. Powell Answers to be provided in affidavit form

- 1) You have testified that Mr. Mahmoud Arab, a businessman, telephoned you requesting a meeting and that you subsequently met him in Washington D.C. in 1968. Why did Mr. Mahmoud call you? How did he get your name?
 - a) To encourage the company (CONAM Services Inc., a California Corporation) to visit Saudi Arabia to qualify to do business with the Royal Saudi National Guard.
 - b) I do not remember whether or not he ever told me who recommended the company to him.
- 2) Where specifically did you meet Mr. Mahmoud in Washington? On what date -- please be as exact as possible?

Was any one else present at the meeting?

- a) The Madison Hotel.
- b) March, April 1968 time frame.
- c) No.
- 3) What did you understand Mr. Mahmoud's business to be? Did he tell you at that time that he worked for Sheikh Kamal Adham? If not, When did he provide you with this information?
 - Businessman attempting to bring American Companies into Saudi Arabia.
 - b) I have no information to suggest that Mahmoud Arab ever "worked" for Sheikh Kamal Adham,
 - c) At a later stage of our cooperation after I had met Sheikh Kamal.

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4) Do you know if Mr. Habsoud was connected with any intelligence agency of any country?

No. I do not believe he ever worked for any person or organization other than himself.

- 5) Where precisely in New York did yo meet with Sheikh Adham? Who requested the meeting -- you or Sheikh Adham? What was the substance of the meeting? Was Sheikh Khalil present? If not, when and where did you first meet Sheikh Khalil -- please be as precise as possible?
 - a) Wordroff Astoria Hotel.
 - b) Mahmoud Arab
 - c) Social visit, lots of talk about differences between Democratic and Republican Presidential candidates. A little bit of talk about the company and the services we offer.
 - d) Yes, in another room. He was introduced to me during the visit.
- 6) You have testified that Mahmoud Arab told you in 1968 that Sheikh Adham and Sheikh Khalil had connections to Saudi intelligence. When precisely did Mahmoud Arab provide you with this information? Please be as exact as possible. Now was this information conveyed to you -- please provide the context for how you gained knowledge of this fact.
 - 4) Sometime after meeting Sheikh Kamal in New York.
 - b) Routine conversation.
 - c) Briefing about who was who in Saudi Arabia.
- At whose invitation did you visit Saudi Arabia in the Summer of 1968?

Mahmoud Arab.

- 8) with reference to your answer to question 15 provided to the Subcommittee on June 21, 1992, who was the Commander of the Royal Saudi National Guard?
 - a) H.R.H. Prince Abdullah Bin Abdul Aziz Al-Saud.

Page 2 of 5

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- What was the substance of your meeting with the Commander of the Saudi Royal National Guard?
 - a) I did not meet the Commander, I met with the Vice Commander. The subject of the meeting was a verbal presentation of a concept to establishing regional depots for maintenance and control of transport vehicles.
- 10) Did you also meet with Sheikh Adham or Sheikh Khalil during this visit?

No.

11) Did you also meet with U.S. officials in Saudi Arabia during this visit? If so, who?

No, the British Army were advisors to the Royal Saudi National Guard at that time.

- 12) You have testified that "your relationship continued with BCCI after Mr. Akbar resigned." Please explain exactly what kind of a relationship you had with BCCI. When did the relationship begin with BCCI? What was the basis of the relationship? Did the relationship with BCCI change after Akbar left?
 - (a) Global Chemical & Maintenance Systems Ltd, a Saudi Company, maintained a Bank Account in BCCI London for the purpose of purchasing goods and services (Spare Parts, Special Tools and recruiting costs as well as bank charges for issuing Tender and Performance Bonds).
 - b) 1977
 - c) Banking
 - d) No.
- 13) Who were your principle contacts at BCCI during the time 2.A. Akbar worked there? After Akbar left?
 - a) Z. A. Akbar
 - b) Fakhair Hussain

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14) Global Chemical and Naintenance Systems lists SCCI as its banker. What services did SCCI provide to Global Chemical and Naintenance Systems?

See No. 12 (a) above.

- 15) You have testified that you met Nr. Naqvi and Nr. Abedi. On how many occasions? Flease be as precise as possible as to the exact date and location of the meeting(s). What was the substance of the meeting(s)?
 - a) Mr. Abedi once.
 - b) Mr. Nagvi more than half dozen times.
 - c) Global's business progress and bonding requirements.
- Did you ever meet Mr. Abedi or Mr. Nagvi in the presence of either Mr. Khalil or Mr. Adham? Did you ever discuss Capcom with either Mr. Nagvi or Mr. Abedi? If so, please provide the substance of those discussions in as much detail as possible.
 - a) No.
 - b) No.
- 17) You have indicated that you sold you stook in Capcom back to the company at the company's request. How much did you sell? At what price? How was the request to sell the stock conveyed to you?
 - a) Capcom Chicago, 50,000 shares at US \$ 6 per share = US \$ 300,000.
 - b) First President verbally requested me to sell my shares back to the company, then I wrote personal letter to Capcom requesting them to by my shares.
 - C) It is my conviction that I still own 80,000 shares of CAPCOM London.
- 18) When were you last in Washington D.C.? For what purpose? Did you meet with any U.S. government officials at that time?

Page 4 of 5

ZEP

- a) January 1992.
- Medical evaluation at National Rehabilitation Hospital.
- 2) No.
- 19) Do you serve on any other boards with either Sheikh Adham or Sheikh Khalil?
 - a) Sheikh Kamal Adham none.
 - Mr. Abdul Reouf Khalil: Global Chemical & Haintenance Systems Ltd., a Saudi Arabian Company.
- 20) Do you believe that Z.A. Akbar deceived you?

Yes, deceived, duped, humiliated ... etc...etc.

Relate Town

Subscribed and sworn to (affirmed) before me this 8th day of July 1992 at the Embassy of the UNited States of America Muscat, Sultanate of Oman. My commission expires on INDEFINITE

Signature of Officer Administering Oath 76-

Norman I. Roule

Title

Vice Comul
Embassy of the United States of Americ
Museut, Sustante of Omag

Page 5 of 5

Ref: Bright Compens Constitute and Answers Addending to first-quantities dated 17/06/92.

Completion of answers to quantities 19, 20 and 25.

18) Bow much money did you invest in Capess? Was any portion of that investment financed? If no, by whom?

- - a) Proviously answered. b) Proviously answered. c) Globel Chemical 5 Maintenance Systems Ltd, a Saudi Arabian Corporation in 1984 1985 time frame,
- 25) Have BCCI ever provided a loan to you or any company with which you have been affiliated? If so, please provide the amount of the loan(s), the date(s) of issue, the terms of the loan(s) and the purpose of the lean(s).
 - a) In view of the information provided in answers 19 & 20, I now believe that no Global entity or syself berrowed any momey from ECCI.
 - b) Previously answered. c) Previously asswered.
- 20) What percentage of holdings did you have in Capean between 1984 and 1988? Please list holding on a year by year hamis.
 - Previously answered,
 After I received conflicting statements from
 Capcom, I retained a Solicitor in England to assist
 we in identifying mhareholding allotted to me by
 Capcom during 1984 to present. The public record
 shows the following:

Shared allotted repeat allotted to R.I. Fowell;

15,000 Shares on 01/06/1984 1,350,000 Shares on 15/11/1984 1,250,000 Shares on 17/06/1985

* 1.500,000 Sharas transferred from my name to another party on 30th October 1987.

Page 1 of 4

57-961 215

REP



These totals suggest that I still own 250,000 or 1% of the outstanding shares of the company. Each share of capsem steek hold a par value of One Feund Sterling. This collaborates my claim to own 1% of the outstanding shares of the company. When I surchased my shares in the company only Right Million shares had been issued. When or how I became the owner of a 250,000 shares is not explained by the record nor do I have any knewledge about the metivities that created this apparent paper increase. See Exhibit (a) extended "Articles of Association" maragraphs 4, 9 & 10. From reading these paragraphs it is obvious that the company can be any thing it pleases with its shares without inferming affected parties. Is not hind sight heautiful? I have also enclosed the following Exhibits for your information:

- A) Capoom's Article of Association.
- b) C.F.H. Company Formations Limited, Company report (Refer to page 4).
- c) Initial letter from Powell to N.D. Barrett dated 18 June 1992 with attached notice from Nr. N. Saghir (President of Capcom Purure Chicago).
- d) Letter free Capcom to Powell dated 17/06/92 (Sub): Notice of Annual General Neeting received on 21/06/92,
- e) Letter from Powell to Capons dated 29/06/92 (Sub): Request for information identified in my letter dated 18 June 1992).
- f) Letter from Capoom to Powell dated 29/06/92 (Eubji Answerers to Powell letter to Capoom dated 18/05/92). Please note statement of Powell shareholding in first paragraph, Please also see attachment to this letter identifying commany registry of shareholders from 30/05/85 to 30/06/92.
- g) Letter from Powell to Capcon dated 29/06/92 (Subj: Request for additional infermation).
- h) Letter form Powell to Sherwin Oliver Solicitors dated 30/06/92 (Subj: Request for engagement of Solicitors).
- Letter to Capoom from Powell dated 10 June 1992 (Subj: Notice of representation by Solicitors).
- j) Letter from Capoom to Powell dated 01/07/92 (Sub): Expression of frustration and auknowledge of Powell's appointment of Seligitors).
 Page 2 of 4

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57-961 216



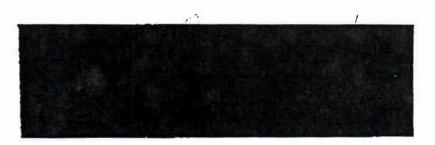
- k) Fax message from Capeon to Powell dated 02/07/92 communing about my 1% shareholding.
- 1) Pax from Powell to Capsum dated 05/07/92 (Subj: Capsum Stock book stubs listing of share ownership form May 1986 to June 1992.
- m) Letter from Solicitors to Powell dated 05/07/92 (Subjectionates about company search of Capcom public record. See Exhibit b above),
- n) Fax from Powell to Solicitors dated 07/07/92 (Sub): Concepts for development of Strategy related to Selicitors attendance to Annual General Meeting).
- o) Pax from Powell to Selisiters dated 08/07/92 commerciae results of company searon of public record.
- p) Fax mano from Powell to Capson dated 07/07/82 transmitting Pown of Proxy.
- q) Letter form Solicitors to Capons dated 08/07/92 (Subjection of assenda far Annual General Neeting of shareholders (See Exhibit "d" above).
- r) Fax from Capoun to Selimitary dated 08/07/92 (Sub): Capoum expression concerning General Meeting raised in Exhibit " q^{α} above).
- s) Pak from Powell to Capoum dated 09/07/92 in response to his proposal to the Solicitors conserning the agenda for the Ansmal General Meeting of Sharehelders).
- t) Fax from Capcon to Powell dated 09/07/92 confirming agreement reached during telephone preversation.
- u) Report from Solicitors dated 15/07/92 (Subj; Attandance at the Annual General Heeting of Capons.
- v) Copy of Capoum Annual Report for 1988.
- w) Copy of Capoon Annual Report for 1989.
- x) Copy of Capous Annual Report for 1990.

My comments about the above aghibits are:

 For the expenditure of 2,750 Pound Sterling, I was able to stir up Capcom's Management to the fact that I was a shareholder until proven otherwise:

Page 3 of 4

PEP



*

Temporarily interrupted payment of Lieuddin Akhar leval fees (I have no doubt that Company Management will find a very around the court injunction and the shareholders objections to resume payment of these fees).

That final research of Company reserts may show that I do not now own any stock in Capoum. However, I don not believe results of said research will alter any of my statement made above, whether or next I swe any Capoum London Stock. I hope this report setisfies your curiosity about my sharehelding antivities with Capoum.

legards,

Robert Towell

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Page 4 of 4

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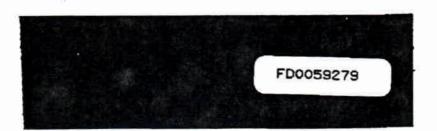


EXHIBIT (A)

THE COMPANIES ACTS 1948 to 1981.

COMPANY LIMITED BY SHARES.

1811865/4

Articles of Association

OF

COTIMIN MANHARITY

PRELIMINARY

- Subject as hereinefter provided, the regulations contained in Part I of Table A in the First Schedule to the Companies Art 1948, as in force at the date of incorporation of the Company, (hereinefter referred to as "Table A"), shall apply to the Company.
- 2. Regulations 11, 24, 75, 77 and 79 of Table A shall not amply to the Company but the Articles hersinafter montained and the remaining regulations of Table A, subject to the medifications hereinafter contained, shall constitute the regulations of the Company.

SHARES

- The Company is a private company limited by shares and, accordingly,
 - (a) any effer to the public (whether for oash or etherwise) of any shares in or depentures of the Company, and
 - (b) any allotment of, or agreement to allot, (whether fer dash or otherwise) any shares is or debentures of the Company vir'l a view to all or any of those shares or debentures being offered for sale to the public

are prohibited.

4. The directors of the Company are authorised during the period of five years from the date of incorporation of the Company to allot, grant options ever or otherwise dispose of the original shares in the capital of the Company to such persons at such times and on such conditions as they think fit, subject to the provisions of Articles 3 and 5 hereof and provided that no shares shall be issued at a discount.

4016 219228 6220

SWOLIDITOS MENTO HINNERS SOLEO 20-10-2647

. 7 .

I... Subject to any direction to the centrary that may be given by the Company in owneral meeting, any original shares for the time being unissued and any new shares from time to time to be created shall, before they are issued, me affered to the members in proportion as noarly as possible to the nominal value of the existing shares held by them and such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time within which the offer if not accepted and limiting a time within which the offer if not accepted and limiting a time within which the offer if not accepted and limiting a time within which the offer if not accepted and limiting a time within which the offer in sentitled and saturation from the sembler to whom the notice is given that he doclines to accept the shares, the directors may dispose of the same in such manner as they think most beneficial to the Company. The provisions of section, 17 of the Companies Act 1930 shall have offect only insofer as they are not inconsistent with this Article.

6. In regulation 3 of Table A (or the word "ordinary" there shall be substituted the word "special" and the words from "on such terms" to the end shall be omitted.

 Subject to the provisions of Part III of the Commences Act 1981, the Company is authorised to purchase its own shares.

LIEN

a. The Company shall have a first and parametric lies on every share (whether or not it is a fully paid share) for all menies (whether presently payable or not) salled or payable at a fixed time in respect of that share and the Company shall also have a first ar] parametric lies on all shares (whether or not they are fully paid shares) standing registered in the name of any person indobted or under liability to the Company for all menies presently payable by hit) or his outste to the Company, whether he shall be thojisels registered holder thereof or shall be are of two ir more justic holders; but the directors may at any time declare any share to be wholly or in part except from the provisions of this Articlo. The Company's lies, if any, on a share shall extend to all dividends payable thereon.

TRANSFER AND TRANSMISSION OF SHARES

9. The instrument of thansfer of a fully paid share need not be executed by or on suchalf of the transferse and regulation 22 of Table A shall modified accordingly.

10. Nave in the circumstances set out in the next succeeding Article the diffectors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share, whether or not it is a fully paid share.

0223 922612 P.06

SHOULDINGS HERITO NIMES OF 160 60-46-7661

. . .

Il. Subject as herninafter provided

- (4) any share may be transferred to a Berson who is already a memorr of the Company;
 - (b) any share may be transferred by a member of the Company to any child or remoter isawa, parent, brother, sister, or spewme of that member, and any share of's deceased member may be transferred by his personal representatives to any child or remoter issue, parent, brother, sister, wisow, or wisover of such deceased member and shares standing in the name of a deceased member or his scrional representatives may be transferred to the trusteds of his will; and
 - (c) any share standing in the names of the trustees of the will of any deceased member or of a settlement created by a member or a deceased member may be transferred upon any change of trustees to the trustees for the time being of such will or settlement or to a person to whom such member or deceased member would have been entitled to transfer the same.

Provided always that nothing horeinbefore in this Article contained shall prevent the directors from declining to register a transfer of a shere (i) on which the Company has a lien or (ii) to any infant, benkrupt or person of unsound mind.

12. The proviso to regulation 32 of Table A shall not apply to the Company.

CENERAL MEETING

13. Every notice convening a general meeting shall comply with the provisions of section 136(2) of the Act as to giving information to members in regard to their right to appoint proxies; and notices of and other communications relating to any general meeting which any member is entitled to receive shall be sunt to the auditors for the time being of the Company.

DIRECTORS

6019 (1977) 6720

14. Unless and until the Company in general meeting shall otherwise determine, the number of directors shall be not less than one nor more than neven. If and so long as there is a sole director, such director may set along in exercising all the powers and authorities wisted in the directors. A director shall not require any share

19.7,82

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inscreed the words "is romewed from effice by resolution suly parsed under section 184 of the Act" and (ii) all the words after "by notice in writing to the Company" shall be omitted.

ROTATION OF DIRECTORS

 In regulation 89 of Table A after the words "then the number nearest" shall be inserted the words "to but not exceeding";

THE SECRETARY

21. The first necretary of the Company shall be the person nemed as the first necretary of the Company in the statement delivered under section 21 of the Companies Act 1876.

MOTICES.

22. In regulation 131 of Table A, all the words after the words "letter centaining the notice" shall be emitted, and in substitution therefor there shall be inserted the words "and, if posted by pre-poid first-class mail, to have been effected at the expiration of 24 hours after the letter containing the same is pasted, and, if posted by any other class of pre-poid mail, at the time at which the letter would be delivered in the ordinary emurse of peat".

INDENSITY

23. In addition to the indemnity contained in regulation 116 of Table A and subject to the provisions of section 20% of the Act every director, managing director, agent, auditor, secretary and other officer of the Company shall be untitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by him in or about the execution and discharge of the duties of his office.

7.7.42

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- 11 -

STEPHEN FREDERICK WALFORD

EDWARCH HOUSE,
25/15 City Road.
Lendon ECI

Company Formation
Assistant

JOHN REGAN

Epworth House,
25/15 City Road.
Lendon ECI

Company Search
Assistant

day of 4

S

MITHEES to the above signatures:

Company formation Assistant

2114 SIPPE 6700

YAP KIN LAN

Epworth House. 25/15 City Road. London EC1

Sapitotinos dantno nimeses (21:60 80-00-266)

1984

Share Distribution

- A.K. Puri of Avenue Henry Dunant, 13-B32, 1140 Brussels, Belgium £3,620,000
- S.Z.A. Akbar of 22 Easinghill, London NW11 £6,000,000
- Grossilla S.A. of 7 Cambridge Court, 210 Shepherds Bush Road, London W6 7NL . £1,250,000
- Sheikh H.R. Pharaon of PO Box 6474, Jeddah, Saudi Arabia £130,000
- Mohammad Saghir of 8824 N, Springfield Avenue, Stokie, Illinois £250,000
- Sheikh Kanal Ibrahim Adham of PO Box 6126, Jeddah, Saudi Arabia £3,000,000
- Elsayed E Eljawhary of PO Box 6126, Jeddah, Saudi Arabia £1,750,000
- Sheikh ARH Khalil of PO Box 14032, Jeddah, Saudi Arabia 21424 £8,250,000
- R.E. Powell of 6471 Bixby Hill Road. Long Beach, California USA £250,000
- L.E. Romrell of 5828 South Kearney Street, Englewood, Colarado £250,000
- B. Magness of 4725 South Holly, Englewood, Colarado USE £250,000



EXHIBIT " P- "

CAPCON PRIAMONI, SERVICES LTD

29th June 1992

Our Ref: 108/LS/2620

R.E. Powell Esa Slobal Chemical E Maintenance PO Box 5114 Ruw! Muscat Sultanate of Oman

Open Mr Powell

Ry Capcon Financial Services Limited

Thank you for your letter of 18th June,

We so not have the Share Certificates thanselves, but I have arranged for our staff to attumpt to reconstruct the history of the shareholdings from the Share Certificate stubs, and it would appear that you do not have a shareholding in

I have no information on the payment details.

I am not personally aware of any particular records which related to your relationship with Capcom, and it is really not practical to go through all Capcom's old records searching for references.

Our principal difficulty in carrying out any research about the BASE period is that the pelice authorities that sessession of Capcom's storage facility as part of their investigations into the S.C.C.I. collapse, and I really only have current records available to me.

I only joined the company as a director in late 1969, and there is now ne-one working at the company who has any effective knowledge of the earlier period.

I enclase a copy of the 1988 accounts, and of the audited but not yet approves 1989 and 1990 accounts. The 1991 accounts have not yet been presares.

I also enclose a list of my uncerstanding of the current shareholders - although the attribution of 15 of the shares to you would seem to be incorrect, if our analysis, referred to above is right.

ours sincerely/

P.S. Enclosures are being sent on new hith the same of the same hith the same of the same

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CAPCON

30th June. 1992

LIST OF STATE SOLDERS IN CAPCON FEMALIAL SERVICES LID AS AT 30th JUNE, 1992.

NAMES OF BOLDERS	HEVER.OF	HO OF STARES	THERT	46_4T_29:5:17.
SERTER KAHAL THRAFTH ATRAH	30.5.86	4,250,000	Lin	4,250,000
EL SAYED E.ELJAMEARY	•	1.750.000	-	3,750,000
SHELLER ARROL RADUP HARAN KRALIL	-	5,000.000	•	5,000,000
BORERT REMARK POWELL	**	1,750.000	S.Z.A.Akbar	MIL
LARRY E. MOREELL	н	2,750,000	E.1.A.Akbar	300,000
BOB HACHES	H	230,000	mil	250,000
CHOZELLA S.A.	-	1,250,000	mai	1,230,000
AJAY KRISHAH PURI	6-	3,270,000	H. Saghir	3,620,000
SMELKE BATTON RABETD PEARAGE	н .	130.900	267	130,900
SYMB ZIAMONDH ALI ARBAR	3.11.87	6,000,000	H.D. Barrett	5,900.999
HOEAHOED SAGETE	1.2.88	250.000	mil	250,000
HICKARL MAVID BARRETT	15.4.92	1	mil	1
				લ શેમ્ય
	TOTAL ISSUE	STARES	1	25,000,000

Propagal by:

EXHIBIT (I)

Robert E. Powell P.O.Box: 5114 Red Muscat, Sultanate of Chan

Tal. MO.: (968) 797120

Pax No.: (968) 708780

30 June 1992

CAPCON Financial Services Ltd. 107 Grays Isn Boad London WCLX STZ

Fax Mo.: 071 404 3316

Attn: N. D. Barrett Director.

Dear Mr. Barrett.

Your Letter MDD/LS/262C dated 29 June 1992.

Thank you for responding to my letter of 18 June 1992. I must confess that your letter brought both good news and had news. It is mind boggling to accept a statement that my name has been on the shareholder list for approximately eight years only to find out at this late date that my shareholding was only a sham.

The good news is that I can represent to the authorities that I never owned shares in CAPCOM. The had news is CAPCOM misrepresentation on my share ownership has caused me serious humilistion for no reasonable cause. However, I know that I caused the payment of 80,000 Pounds to CAPCOM in 1985 time frame. My record shows that I own at least 450,000 shares of which only 80,000 shares were paid for.

To solve this problem out, I have engaged a UK Attorney by the name of Mr. Migel Astbury to visit with you and review what records you have. Your occuperation with Mr. Astbury will be appreciated.

Sincerely,

Robert Parell

Robert I. Powell

P/S: Please note that I received only a fax copy of your letter and I did not received the list of current sharsholders. If that list is not included in your DEL yearkage, please fax it to ma.

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EXMENT (J)

T-P2 MED 1+:28 BARRETTE LONDON



CAPCON PHANCIAL SERVICES LTD

1st July 1997

lobert E. Powell Eso Fax No. 010 968 708780

Dear Hr Powell

Thank you for your letter of 30th June:

 \tilde{I} do, of course, fully sympathise with your frustration at the confusing picture \tilde{I} have presented to you.

I am not, I must emphasize, saying definitely that you are or are not a shareholder. You asked me a question and there had never before been any reason to query that the answer was; you own IS. But investigating source documents seemed to indicate a different enswer.

I say "segmed" because, as I said in my letter, the documents available to me are incomplete.

I have spoken to your lawyer and I have told her that I will go to whetever lengths are necessary to resolve the issue with her. We have absolutely no reason to want anything other than to help solve any confusion. Certainly, I will cooperate in every way I can.

The list is in the package on its way to you.

Yours -acerety

SHERWIN OLIVER

DIE OLD MANOR HOUNE: WICKHAM ROAD: FAREHAM POIS TAR

DX 40816 FAREHAM PAX: 0329 R22612

TELEPHI INE: 0324 KZZALI

1

EXHIBIT (M)

RI Powell Esq., P.O. Box 5114 RUNI, MUSCAT, SULTANATE OF CMAN BY FAX: 010-968-708-780

NSA/JAC/POWELL

THE RAP

thati 6th July, 1997

Dear H. Pewell.

Re: CAPCON Financial Services Ltd

Thank you for your fax of 5th July enclosing copy of your letter to Mr.Barrett of the same date and of the list of Shareholders prepared by Mr.Salim A. Kaxi dated 30th June. Clearly the records are in disarray but hopefully Mr.Barrett will find something out further as a result of his visit to the Serious Fraud Office.

We too if you wish can visit the Police on your behalf - \bar{I} think we ought to keep that option open.

I see that you have sent Mr.Barrett a copy of the Company Registry report we sent to you. As you appreciate that Report was complied by our Company researcher from reading the microfiche records. I would imagine frankly that Mr.Barrett already has an up-to-date Company Search - he certainly should have as he is after all the Company Secretary. The Police certainly will have.

I see that in your letter to Ar.Barrett of 5th July-you resterate once more what your position is. That is fine but I would counse? same circumspection in what you write to Ar.Barrett on this subject as at present the position is certainly not clear enough to enable enyone to make categoric statements.

It looks from Mr.Kazi's list as though May 1986 and that presumably they wer 6,000,000 shares he received on 3rd transferred 1 share to Mr.Barrett present ably on 18th June, 1982 - less than a month seq. I think we should contact ... Barrett by the end of Monday/beginning of Tuesday and of course I will speak with you on the talephone this offermoon.

As I am sure you will appreciate Roisin Barry and I have spent a considerable amount of time on this matter not least speaking to you at some length on the telephone. The accounting has yet to catch up but I would imagine that we are close to exhausting the $\pm 1,000$ originally provided by you. I need to be sure

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SHERWIN OLIVER

that our fees are going to be covered and in perticular, of course, I am aware that you may well went us to attend the ACH on Friday. In those circumstances I would be grateful please if you could provide a further sum of £1.800 as soon as possible which will be held on our client account here against fees. Of course, we shall in due course account to you for all the time spent and refund to you any of the manney which has not been used up in fees." If you could put that in hand as soon as possible I would be grateful.

Yours sincerely,

MIGEL S. ACTEMY Sheroda Oliver Solicitors

EXHIBIT (N)

Robert E. Powell P.O.Box: 5114 Ruwi Muscat, Sultanate of Cman

Tel. NO.: (968) 797120 Fax No.: (968) 708780

07 July 1992

+ For information and bismession only.

Mr. Nigel Astbury Sherwin Oliver The Old Hanor House, Wickham Road Fareham Pol6 7AR, England.

Fax No. 0044 329 822612

Dear Mr. Astbury

Ref.: CAPCON Financial Services Ltd.

Please be advised that I have had a long and candid conversation yesterday afternoon with Attorney Barrett, Director and Company Secretary of CAPCOM about the records of CAPCOM shareholders from 1984 to 1992. Attorney Barrett has reassured me that I will be provided an official detailed list of shareholders along with dates and numbers of shares. Information required to compile an official registry has been requested from the custodian of these records at the Serious Fraud Office. Attorney Barrett expects to receive and evaluate these records within one week to ten days. He also advised that CAPCOM Directors are agreeable to honoring representation of Powell's 250,000 shares at the Annual General Meeting of shareholders scheduled on Friday, 10th July 1992.

Concept For Participation in AGE:

Powell request a representative of Sherwin Oliver to attend the scheduled AGN with the following instructions:

- To challenge whether or not a quorum of shareholders are present.
- To inspect the proxies to determine number of shares and shareholders represented at the meeting.
- To request postponement of the AGM until shareholders can be provided with the following information:

Page 1 of 4

- a) Provide shareholders with audited Financial Statement for 1991.
- Director's report describing the company's current and future business plan and Directors opinions to whether or not the company remains a going company.
- Director's written justification for paying S.Z. Akbar legal expenses, yesterday, today and in the future.
- d) Director's written statement as to cause of outstanding law suits against the company, explanation of the elapsed time in reporting the charges and the company's defense.

If the Directors will not agree to postpone the meeting, the Sherwin Oliver representative is authorized to take the following action along with any other action they deem appropriate:

- To vote in the affirmative to approve Agends Items No. (1) and (3) along with any other statutory requirements.
- To vote in the negative rejecting the appointment of Mrs. Sushama Puri. Mrs. Puri to be replaced by a representative appointed by the Company's Auditors.
- To vote in the negative against resolution to authorise and instruct the directors of the Company to pay the legal fees of Syed Zisuddin Ali Akbar.
- 4. To place before the Board a resolution to instruct the Directors of the company to call for special General Meeting of the shareholders within a three month period for the purpose of presenting to the special meeting of the shareholders the following information for their consideration and action:
 - a) Provide shareholders with audited Financial Statement for 1991.
 - b) Director's report describing the company's current and future business plan and Directors opinions to whether or not the company remains a going concern.
 - c) Director's written justification for paying 5.2. Akbar legal expenses, yesterday, today and in the future.

Page 2 of 4

- d) Director's written statement as to cause of ourstanding law suits against the company, emplanation of the elapsed time in reporting the charges and the company's defense.
- 5. Read in to the record, the following information about this shareholders position:
 - a) If the business plan does not confirm that the company is a viable going concern with a future, then the shareholders should place the company in liquidation.
 - b) That defense of Akbar is not in the interest of the company because:
 - 1- Akber has done irreparable damage to the company and its shareholders reputations.
 - ii- Akbar acted outside the objects of the company and has been charged for the second time with willful breaching of commercial regulations. Therefore, the Directors should also bring charges against Akbar.
 - iii- The company has no moral or legal obligations to spend shareholders funds for Akhar's defense.
 - lv- Six Million shares held by Mr. Barrett can only be as Akbar's nominee to be voted solely for Nr. 2.A. Akbar interest and therefore represent a potential conflict of interest.
 - c) The company should urge 3.2.A. Akbar to comparate with the authorities, make whatever deal he can, pay his dues and return to his family as soon as possible. For the company to spend hundreds of thousand of Founds on Ar. Akbar's and/other unknown persons defense when the result could bring potentially harsher tarms makes no sense. If he is innocent of the charges, let the facts speak for themselves.
- 5. If the Directors proceed with the AGN despite of Powell's objections, the Directors should be informed of the following:
 - a) Powell will seek an injunction against the directors expending any additional funds for legal fees on behalf of Akbar.

Page 3 of 4

- b) Question the propriety of Company Secretary and Directors buying and selling of shares from the beginning of the company todats and demand evidence of payment for shares and source of funds as well as their authority for paying for Akbar's previous legal expenses.
- c) If the injunction fails, Powell will mobilize proxies from shareholders sufficient to bring legal action against the Directors for misappropriate of the company funds and other illegal action. If sufficient proxies are received to establish a quorum of shareholders, a special General Meeting of shareholders will be called to resond the authority of the Board of Directors to make payment for the defense of Akbar.

It is requested that you review the above letter for content and appropriate language so that it can be presented to Mr. Barrett for his consideration and action before the shareholders meeting.

Sincerely,

Robert E. Powell

FOR DEFORMATION AND DISCUSSION ONLY

Will Telaphone You 16:30 your time today

EXHIBIT (O)

Robert E. Powell P.O.Mox: 5114 Ravi Musost, Sultanets of Comm

Tel. NO.: (968) 797120 Fax No.: (968) 708780

08 July 1992

Sherwin Oliver The Old Hanor House, Wickham Road Fareham PO16 7AR, England.

Fax No. 0044 329 822612

Attn.: Mr. Nigel Astbury Ms. Roisin B. Barry

Ref .: CAPCON Financial Services. Ltd. - R. E. Powell

I reviewed your proposed draft letter to CAPCON regarding the AGM. I find it quite satisfactory and suggest that you fax it to CAPCON at your earliest possible time.

I also received fax hard copy of CAPCON's incorporation documents. I was fascinated by paragraphs 9, 10 £ 23 of the Article of Association. If these Articles are not restricted some where else in the commercial code or by the Company Act of 1985, I can understand why the company acted so casually, secretly and arrogantly. When we talk this afternoon, I will appreciate your comments about paragraph 23 indemnity. Could said paragraph justify payment of legal fees for Mr. Akbar even though he has been charged with committing illegal acts.

I received from you only copies of the Hemorandum of Association and the Articles of Association. There must be more amendments to the Articles of Association changing the name of the company twice and whatever else, I would also like to have hard copies of the official Company Bouse Registry from 1982 to 1992. Now that I am aware the company are registered approximately two years before I become involved.

Page 1 of 2

A number of Risconceptions have been clarified. I thought I was an original shareholder. In your earlier fax of 02 July transmitting the company report, page 4 indicates that as of 17 June 1985. I own 3,750,000 shares and that 3,500,000 of the shares were transferred on 30 October 1987. I need to know whyther or not those entries appearing in the company report represent each and every entry occoorning my involvement in buying and selling CAPCON shares.

I will talk to you later today.

Sincerely,

Robert I. Powell

Page 2 of 2

EXMBIT Q

SHERWIN OLIVER

THE OLD MANUS HOUSE: WICKHAM ROAD: FAREHAM POLETAR OX 40818 FAREHAM FAX: 0229 822612 THE EPHONE: 0329 822613

N.D. Barrett Esq., CAPCON Financial Services Ltd., 107 Grays Inn Road, LONDON.

BY FAX AND POST: 071-404-3316

ASA/JAC/POWELL

WCIX STZ

ND8/L5/26ZC

BATE Sth July, 1992

Dear Sir.

Re: CAPCON Financial Services Ltd - Nr. R. E. Posell

THE REPA

As you know, We have been instructed by Mr. Robert E. Powell to investigate for him the situation regarding his Shareholding in CAPCON Financial Services Limited. He has received Notice of an Annual General Meeting of the Company to be held on Friday 10th July at 107 Gray's Inn Road, and is particularly concerned to make the various proposed resolutions for that meeting.

You will also know that we have over recent days been investigating as far as we can the Members Register of this Company to seek to establish what the true position is. In that context you will have spoken to our Miss Roisin Barry.

You have also, we understand, spoken direct to Mr.Powell. We understand from him that you have asked the Serious Fraud Office (who presently hold most of the records of the Company) to provide you with a detailed list of Shareholders along with dates and numbers of shares. This year will be receiving within a week or 10 days. You have enderstand to provide that information to Mr.Powell once it is received. We understand that for the purpose of the proposed Annual General Neeting he will be considered to have 250,000 shares in the Company.

As for the proposed Annual General Meeting, Mr. Powell is particularly concerned to note the resolution numbered 4 which is to authorise the payment of the legal fees of Syed Ziauddin Ali Akber who it seems is a past Director of the Company and presently a fairly major Shareholder.

We cannot presently see what justification there can be for paying these expenses.

It seems to us that in view of the present situation and in particular in view of the state of the Companies Records and the fact that they are for the most part being held by the Serious Fraud Office, it is inapprepriate to be holding an Annual General Heeting at this stage.

SHERWIN OLIVER

Our client through ourselves therefore will be asking for a postpomement of the Annual-Cameral Meeting until Shareholders can be provided with the following information.

- 1. An audited Financial Statement for 1991.
- A Directors' Report describing the Companies current and future business plan and the Directors' Opinion as to weether or not the Company remains a gaing concern.
- The Directors' written justification for paying Mr.Akbar's legal expenses either in the past or in the future.
- 4. The Directors' written Statement as to the cause of the outstanding law sorts against the Company, what they relate to and an explanation as to the lasse in time before reporting this to the Shareholders. We shall also require an explanation as to exactly what Injunction or Injunctions are in existence as referred to in the Notice of the Neeting.

We write to put you on notice of our client's position and that we shall be attending on Friday on his behalf. We invite your comments.

Yours faithfully.

Sherrin Oliver Solicitors

EXHIBIT (R)

1992-87-89 89:31 SHERWIN DLIVER SOLICITORS STORM FOR SECURITY SECU

CAPCOM

CAPCON FRANCIAL MENGES LTD

8th July 1992

Our Ref: MDB/CC/268C Your Ref: MEA/JAC/POWELL

FRE Ro: 0329 822612

Hearrs Sherwin Oliver The Old Manor Souse Wickham Road Freham POLS 7AR

Deer Sirs,

Re: Mr R I Powell

Thank you for your fax of 8th July. As you will appreciate from our correspondence with your client, there is clearly uncertainty about the sharsholding of your client.

I note your intantion to attend the meeting on Friday. I have said to Mr Pewell that I have no objection to you attending, in principle, an the hasis that the investigation into the payrical records will support what I personally have always understood to be the position, that your client is a current sharaholder in the company.

I hope to actually review the records held by the Serious Fraud Office, and I will report back just as soon as that happens.

The Accounts

I do not see that anything to do with the aveta of the company's records makes it imppropriate to be holding annual general meetings. The issue is whether Mr Powell is a shareholder or not. There is no other issue regarding the company's records. If your client is represented at the meeting, the issue has not in any way infected the validity of the meeting.

You will readily appreciate that the reason for holding the annual general meeting is a legal one. The company is required by law to file its audited accounts by derusin dates.

instrument in Employ with dealer builty Applicant in 18718

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Page 2

The accounts to 31st October 1988 were delayed for a considerable period of time while the board argued with Arthur Andersen about what contingent liabilities should or should not be included. By the time those accounts were concluded, and Kingston Smith, the new suditors, had succeeded in completing the accounting work, the time for filing the accounts as at 31st October 1989 had also passed.

We are now in the situation where Companies Registry are issuing letters to the directors threatening criminal proceedings for failure to file the accounts.

The position has been brought up to date to a considerable extent by Kingston Smith preparing the 1989 and 1990 accounts at the same timm. Mork on the 1991 accounts is already underway, but its completion depends upon Messrs Kingston Smith.

When the 1991 accounts are prepared, another annual general meeting will be held to deal with them.

You will fully appreciate the legal position, and that we cannot possibly put off dealing with the already out of date accounts, until completion of the next audit, which is probably some months away.

I am certainly not proposing to be prosecuted in the meantime!

The accounts for 1989 and 1990 have already been filed at Companies House, with the reservation that they are subject to approval by the annual general meeting, in order to evoid the automatic fines imposed on companies as from 30th June 1992.

With regard to the passing of the accounts, therefore, we cannot see what possible reason there can really be for not dealing with them at the annual general meating on Friday. They represent history. That is not in any way affected by the financial position in 1991, so waiting for finencial figures for 1991 cannot be a reason for delaying approval of the accounts for the earlier years.

In essence, the cases against Capcom are as follows:

Republic of Panama

On 31st October 1988 Capcom received the sum of \$20,500,000 from Finley International. Finley International was a company of which Mr Akbar was a director, as he was of Capcom itself at the time. On Mr Akbar's instructions, the money was credited to an account in Capcom owned by El Rayen, an investment company in Egypt, which was in substantial debit at the time. It is now alleged that this money belonged to Moriega, and that it came to Capcom as part of BCCI's efforts to conceal it from the American suthorities. It is now claimed back by the Republic of Panama. A statement of claim has been served and a defence, prepared by Eben Kamilton OC, has



Page 3

been filed. There is a Mareva injunction, of which we enclose a copy. That is the current stage of the proceedings.

Alexandria Commercial & Hartime Bank

No writ has been issued. The bank claims that it is owed money by Capcoon Bankers. This was a company set up in Vanuatu, off the Australian coast, and controlled by Mr Akber.

In 1988, Capoom itself was receiving deposits from ACME. The Banking Act made that impossible to continue. So the purpose of Capoom Bankars was to take the deposits. It appears that in 1988 Mr Akbar (and snother director) signed a letter guaranteeing to ACMS the repayment of monies sent to Capoom Bankars. Then Hamilton OC regards this as a valid guarantee.

In 1989, Capcom took Counsel's opinion and discovered that the scheme did not work, and Capcom stopped receiving any funds from ACMB. However, it appears that ACMB continued to aske funds available to Capcom Bankers and they claim they did so on the basis of the quarantee letter.

The advice of Queen's Counsel is that there is a defence to the action because it must have been quite clear to ACMS that a dramatic change had occurred, and their subsequent actions indicate that they were not relying on any guarantee, which appears to have been discovered when they became involved in seeking to recover the money from Capcon Bankers.

It is understood from Mr Akbar that Capoum Bankers deposited most of the money back with ACMS before the due repayment date and that the :deposits, together with the value of Capoum Bankers' shareholding in ACMS, and some other securities which have been lodged leave a shortfall of possibly \$500,000.

STIRE CHES

Funds which Capcom was holding in Banque Leu Ganava were froman by the Swiss authorities on suspicion that the memay originated from drugs laundaring. The suspicion was created by the Financial Times series of articles on SCCI and relates solely to the known events of 1988. I have given avidence to the Swiss judge which puts it beyond doubt that there can be no drug laundared money, but the Swiss judge requires my statements to be independently checked by police in this country, and we are waiting for that precess to be undertaken.

American Criminal Proceedings

At present, the Americans cannot take proceedings against Capcom, according to the advice of Queen's Counsel, and Mashington lawyers, but they seek to make Capcom criminally liable for any offences alleged against Mr Akber with regard to the "Meriege money" referred to above, which is the source of a reckemening charge against Mr Akber and Capcom in the United States.



Page .4 .

Justification of Paving Mr Akhar's Lagal Expenses

Is most of the cases facing the company, if Mr Akbar is found quilty, the company is found quilty. He was a director of Capcom at the time, and the sous which the plaintiffs' claims give rise to liability are, in many cases, his actions in his capacity as director.

In the "Eoriege money" case, Mr Akbar is a defendant along with Cappoon. The Mareva injunction forbids him from disposing of assets, although he can pay legal fees. But he has no assets. Legal hid had been applied for and refused. So if he is to defend himself, he needs to be represented by lawyers. Capcom will have immense difficulty in sustaining its own immediate against the charges, if Mr Akbar, its agent, has had to concede his responsibility, in default of proper representation.

With regard to possible proceedings in the United States, the British and American suthorities are seeking to extradite Nr Akhar from Prance. The American proceedings directly involve Capeon, which is a co-defendant so that if Nr Akhar is donvicted of racksteering, so may be Capeon.

If the American authorities succeed in extraditing Mr Akbar, then they may be able to get over the problems they are now encountering in effectively serving Capoom with the criminal, proceedings, by serving them on Mr Akbar, then we would have to defend the proceedings, instead of ignoring them.

The British claims relate to Mr Akbar's activities at BCCI and the relationship with Capcom in its earlier days. It might also be in Capcom's interests to ensure that Capcom is not found to be at fault in those issues.

Essentially, the matter is put to the shareholders on the besis that Mr Akbar's fees should be paid where it is in Capcom's interests to do so.

Vishility of the Company

The company continues to trade in the foreign exchange markets, and we have succeeded in obtaining a number of customers, nainly European banks. The company is viable, albeit at a such reduced level than was the case in 1988. It is recognised that the Capton name does not help and plans were in progress to move the trading operation into a separate vehicle where its commection with Capton would be less evident.

It is considered for more satisfactory to attempt to fight the cases, and to continue in business, then to wind the company up. If there were liabilities, but the company was going nowhere, then winding it up would be a reasonable option.

But if the dampeny is wound up in its ourrent situation, the liquidator is far more likely to be settling claims with creditors

Ş 0 s

Page 5

in order to wind up the company than to preserve funds for the shareholders. In any event, the apparent existance of contineent liabilities of a very considerable amount would make it impossible for a liquidator to pey funds to shareholders in a winding up at this stage.

Yours faithfully,

D REAL PROPERTY.

Encl

EMIRIT (S)

Robert E. Powell F.O.Bex: 5114 Ruvi Nuscat, Sultanate of Chan

Tel. NO.: (968) 797120

Fax Mg.: (968) 708780

09 July 1992

CAPCOM Financial Services Ltd. 107 Grays Inn Road London WC1X 8TZ

Fax No.: 0044 71 404 3316

Attn: M. D. Barrett Director.

Ref .: CAPCOM Financial Services - R.E. Powell.

Dear Mr. Barrett,

I acknowledge receipt of your note transmitting your reply to Messrs Sherwin Oliver. Your timely and candid expressions are appreciated. I will telephone you between 12 & 12:15 your time today. If you will not be available at that time, please fax me a time more convenient for you. I have reviewed your comments and offer the following thoughts:

I agree with your observation that there is no reason why
the Financial Statement for 1989 and 1990 can not be
formally presented and approved, assuming a quorum is
present.

It would also be appropriate to approve the reappointment of the retiring Auditors and to authorize the Directors to fix the remuneration.

I noted that your statement concerning viability of the company as a going concern was unconvincing. If I had a proforma statement clarifying the net worth of the company as of June 30, 1992, I would be in a better position to appreciate your opinion. In the absence of such information, I can make a strong case, the company has no future and its primary business is the defense of 5.2.A. Akbar and other unknown parties. Therefore, I must insist that item No. 4 of the Agenda be postponed until the financial capacity of the company to continue paying these expenses while remaining a going concern is documented.

Page 1 of 2

- Onder no circumstances can I concur with the re-election of the Director Mrs. Sushma Puri. She and her husband (A.K. Puri) were totally involved with Akbar in the management of the company during mid 1980's. In fact the only person I ever saw Akbar defer to was Mr. Puri. The Puri's knew what was going on at Capcom. To perpetrate the Puri's inside position at Capcom will eventually cause Capcom more problems than it has now. It is my recommendation that Mrs. Puri be replaced with an outside Director either recommended by the auditors or professional in the field of Capcom's business.
- Should you have the opportunity, let Mr. Akbar know my opinion about the company, my advise to him is:

Ziauddin should start thinking about himself and his family and stop trying to protect others. He should separate himself from the Highway men that had led him into this current difficulties. He should make the best deal he can by plea bargaining, pay his dues if he is guilty and return to his family as soon as possible. If he is innocent he should allow the facts to speak for themselves. I do not believe that Capcom will have the legitimate financial resources to continue paying for his legal defense.

The above statement dos not make good reading, but they are sincere. Ziauddin assisted me in developing a strong banking relationship with National Bank of Cman in Muscat and BCCI in London during the second half of 1970's. I tried to reciprocate in kind, and with the little funds that I had by assisting him after he was forced to leave BCCI. Time will tell how badly I was deceived.

Sincerely,

Robert I. Powell

cc: Sherwin Oliver Solicitors.

Page 2 of 2



EXHIBIT (T)

Gundal SCHOOL CAPCOLI Dumas MEZPI CAPCOLI G Marke SPI-04 SSS or Marchy Proper CCCC.CO

CAPCON FINANCIAL SIRVICES LTD

9th July 1992

Our Ref: MDB/CC/1467m

FRT NO: (968) 708780

R I Powell Esq Moscat Sultamate of Omen

Dear Mr Powell,

Ret Caucon Financial Services Ltd

Thank you for your letter of 5th July. Thank you for ringing me as well. Since your holiday is starting and you cannot reach the lawyer in Sherwin Oliver, I am sending this letter to you and also copying it to them.

- I would deal with the numbered points as follows:
- The approval of the financial statements and the re-appointment and resumeration of the auditors will be approved by you.
- I will withdraw the proposal in item 4, and I am sure that Mr Akbar's promy will agree to that. I am not aware of any other shareholders planning to attend in person or in proxy. 2.

The issue is really academic, in fact, because there are no funds out of which Mr Akbar's future costs could be paid because of the impact of the injunction which prevents payment of funds.

The really important problem which will stise in due course involves the defence to the "Moriega money" claim, where. I am sure you can see that Capoon could find itself in a hopeless position if Mr Axber simply caves in, or has to cave in, because he is in France - or possibly in America by them - and has no representation.

Mowever, what I do agree is that the issue needs more early warning and discussion.



Page 2

 As I emplained, I am most certainly in favour of Mrs Puri remaining a director, for the reasons I emplained.

Tou have expressed your opinion, and, since you probably commot contact your solicitors, I expect they will vota against her appointment.

4. I will certainly pass on what you have to say. It is my view also that there is no way that it makes any sense to try to defend these criminal actions. Plea bargaining is the only sensible solution.

As soon as I have managed to sort out the share issue I will get back to you and your solicitors.

Bast Wishes,

HICHAFL BARRETT

Pipet from Satistions dates 15/0: 98.

Attendance at the Annual General Heeting of CAPCOM Financial Services Ltd (The Company) at 107 Grays Inn Road, London, WCIX 8TZ.

10th July 1997 (11am + 12.15om)

In attendance: - Michael Barrett, John Adler of Barretts Solicitors Timothy Hallis and Martin Birchmore of Kingston Smith, Accountants

Nigel Astbury (MSA) and Roisin Barry (RBB) of Sherwin Oliver Solicitors

Initially neither Hr Barrett nor Hr Adler were present. The Accountants were asked why the last Annual Return was dated 10th August 1989 and they said that, although they had not filed the Annual Returns themselves, they understood that later Annual Returns had been filed at Companies House.

Mr Barrett and Mr Adler then attended and it was established that Mr Adler was acting as Mr Akbar's proxy and it was considered that he had 24% of the shareholding (although they did not seem completely sure of this). Mr Barrett has] share in the Company and it was acknowledged that MSA and RBB were attending on behalf of Mr Powell who had a 1% shareholding in the Company.

It was confirmed that the Members Register was with the Serious Fraud Office.

MSA confirmed that he had received the latest fax from Mr Barrett received yesterday evening and it was understood that item number 4 on the Notice of the AGN would not now be proceeded with.

in relation to Number 1 on the Agenda it was established that the shareholders present were to consider and receive the Directors Report and Accounts for 1989 and 1990 and the accountants' Report. NSA said we had only received the 1989 accounts but the accountants assured NSA that the 1990 Accounts had been prepared and it would appear that a copy of these had been sent to Mr Powell.

NSA pointed out that it was for the Directors to approve the Accounts which they had done by signing them and that this meeting was merely to adopt the Accounts. For the record NSA said that the Accounts were fairly hurrific but clearly, acting for a shareholder, he did not have to approve them as such.

The accountants pointed out to MSA that they had merely adopted the comments of Arthur Andersen, the previous accountants, and that a lot of the liabilities were contingent liabilities in respect of threatened proceedings which Hr Barrett said could be ignored once the limitation periods had expired.

Mr Barrett said that, although the Company no longer was a member of various approved bodies it was still dealing with mainly European Bank clients (this was evident from the noise from the adjacent dealing room).

Mr Barrett said that the Mareva Injunction did not prevent the Company trading but there would clearly be no dividends for the shareholders as the Mareva prevents any disposal of assets.

MSA asked why in view of the existence of the Mareva item No 4 had been included in the Agends in the first place. Ar Barrett said that if at same point in the future the Company had assets abread these would not be covered by the Mareva. Clearly, the Company would need shareholders' approval before the Company's money could be used for legal costs for Mr Akbar and the Company had sought to obtain approval at this AGN in the event". That momies might become available in the future, However, he agreed with Nr. Powell that the shareholders should be given more notice of any such proposal to consider it further.

Mr Barrett informed MSA and RBS that Mr Powell was being investigated by the Senate Sub Committee for Terrorism and Narcotics and it would appear that other Shareholders are also being looked into even though certain individuals had not been snareholders for several years.

Mr Barrett said that Mr Powell had always been considered to be a 1% shareholder but it was only when the Share Certificate stubs had been examined that it appeared that Mr Powell no longer had a shareholding. He said that of course Mr Powell might be delighted to find that he was not a shareholder in the Company however he would clearly not be so pleased if his shares had been transferred to Mr Akbar and he had received nothing in return.

Hr Barrett said that a Police Constable from the Serious Fraud Office was going through the papers at present and hopefully sorting this issue out.

On questioning from MSA Mr Barrett said that Mrs Puri was in Delhi and that he had recently attended a Board Meeting in Delhi. He said that Mr Akbar was presently in prison in Longenesse in France awaiting the outcome of extradition proceedings to the United States. He said that he had previously been in prison in 1990 in England for 6 months of an 18 month sentence in respect of a conspiracy charge. It would appear that when BCCI collapsed investigations were undertaken in the United States and it was found that money had been moved from Finley to the Company.

The Americans obtained a secret indictment against the Company and Hr Akbar, Once Mr Akbar was informed of this he went to France but told his family about the arrangements who followed him out there. Unfortunately the FBI in turn were following his family and he was subsequently arrested to face an American charge of racketeering.

Hr Barrett explained that Hr Akbar was the Treasurer of BCC1 and that in some respects Hr Akbar had been the scapegoat for the serious financial mess BCC1 had got into. It appeared that BCC1 had been selling options and futures and repurchasing at unrealistic prices because the dealers knew that BCC1 had to do this to ensure that there was money in the Bank's Current Accounts.

NSA asked whether the Company held any promissory notes signed by Mr Powell as reference had been made to these in correspondence. It was established that there appeared to be no Promissory Motes signed by Mr Powell at the Company's offices.

In relation to the Mereva Injunction it was established that Messrs Edge and Ellison Solicitors of Birmingham were acting for the State of Panama.

In respect of Mr Powell's tax returns and other shareholder's personal tax returns it was established that an individual accountant was dealing with these

in relation to the Tax claim in respect of dividends which had not been distributed. It appeared that Arthur Andersen might have made a mistaxe in the way they handled the dividends and if so there may be a claim against their indemnity insurance Policy.

He Barrett confirmed that he had become a Director when it appeared that the Company's financial affairs had been sorted out. After the Mareva had been put in place, it apparently then became impossible for him to resign particularly as he was specifically named in the Mareva.

Mr Barrett and the Accountants confirmed that it would appear that the £25 million share capital of the Company was fully paid... MSA queried why the authorised share capital had been increased to £100 million. Ar Barrett said that this was when it was considered that the Company had a bright future and might expand as the situation had changed no further shares other than the £25 million had in fact been issued.

On a personal level Hr Barrett felt that Nr Akbar was in many respects an honourable man and did not consider that he would have chested Hr Powell by transferring his shares without payment. It was also pointed out that prior to 1986, companies did not have to worry where any money came from or if it came from a dublous source. It is only recently that such activities like laundering drugs money has become a criminal offence.

On returning to the Mareva Injunction it transpired that BCCI had been handling all Noriega's funds outside Panama. In relation to the finley connection it would appear that finley had owed the Company some money in relation to a deal with an Egyptian Company called El Ryan. When the money had come in Mr Akbar had thought that the money was in relation to this particular deal. It was pointed out that it was unlikely that Mr Akbar would wanted to touch money which had belonged to Noriega.

In relation to the BCCI action in America it appears that the American authorities had thought they had effectively served proceedings on the Company by serving on a subsidiary of the Company known as CAPCOM Futures. In fact this was no longer a subsidiary of the Company and therefore as the Company had genuine divested their shareholding in CAPCOM Futures except for a 3% shareholdings, the Company had not been correctly served in the United States. Mr Barrett also said that the FBI had tried to serve him personally but he had refused to accept these papers.

At the end of the meeting it was formally agreed that the Accounts should be adopted and Auditors appointed. In relation to the reappointed of Mrs Puril as Mr Powell's proxy MSA abstained from this vote but as the remaining proxies and shareholders voted in favour this motion was passed. Therefore the retiring Directors were reappointed. It was agreed that the fourth motion would be dropped and all were in favour. It was also agreed that the Director's remuneration should be fixed.

Mr Barrett said that he would be happy to fix an appointment for NSA to ettend at the Serious Fraud Office and NSA said that he would take his client's instructions.

Received on 10/77 % CHOON THENETAL STRYICES LITHTED

- Al Hode

DIRECTORS' REPORT

FOR THE YEAR FRANCE 31 OCTUBER 1988

The directors present their enough raport on the affairs of the empeny, tagether with the accounts and muditors' report, for the year ended 31 October 1968.

PAINCIPAL ACTIVITY AND MORDINGS REVIEWS

The principal activity of the company was to provide intermational financial services orvering futures and options, manay market and door interments, and foreign exchange trunsactions. The principal activity of the company since 31 October 1988 has been affected by the subsequent events described below.

brokerage and cassingies income was £7,134,692 during the year and the loss on erdinary activities after texation was £3.344.554. The directors do not recomm the payment of a dividend.

STREET TOTOGRADE

The company commuted investment business in the Duited Kingdom and was a masher of both The Association of Jutures Brokers and Dealers Limited ("AFED") and The Securities Association ("TRA"). On 27 October 1988, The Securities and Investments leard ("SIE") commissioned as investigation into the company's investment business under Section 105 of the Financial Services Act 1986. On 17 July 1989, the Council of the AFSD received that the company should be expelled from membership of the AFRD affective one month from the data of the decision and pay mests of \$400,000. These sasts have been skarged as an expense in the profit and less account for the year maded 31 October 1986 and are included in the provision of £1,550,000, as securibed below.

The empulsion took affect on 17 August 1989. The reason for empulsion provided by the Council of the AFED was that it was unable to identify all of the teneficial sweezs of the compony's share capital and, having regard to that in particular, falt mable to satisfy itself that all of them were, and accordingly that the sempany itself was, in all respects fit and proper. Expulsion has excluded the company from braking futures and options contracts. The company resigned from embership of TEA on 25 July 1989.

- 1 -

DIRECTORS' REPORT (Continued)

SUBSECULOR SPENTS (Oscioused):

The AFED had initially alleged various financial and regulatory irregularities by way of a straft report propaged by Mooses Pant Marwick MeLintock for the SIS. These allegations were not pursued. It will be noted that the AFED did not occalise that Casess Pinancial Services limited was in fact not fit and proper. The directors believe they nevely concluded that there might be other beneficial owners about when they have nothing. The directors of Casess Pinancial Services Limited know of me undisclosed beneficial shareholders.

As discussed in Note 19(b)(ii) to the semments the company is a defendent in litigation in the United States of America for allegedly carrying out financial transactions involving the proceeds earned by third parties from illegal drugs sealing. The directors of the company intend to defend strongly this charge. Purchasures, Mr. S.Z.A. Akbar, a farmer director and current shareholder of the company, was sharped and found guilty in the United Kingdom of a conspiracy offence and was fixed and soutcomed on 4 October 1990 to a period of imprisonment of eighteen menths. So has also been charged in the United Status with various offsees relating to allogodly carrying out finencial transactions involving the proceeds sarmed from illegal drugs dealing. The sempany has guaranteed to indemify Mr. \$.7.4. Akbar for all legal expenses incurred in defending these charges. Prevision has been made in these assesses for the year ented 31 October 1988 for logal costs and fees paid to regulatory bedies and others in relation to investigations of £1,550,000 is commercian with those alleged offeeces. It is currently not possible to determine the ultimate outcome of the outstanding actions, the related logal costs and any commequent effect on the

Initially, Et Oustams and Excise investigated the company's position as part of their investigation into drugs money learning. As a result they took no action against the sempeny. Originally, they had charged Mr. 5.2.A. Akkar with laundering drugs proceeds through the company. This allegation was subsequently dropped.

- 2 -

DIRECTORS' REPORT (constinued)

SUBSECULARY SWEETS (Continued):

The investigation summissioned by the SIR was carried out by Nesers Feet Marvick Helintack. At the same time the company commanismed a special investigation by Hesarz Coopers 6 lybrand in order to discover variable may usury arising from drugs dealings had been in the company's passession or whether there were any transcattions or aspects of the company's trade which appeared to be irrugular. The Coopers 6 Lybrand investigation found so evidence of such money. Further, the Past Harvick Helintack investigation also found so evidence, judging by the fact that as action was taken. The directors are satisfied that no "money laundaring" of any kind has securred.

The Baited States of America suthorities have taken no steps over the past two years to preceed against Capoon Finencial Services Limited, beyond initially including the company in the list of defendants resulting from the particular investigation. The directors understand that all the other defendants have been tried, or are being extradited for trial. Capoon Finencial Services Limited has not even been served with any court papers. The directors are confident that the case will not be preceded with. It is beyon that the United States of America authorities will simply drop the precedings in the light of the ouscome of Pr. 5.2.4. Akker's United Kingdom trial.

The judge in Mr. 3.2.A. Akhar's United Kingson trial for conspiracy helpfully elarified a number of matters conserving the company. First, he was excisived that there was no conspiracy involving the company. As the judge stated: "I am also natisfied that so far as your company was concerned, there were no previous arrangements. In other words your company was a clean sea". Second, the directors understand that it was accepted that the offence for value Mr. 5.2.A. Akhar was emerged involved no-one in the company and did not involve unsequence decisions of the company. Third, the court was upder a duty, which it performed, to decide whether any processes of dreg inundering had been headled and the directors understand it was accepted by the court and by the processions that no such money had been headled.

The directors are semiident, therefore, is seping that Capeon Financial Services Limited has not been involved in trugs money leadedning.

- 3 -

DTRECTORS! REPORT (continued)

SUMMEQUENT EVERTS (Continued):

As more fully emplained in Neto 21(a), a sumber of transactions were processed between certain customer accounts, the result of which was to create transfers totalling US 33.6 million between these accounts. Of these transactions, transfers of UK 52.9 million have been made from certain customer accounts to the Capital Fund, a fund for which Funders Advisory Services Limited ("FAP"), a related company, is a trading advisor. The company has no record of specific authority for these transactions. It is not currently possible to assertain what compensation, if any, any ultimately become payable or recoverable and what further impact these transactions may have us the company.

fatarially all of the assets of the Capital Fund have now been returned to the relevant inventors, one of vhom is commented to a person who was then a director of the sampany. The directors do not enticipate any claim from any person from whose assessment mention were transferred to the Capital Fund, and no claim of ony sort relating to the Fund has been received.

As referred to in Note 21(b), the accounting resords include a number of significant receipts and payments afforting enscount accounts, is respect of which the directors have been smable to provide the company's auditors with relevant supporting documentation, suplanation or authorisation, satisfactory to them. We have provided the auditors with relevant supporting documentation and explanations after 9 May 1969 in commention with cortain of these requires and payments and, as a result thereof, the receipts and payments in respect of which the directors are community smable to provide the auditors with relevant support amount to receipts of UE \$49.6 million and payments of UE \$4.7 million, and include receipts of UE \$20.5 million relating to Finley International Limited (Note 20(e)). It is currently not possible to assess the extent to which these receipts and payments have been correctly applied and, accordingly, what liabilities may accrue to the company in the fature.

It is now approaching three years since the transactions occurred. No claim of any sort has been received in respect of any of the receives or payments. While it is technically necessary to refer to them as potential liabilities, the directors are manified, on the bosis of exhaustive investigations which have been carried out by them and by the company's solicitors, that there is little risk of any claim being received.

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PTRECTORS: REPORT (continued)

SUBSEQUENT SYDES (Continued):

The directors have a copy of an agreement stating that on 3 February 1988 for A.R.Z. Exaiii entered into an agreement to call 8.250,000 shares in the company to Mr. 5.2.A. Almar for a consideration of 54 million and the certiments of undisclosed provious associates between the two parties from 1976 to that date. In accordance with the copy agreement, the cash consideration of 54 million was paid to Mr. A.R.E. Exaiii on 4 February 1988 and was exarged to a customer account which did not contain sufficient funds.

The directors have received as formal notification of the existence of this transaction, nor have they received a request free either of the parties to the agreement to register any relates share transfers. The legal advices received to date by the directors is inconclusive as to venther this transaction constitutes assistance by the employ in the purchase of its own shares contrary to Section 151 of the Companies Act 1965.

The directors are satisfied that the company had no intention of purchasing its own shares. As far as the directors are concerned, if any shares have been purchased by Mr. S.Z.A. Akhar, then they must be beneficially evened by him. In any event, the company has not received any request to trunsfar shares and has no knowledge of what trunsfar may or may not have securred. The directors have no right and have no way to look behind the shareholdings as shown in the register.

STRECTORS AND THEIR DETRACTS:

The directors who served during the year and up to the date of this report, tagether with their interests in the charge of the company, were-

Directors who served during the year-

L.E. Resrell (UBA) (Chairman) (runigmed 20 October 1968)
A.R.E. Khalil (Sondi Arnbia) (runigmed 3 February 1968)
A.E. Park (India) (runigmed 9 September 1988)
A.E. Ragemon (USA) (runigmed 10 October 1988)
J.C.F. Parry
J.J. Dédin (France) (alturnate to A.R.E. Khalil) (runigmed 19 November 1987)
8.Z.A. Alber (appointed 5. February 1988, ranigmed 13 October 1988)

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DIRECTORS' REPORT (Continued)

DIRECTORS AND TERIR DITERRETE (Continued):

Directors appointed since year end-

S. Serngeldin (appointed 16 November 1988, retired 27 July 1989)
H.B. Stewart (appointed 16 November 1988, retired 27 July 1989)
H. Kamil (appointed 23 January 1989, rusigned 3 July 1989)
H.D. Barrett (appointed 28 June 1989)
A.S. Ehm (appointed 28 June 1989)
S. Puri (India) (appointed 21 September 1990)
S.R.A. Akhar (appointed 21 September 1990)

Mrsetors' interests-

The directors' shareholdings, shows by the register maintained by the company are as follows-

Ordinary shares of

			ully paid 1987
L.I. Roorell	3	250,000	2,750,000
A.R.E. Fhalil		8,250,000	5,000,000
A.L. Puri		3,420,000	3,870,000
1. Magness		250.000	250,000
S.Z.A. Akbar		6,000,000	3,500,000

The directors have a copy of an agreement stating that on 3 February 1968 Hr. A.R.E. Etalil entered into an agreement to sail \$,250,000 shares in Capone Financial Services Limited to Mr S.2.A. Akhar. The directors have received no formal setification of the existence of this transaction, nor have they received a request from either of the parties to the agreement to register any related share transfers.

FUTURE DEVELOPMENTS:

During the period fallowing the data of this directors' report the company will continue to offer a professional spot foreign anchange and bullion dealing service. Our marketing afforts will emetre around consercial participants in the Middle fast with new initiatives being mole in certain sectors. Law everheads and afficient back office systems mean that in 1991 the company should show adequate performace.

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DIRECTORS' REPORT (Continued)

RELATED PARTY TRANSACTIONS:

Details of related party transactions are given in Note 20 to the assuunts.

FIXED ASSETS!

. Information relating to changes in tangible fixed assets is given in Note 11 to the \cdot 'eccounts.

CLOSE COMPANT STATUS:

The company is a close company within the provisions of the Imame and Corporation Taxons Act 1970.

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107 Gruye Ion Road London WCLX 8T2 BY ORDER OF THE BOARS

A.E.

31 January 1991

ARTRUR ANDERSEN & Co.

I SURREY STREET

Auditors' Report to the Hombers of CAPCON FINANCIAL SERVICES LIMITED

We have semisted the accounts on pages 15 to 33 in semerators with Auditing Standards with two emportions. First, the suspend our review of events and transactions that have taken place between 9 May 1989 and the date of this report covered only those specific meteors described in our 9 May 1989 report and those matters brought to our attention by the directors, as emplained in Note 22, and did not sever any other sutters. Second, we have been unable to ruly on the company's countrals. In consequence, our emmanation easemet be ruled upon to disclose all minetatomeets, irregularities or frauds which may exist. These exceptions are discussed further in the following two paragraphs.

Accounts for the year coded 31 October 1982, including our qualified report thereon, were criginally adopted by the directors and issued to The Association of Futures Symbers and Daniers Limited ("APED") on 9 May 1989. The association on pages 13 to 13, upon which we are now reporting, associate the associate adopted and issued on 9 May 1989 updated only in respect of champes in the status of the mattern referred to in our muditors' report of 9 May 1989 and those matters brought to our attention by the directors, as explained in Note 12. The effects of the update in respect of these matters are as follows:

- The loss for the financial year has increased by £368,895 prodominantly because of increases in previsions for mosts arising in respect of litigation and investigations and increases in previsions for doubtful dobts.
- Net assets of the emmany have correspondingly declined by £568,895-
- Contingest liabilities, in sommetime with transactions referred to in Note 21(b), have been revised to US\$49.6 million in respect of receipts and US\$4.7 million in respect of payments.

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AUDITORS' REPORT (Continued)

- There are changes in the status of the company's numbership of regulatory became.
- There are changed in the status of litigation in the United States of America and the United Kingdom against the company and Mr. 5.2.4 Abbar.
- There are changes in previous against doubtful "debts and a change since." Il October 1968 in the balance on customer's assessed by Mr. S.Z.A. Akbar, against which prevision has not been unde.
- There have been reclassifications of balances from investments in subsidiaries to investments in and leans to subsidiaries.

In assessment with our modit, we have considered the company's sourced onvironment, assessmenting systems and control techniques in erect to assess their adequacy as a hasis for the preparation of the accounts. Senses of the meteors detailed in the paragraphs below, we have been unable to rely on the company's controls. While we have conducted our sudit so as to have a reasonable expectation of detecting metarial misstatements, irregularities or frauds, in the absence of an examination of each and every transaction and the availability of satisfactory evidential meter to support such transactions, our emmination essent be relied upon to discipate all misstatements, irregularities or frauds which may exist.

The company conducted investment business is the United Kingdom and Was a member of both the AFED and The Securities association ("TSA"). On 27 October 1988, The Securities and Investments bears commissioned an investigation into the company's investment business under Section 105 of the Financial Services Act 1986. On 17 July 1989, the Council of the AFED receives that the company should be expelled from membership of the AFED effective one month from the date of the decision and pay costs of \$400,000. These meets have been charged as an expense in the profit and less assessed for the year emied 31 October 1988 and are included in the provision of \$1,550,000, as described below.

The expulsion took effect on 17 August 1989. The ranson for expulsion provided by the Council of the AFSD was that it was unable to identify all of the beneficial eveners of the company's share capital and, having regard to that in particular, full unable to satisfy itself that all of them were, and accordingly that the company itself was, in all respects fit and proper. Sepulates has consisted the company from broking futures and options contracts. The acceptany resigned from membership of TMA on 25 July 1989.

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AUDITORS REPORT (Courings)

As more fully explained in Note 21 (a), a number of transactions were processed between cortain customer accounts, the result of Which was to create transfers totalling NEGL4 million between those accounts. Of those transactions, transfers of NEGL9 million have been made from certain emotioner accounts to the Capital Fund, a fund for which Futures Advisory Services Limited, a related company, is a tructing advisor. Hazarially all of the account of the Capital Fund have now been recurred to the relevant investors, one of whom is connected to a person who was then a director of the accounty. The directors have been unable to provide us with evidence of any authority for those transactions. It is not currently possible to accortain what compensation, if may, any ultimately become payable or recoverable and what further impact these transactions may have on the company.

As referred to in Note II (h), the accounting receives include a number of significant receipts and payments affecting customer accounts, in respect of which the directors have been unable to provide us with relevant supporting documentation, explanation or authorisation. We have been provided with relevant supporting documentation and explanations by the directors after 9 May 1989 in connection with curtain of these receipts and payments and have, as a result thereof, souched that the receipts and payments in respect of which the directors are exemptly unable to provide us with relevant support amount to receipts of US\$49.6 million and payments of US\$4.7 million, and include receipts of US\$20.5 million relating to Finley International Limited (Note 20 (a)). It is surrectly, not passible to assess the extent to which these receipts and payments have been correctly applied and, accordingly, what liabilities may account to the company in the future. The directors have informed us that no claim has been received to date in respect of these contingent liabilities.

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AMPINES' REPORT (Constant)

As more fully emplained in Note 21 (c), on 3 Tobronry 1988 one of the company's shareholders entered into an agreement with mosther shareholder to dispose of his shareholding, the each consideration of \$L\$ stillion being entered to a company account which did not contain sofficient funds. The directors have informed us that the company has not received any request to transfer shares and has no binovious of what transfer may or may not have command. The enter names of this transaction is uncertain and the legal advice received to date by the directors is incommissive as to whether this transaction constitutes constance by the company in the purphase of its own shares construcy to fortion 151 of the Companies Act 1985.

As discussed in Note 5, the company has a number of doubtful numbers account receivable believes assuming to £11,873,480. The believes on those accounts arose frue trading activities and, in some instances, from the transactions referred to in Note 21. In the absence of complete information regarding the greation and propriety of those believes, the directors have presently made full provision against them. We are unable to conclude on the propriety of the provision. The believes on the measurer accounts owned by Nr S.Z.A. Althor has changed from a net creditor believe of £126,469 at 31 October 1988 to an (unaddited) not debtor believes of £7,029,511 at the data of approval of the accounts by the beard of directors. Incling on these accounts was suspensed in October 1990 by the managery. In accordance with the limited scope of our verk on events subsequent to 9 May 1985, we have not assign to obtain evidential meter to support this belones.

As stated in Norm 12, the directors have been mable to lease the share correliances and appropriate documentation evidencing the ownership and value of £512,675, representing the company's investment in and lease to three of its subsidiaries. As also stated in Note 12, the directors have been unable to least appropriate documentation evidencing the leas agreement and value of the company's long of £50,159 and ignormment of £7,570 to a related company. Assortingly, we are unable to conclude as to the company's good title to end, in the absence of related financial statements, the proper carrying value of these investments and lease. In addition, since the directors are unable to provide an analysis distinguishing between the company's investment in and lease to three of its subsidiaries, in respect of this matter, the accounts do not comply with Section 228 of the Companies set 1985.

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AMDITORS' EXPORT (Continued)

As suared in Note 1(h), the directors are of the opinion that it would be of no real value to the numbers of the opening to proper connelidated accounts. In the absence of commelidated accounts, the Companies Act 1985 requires supplementary information as he given in respect of unconsolidated subsidiaries. As stated in Note 12, the directors are unable to determine the aggregate amount of the total important of the company, by way of the equity method of Valuation, in the shares of three of its subsidiaries, due to the absence of solited financial statements of the subsidiaries. In respect of this matter, the assessment do not comply with Section 228 of the Companies Act 1985.

As referred to in Notas 19(b)(iii) and 20(b), the company has received funts on behalf of Capens Samkars Limited directly from constances of Capens Samkars Limited, and has held those funds as a lose from Capens Samkars Limited. In this separity, the company has guaranteed repayment to all depositors of Capens Samkars Limited. The directors have considered whether this setivity constitutes the taking of deposits without a license in contravention of Section 3 of the Samkars and 1927 and believe that this has not constrained. No conclusive legal advice on the status of this setivity was obtained.

The assessed have been drawn up on a going concern basis which assumes that the uncertainties surrounding certain of the matters outlined in the preceding purgraphs and, in particular, the litigation in the United States of America, the unauthorised and unexplained transfers between certain customer assounts, the unsupported rescipts and payments affecting certain customer accounts and the propriety of the provision for doubtful dabts, will not result in further unprovided liabilities or the cusuation of the company's operations. In addition, as we have not assign evidential matter to support the balance receivable from dr. 3.2.4. Althur, it is currently not possible to assertain what impact this will have on the company's operations.

In the light of the matters mattined in the preceding paragraphs, we have been unable to obtain all the information and employations we considered necessary and in our opinion the company has not maintained proper books and records, as required by Section 221 of the Companies Act 1985.

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AUDITORS' REPORT (Consissed)

Benevier of the significance of the matters valenced to in the proceeding peragraphs, we are unable to form an opinion as to whether (i) the accounts give a true and fair view of the state of the company's affairs at 31 October 1968 and of its less and source and application of funds for the year them ended, and (ii) the accounts comply in all respects with the Companies act 1965.

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31 January 1991

CAPCON FORMETAL SERVICES ADDITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENGINE 31 OCTOBER 1968

	Motes	1944	1987
BROKERAGE AND CONCLESION DROOMS	1562	£ 7,154,692	£ 8.857.960
Broterage ampease		(2,397,408)	(4,218,286)
Choss PROFIT		4,759,284	4,639,674
Other operating expenses (met)	::: 3	(1,449:159)	(2.89, 11)
OPERATING PROFIT		1,290,125	1,780,110
Involument Season		5.068,104	10,650,559
Interest psymble and similar charges	121	(1,200:300)	(6,840,618)
Corresp translation loss	je la lg	(401,005)	(2,418,726)
Exceptional items	8c • 0	(13,423,480)	
(LOSS) PROFIT ON ORDINARY ACTIVITIES REPORT	7	(9,364,556)	3,151,425
Tax on (loss) profit on ordinary activities	less		(1,116,399)
TIONS OF THE CONTRACT OF THE ATTER	L	(9.366,336)	2:035:016
			3 484 44
TORY) TROUTE STREET TORY	J. e. die	(9,366,356)	2,038,51057
Entrapelinery item last tention	10	-	(933,400)
(LOSS) PROFIT FOR THE THANCIAL YEAR	18	£(9,366,556)	£ 1,104,910

The accompanying notes are an integral part of this profit and less account

MANAGEMENT — 11 OCTOBER 1944

FIRST ASSESSE	MORAL	7741	1987
Tangible assets	14611 14612 18612	£ 205,925 "7,849,972 862,677	£ 167,440 7.378.876 250.000
Isvectments in subsidiaries		8,718,574	7.996.314
CURLENT ASSETS "			
Debters Livestments Cash at benk and in head	13 14	4,345,059 14,745,838 29,305,334	11,389,083
		50,394,251	58,023,661
CHENTURE: Amounts falling due vithin une year	13	(35,920,585)	(33,459,181)
HET CHILDIT ASSETS		14,475,466	24,364,480
TOTAL ASSETS LESS CURRENT LIABILITIES		23,194,260	32,360,796
PROFIEIGHS FOR LIABILITIES AND CHARCES	16	(232,000)	(232,000)
NET ASSETS		£12,961.240	232,328,796
CAPITAL AND RESERVES			
Callad-up share empital frofit and loss assessed	17 18	£25,000,000 (2,037,760)	£25,000,000 7,328,796
TOTAL CAPITAL ENGLOTED		£22,962,240	532,328,796
T			

SICRED OF THEALY OF THE BOARD

J. (.7 . Paury J. C. F. PARRY DIESCOUR

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CARCON PURAMETAL SERVICES LINETED STATISHED OF SUREY AND APPLICATION OF PERSON

FOR THE YEAR INCOME 31 OCCUPIES 1988

·		
	1988	1967
SOURCE OF TRACE		
Profit on ordinary activities after taxation	Ι -	£ 2,035,025
framerdinary item		(733,600)
add (deduct) items not involving cash flow during the		(200,000)
- concelidated loss on disposal of Capcon Paterres Inc		37,181
- company share of loss in Capcon Fetures to disposal	•	15.872
- depreciation	-	54,018
- minerity interests	2	3,484
- decrease is deferred tax	-	(48,000)
- loss on translation of other investments and lean	- <u>-</u>	45,933
Total funds from operations	-	1,209,513
Disposal of holding in subsidiary	-	9,784,872
Disposal of other fixed asset investments Degreese in met surpost assets	.110.404 10.088.214	5,000,730
	£ 10,199,215	£ 15.995,535
APPLICATION OF FUNDS		
loss as eminary setivities after temption	1 1,344,356	£ =
Deduct items not involving cask flow during		
the year - 27	(68,670)	
- depreciation	(1,902)	
- less on disposal of tempiles fixed assets - less on translation of other investments and loss	(197,733)	
	(231)1337	
Local funds absorbed by operations	9.098.229	-
Purchase of firms assets		
- tangillaya	109,037	68,209
- other tuves thester/	135,924	48,072
Lame - 77 Control of the Control of	243:377	7,259,001
- investment in and looms to subsidiaries	612.677	-
Increase in set serrent essets	JES -	8,400,253
	£ 10,199,218	£ 15,995,525
(DECEMAND) DECEMENT IN MET CHREETS		
Dabtors	£(25,184,423)	E(81,267,380)
Investments	5,356,775	
Creditors falling due within one year	2,649,671	113,903,279
Novement in not liquid funds		
- cash at bank and in hand	13,200,238	(22,944,763)
- bask sverdrefts	(5,111,075)	-
8 8 7 1 2 1 2 1 2 1 2 2 2 2 2 2 2 2 2 2 2 2	444.000.000	
· · · · · · · · · · · · · · · · · · ·	£(10.088.814)	1 1.600,251

The accompanying mates are on integral part of this statement.

CARCON FINANCIAL STREETING LINETED

MOTES TO ACCOUNTS - 31 OCTOBER 1965

1. ACCOUNTING POLICIES:

The principal accounting policies are-

- " a) lands of accounting
- merupe propared under the historical tost convention and on a going The scom were breakle.
 - b) Basis of consolidation

The company controlled five vhelly-evend subsidiaries at 31 October 1988. Home of these subsidiaries traded during the year, and accordingly, the directors are of the opinion that it would be of no real value to the members of the company to prepare consolidated accounts.

c) Tangible fixed assets

. Firmd assets are shown at seek last accumulated deproclation.

Depreciation is provided At rates calculated to write off the east less estimated residual value of fixed assets on a straight-line basis over their estimated useful lives as follows—

Office equipment Permitters, fixtures and fittings Heter vehicles Leasehold property and

- 10% per annus - 15% per ammen - 25% per ammen

- over the life of the lease

Investments in subsidiaries are stated at sost, less provisions for any amont diminution in value.

Other fixed asset investments represent commodity market memberships and leans to related and other companies. In approximate with mermal market practice, market memberships are stated at east.

Correct asset investments are stated at the lover of east and market value on an item-by-item busis.

. a) Taxatira

Corporation tax payable is provided on tamble profits at the current rate.

Deferred termine has been calculated to allow for the affect of certain items of income and expense being attributable for tax purposes to parties different from those in which the related credits or charges are recorded in the assumata, and in emputed using the liability method, whereby such tentains is determined by applying the rate of tax or which the assumulated timing differences are expected to reverse.

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MOTES TO ACCOUNTS (Constant)

3. DETERMENT PAYABLE AND STREET, CHARGES:	1985	1987
Interest empense artising from - respictanc agreements with brokers - balance with clients/brokers - bank eventraft	E 607.262 1,137.000 156,038	£ 5,419,209 1,130,334 291,073
	£ 1,900,300	E 6,860,618
6. EDITYTOMAL TIMES!	1999	1987
Provision against doubtful ensumer nearest balances (a) : Provision for logal and other expenses (b)	£11,873,480 1,550,000	£ -
	£13,423.480	<u>.</u>

- a). The essence has provided fully against all amounts due from customers outstanding at the balance shoot data which had not been settled at the time of epperwing the assessment. However, due to Mr. 5.7.A. Althor's strong communical relationship with currain of those constances, the directors are of the epicing that saterial assessment and the epicing that saterial assessment with the opinion that saterial assessment within the collection.

 5.2.A. Althor is able to assist the company in this connection.
 - b) The provision against legal and other emponess is included in accruals (Note 15) and includes—
 - f1),232,962 relating to the provision for estimated legal feed in emportion with defending charges and other fees said to regulatory bedies sed others in relation to investigations (Note 19(b)(ii)).

No amounts had actually been paid at the balance about date but up to the date of approval by the board of directors of the accounts [1,183,018 has been paid by the company for legal and other fees in respect of the above matters.

ii) £327,018 relating to the prevision for setimated legal fees in connection with charges brought against Mr. 5.2.1. Albar in the Baited Kingdom and the Baited States of America (Note 19(b)(£1)).

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He assemble had actually been paid at the believes shoot date but up to the date of approval by the beard of directors of the assemble £277,018 has been paid by the company for legal four in respect of the above matter.

BOTHE TO ACCOUNTS (Complement)

J. (LOSE) PROFIT ON CABINARY ACTIVITIES REPORT TAXA	LI JULE :
---	-----------

. (LOSS) PROFIT OF CHUISARY ACTIVITIES REPORT TAX	EAT JUNE	
The (lone) possit on ordinary activities before charging (excetting)-		
× °	1994	1947
Deprocation	£ 68,670 £	54,01
inditure' remonstrates (of which £287,000 is included in the provisions described in	130,000	17.40
Profit on sale of fixed asset investments	(144,212)	•
Staff costs (Note 8)	1.018.472	781.07
ELUT COSTE		
Particulars of employee costs (including direct	ara) ara sa sabarai bati	
		9
Implayee easts during the year assumed to-	1968	1987
Salaries Social security casts	£ 713,039 £ 185,433	724,524
·	1 1,018,472 £	781.077
A A B B	1994 Parent	1987 Herber
Dealing	16	15
Administration	ij	26
Miroszore "runmeration"	. .	_
The employee cours shows above include the fello	wing resonantation in	respect
of directors of the someony-	198 5 S	1787
	5 y	1997.004
Your as directors - Other comissions	' £ _ [225,000	40,000
Compensation for lass of office	30,000	~ ~
of the first	£ 253,000 t	107,100
	1988	1987
The Chirms received as remmeration.		
The Chairms received as remarration.	£ 92,200 E	61,100

MOTES TO ACCOUNTS (Continued)

A. STAFF COSTS (Continued):

Other directors ressived encluments in the following ranges-

			1.765 Number	Homber Homber
£0 to £ 5,000 £ 5,001 - £10,000 £15,001 - £40,000 £40,001 - £45,000 £45,001 - £70,000	1	حدرً	* 3 * - 1 1	1 1 -

Higher-paid employees-

Employees of the company, other than directors, whose daties were wholly or mainly discharged in the Datted Eingdon, received remnanation (excluding possion contributions) in the following ranges—

* 3.85	1988	1987
	Part of	Humbar'
		25-12
£15,001 — £40,000	1	2
EAG.0001 - EAS:000		
EAST-0017- 2301000 4	1.	-
£30,001 - 815,000	Y 2	-
A STATE OF THE STA	-	
THE WAS THE STATE OF THE STATE	*:	

IN OF POSITION OF DEPENDED ACTIVITIES!

The text charge is based on the profit on ordinary activities for the year and

CO I LOCAL IN	1	1	1984	1987
Corporation tex- Current at 331 Deferred	100	£	Ġ.	E 1,164,399 (48,000)
F1 . 14		L	-	£ 1,114,399

In view of the meanthinty over certain of the transactions ast out is Notes 19, 20 and 21, we benefit has been taken for the possible utilization of current tax lesses against current and deferred taxation liabilities.

10. PERMORBINARY LINE:

•		1961	1987
Profit on disposal of Capone Fatures, Inc.	£	-	£ 209,191
Attributable foreign exchange leases			(1,142,791)
	£	-	£ (933,400)
	-		_

12 22 -

BUTTE TO ACCOUNTS (Consciouse)

13. TANKTINE FIRM ASSETS:

The following are imminded in the net book value of tangible fixed assets-

			1744		1947
Office equipment		2	114,802	٤	75,211
Parmiture, fiftheres and fittings Motor vehicles			65,195		74,856
Lonesheld property	140		960		4.832
loasabeld improvements			261		1,370
Not tampible firms assets		£	205.925	5	167,440

The sevenest is the year was as follows-

	Office Commisses	Parmiture, fixtures & fittimes	Hotor vehicles		Loncohold impersonals	<u>Intel</u>
COST- Regissing of year Additions Disposals	£173,778 £3,443	£ 95,329 5,157	£ 25.395 20,457 (10,395)	_	£ 4,250	£313,470 109,057 (10,395)
End of year	257,221	100,486	35,457	14,918	4,250	412,332
DEFECTACION- Segioming of year Charge Disposals	98,567 41,852	20,471 14,818	14,244 4,999 (8,493)	10.046	2,880 1,109	146,230 68,670 (8,493)
Red of year	140,419	33,291	12,730	13,954	3,969	204,407
NET BOOK VALUE 31 October 1988	£11k,802	E 45,195	£ 22,707	£ 940	° € 241	1201, 125
NET BOOK VALUE 31 October 1967	£ 73.211	E 74,854	£ 11,151	£ 4,431	. £ 1,370	\$1.47,440

12. DEVERTIGATE DE SUBSIDIARIES AND OTRES DEVERTIGATES

a) Igvestments in and issue to submidistics

The company has the following vanily-owned subsidiarios-

Notes	Country of incorporation	Description of chares.	troportion of shares held
Arenchese Limited	England	Ordinary	1007
Capous Socurities Limited	Ingland	Ordinary	100%
Oalf Trading Company	Vanna tra	Ordinary	1001
Hultigens Limited	Vanna by	Ordinary	100%
Sagen Interactional Limited	. Vannatu	Ordinary	1001

40-16

EVITS TO ACCOUNTS (Continued)

12. DWENDSHIE DE SUNSIDIARIES AND OTRES DWENDSHIE (Continued):

During the year, the complexy paid up the £2 of ordinary share capital of its 100% subsidiary Capson Securities Limited. In addition, the company purchased the whole of the ordinary share capital of Multipos Limited. Gulf Trading Company Limited and Segan International Limited.

The directors have been usuble to leasts the share cortificates and appropriate decumentation evidencing the commandip and value of £612,675, representing the company's investment is and least to Gulf Trading Company, Builtigens Limited and Segan International Limited.

Investment in and lases to subsidiarios-

COST-		. 1294	1947
Deginning of year additions Disposals		E 250,000 612,677	(9,784,872)
Ind of year		843.877	250,000
Net book Value	f: .	£ 842,677	1 250,000

The aggregate amount of the total investment of the company, by way of the equity method of valuation, in the wherea of Brenchaes Limited and Capton Separation Limited are £250,000 and £2 respectively. The directors are unable to describe this information with respect to the investments in Galf Trading Company, the tipus Limited and Sages Intermetional Limited, due to the sheemer of of softied financial stramments of these subsidiaries.

(b)) Other Sweetmats and losses

	1988	1987
Saberdingted less to Capcon Patures, Inc. Less its Capcon Jalgion société asseyes Loss al Maroch Brothers	£7,068,137 90,159 153,168	£7,259,001
	7,311,444	7,259,001
Series memberships and shares, at cost	338,504	319.875
Other investments and lease	27,649,972	£7,578,874

NOTES TO ACCOUNTS (Consissed)

12. DEFECTIONS THE SIMEIRIARIES AND CLEEK DEVENDED (Continued):

The servment during the year was as fallow-

		Other investments	Joseph
COST- legissing of year additions Pisposals Loss on translation	9 S	£ 319.875 125.928 (110,404) (4,891)	£7,259,001 : 2A1,327 (190,864)
"End of year and not book value		1 338,500	£7,311,464

The lasm to Capson Paterns, Inc. of £7,068,137 is subordinated to all present and femore creditars of that company and is repayable at the latest on 31 March 1992. Interest is sharped on the lasm as LEGOR +12 and is payable quarterly. The subordinated lass has been repaid in full suborquent to year and.

The last to Capsus Selgium société anonyms of £30,159 is internet free and is repayable on demand. The diseases have been unable to lecate appropriate documentation ovidencing the loss agreement and the value of the company's lean of £30,159 to Capsus Selgium société anonyme.

A loos, not in the sermal course of trading, sumprising £133.168 in respect of BAE Dirhose 1 million was made to Al Sayugh Brothers. Interest was charged at 0.5% over the toulve month Abu Dhohd Interbank Offered Rate and the loom is due to be fully repaid by 30 April 1993.

The following assemble are included in other investments-

	Market pemberships at one;-		1988		1987
	London Potata Puburos Association	£	2,000	£	2,000
	London International Financial Puturus Exchange		45,825		45,825
	London Traded Options Harket		10,000		10,000
	Oxiongo-Sourd of Tomic		128,358		113,386
-	International Hometary Harbet		#.110		90,592
			274,293		261,803
	Shares at onst- Investment in Capone Futures, les		54,545	+	38.072
	Investment in Capoum Balgium seciété secures		7,570		•
		£	138.504	٤	319,875
			_		

Harbet municipalities, other than those-of the London Potate Putures Association and us the London Traded Options Market, have been sold subsequent to year and for a unt profit of £253.622.

The company owns 4% of the ordinary share espital of Capens Patares, Inc., and 37.5% of the ordinary share espital of Capens Belgium sociátá anonyma. The directors have been unable to leasts the share sertificates and appropriate decommentation overidenting the sourceship and the value of the company's investment of £7,570 in Gapons Belgium sociátá anonyma.

HOTER TO ACCOUNTS (CONSESSMENT)

13. DESTORS:

The following are included in the not book value of debtoos-

Assumts falling due within one year-	1988	1987
Due from elients, brokers and clearing bouses TAT Other debters Propagments and asserted inness Securities purchased under agreement to recall Assess due from subsidiary	£ 1,919,100 30,580 1,296,493 945,718 153,168 £ 4,345,059	£27,161.592 41.459 1.153.006 1.032.369 1.136.856

Other debters include EE19,904 in respect of amounts due from farmer directors or shareholders for the purchase of shares in Capcon Futures, Inc. (Note $_{\rm T}$ 20(g)).

Amount due from subsidiary comprises £153,168 in respect of a DAK Dirhous 1 million less to Sages Intermetional Limited. Interest was charged at 15 ever the twelve meant LIROR rate and the loan was repaid subsequent to the year and.

1A. CORRECT ARREST DIVERSIONITES

The following mounts are included in current asset investments-

1984	1947
4,571,230	£11.003.560
674,628	. 145 , 525
6.745,858	£11,389;083

In the opinion of the directors, the market value of current easest invasements being at 11 October 1984 was not managinally different to cost.

15. CREDITORS - ANOREM FALLING DUE VITRIN ONE YEAR:

The following assumes are included in creditors falling due within one year-

			1244	1987
Des to climas, besters a	mi clearing i	104446	£26,445,250	£28.338.522
Other creditors			337,233	197.761
Tomas Plans	5		1,391,444	2,599,448
Americal (non also Note 6	(b))		2,344,009	900,744
Due no submidiaries			271,352	284,492
Somerities: purchased unio	r agreement !	o repurchase	~	1,138,211
lenk everdrafts		4	5,111,075	•
# * * * * * * * * * * * * * * * * * * *	(A)			
			235,920,585	[33,459,181
W				

HOPE TO ACCOUNTS (Complement)

15: CENTER AND ADDRESS FAILURE DES STEEN ONE TEAR (Concissed):

- At Il Organia 1988 the company had the following facilities with:
- a) (Reministrator Source Trust Company)
 - 43 UE SS million demand overtart for working aspital.
 - 11) DE 250-million foreign amenage line of which DE 515 million was available for dilly servicement.
 - (44) 88 \$2.1 million functional empowers on a US \$30 PM facility to allow reparatuse/reverse repurchase of US 5 Treasury Bills with muticum cannor of 3 months.

These facilities were recurred by £7 million of cortificates of deposit ledged with the bank.

- b) | National Westminster lank FLC:
 - Overdraft facility of El million.
 - ii) Foreign embange facility of £2 million.

These familities were secured by £7 million of certificates of deposit ledged with the bank.

16. PROFESSOR FOR LIABILITIES AND CHANGES:

The provision for liabilities and charges comprises deferred taxation anisobstable to-

			1988		1987
Capital allowances Sheet term timing differences	55	£	15,000 217,000	٤	15,000 217,000
		_			
		£	132,000	£	232.000

17. CALLED-OF SHARE CAPITAL:

	****	****
lutherised- 100,000,000 entimery shares of £1 each	 1100,000,000	£25°,000,000
Allerred, called-up and fully-paid- 15,000,000 ordinary shares of £1 each	£ 25.000.000	225,000,000

1988 1987

On 2A October 1988 the outbories share capital was increased by £73,000,000 to 100,000,000 ordinary shares of f.l. each.

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MOTAL TO ACCOUNTS (CHICKMAN

18. PROFIT AND LOSS ACCOUNT:

beginning of year (Less) profit for the year Other reserve movements

£ 7,128,796 £ 6,170,834 (9,366,556) 1,104,910 53,032 £ (2,017,760) £ 7,128,796

194

1987

Fair of year

FEMALUAL CONCENSION

The outpany had no sapital countements at the year end.

Captital countituests-

- b) Cameingent Habilities-
-) The company has contingent liabilities for futures, options and foreign conteners entered into on behalf of custamers in the normal neutron of business.
- the company is a defendant in litigration in the United States of America for allegedly entrying out finescial transactions involving the presents entred by taked parties from illight drugs dealing. The directors of the mampany intend to defend strongly this charge and have made previation for estimated legal oncers and fees paid to regulatory botics and others in relation to investigations of IL.221,921, reported as an emergicant item (Note 6) and included in anathmila (Note 15). He provision has been made for any fine which may become purphila, which the directors estimate to be up to a maximum of approximately TESTS_DOO on all December 1868, since the directors are emergicant. That the case will not be prevented with. It the directors are emergicant, that the case will not be prevented with. It is highly drop the presentings in the light of the outcome of Mr. S.C., labour's United Kingdom: trial.

The empmany has also guaranteed to indemnify Mr. S.Z.A. Akhar, a former director and a sharepolder of the empmay, against all, of his legal meats relating to the charged brought against him in the Midted Kingdom and in the Midted States of American (Doker 20 (h)). The directors have made an additional provision for estimated logal feas of ENT,016, recented as an empgriscent item (Note 6) and included in accreais (Note 15), in respect of the S.Z.A. Akhar's defence in the United Elegion.

No assents had been paid at the balance abset date but, up to the date of approval by the beard of directors of the assence, £1,460,014 had been paid by the emmunt for legal fees in respect of the above times, and for legal fees and extension of the above times, and for relative to invastigations into drugs meany laundering. This includes assembly paid on behalf of Mr 5.2.4. Abbar as disclosed in Meta 20 (b).

(iii) The company has received funds on behalf of Capeon Remiter Limited disputity from currenters of Capeon Remiters Limited, and has held these funds fair a loan from Capeon Remiters Limited, in this capeatty the company has guaranteed represent to all departners of Capeon Remiters Limited. The disputers have considered whether this activity constitutes the limited of departners have considered whether this activity constitutes the limited of departners have considered whether the construction of Section 3 of the limiting has 1847 and believe that that has not construct.

POTES TO ACCOUNTS (Continued)

" 19. FINANCIAL COMMUTATION (Consissed):

a) Laure comitments.

The company is committed with regard to property and equipment leases as follows:

1943

1987

Ammente payable in 1989

£ 43,749 £ 15,833

The assumt abaryod to the profit and lass assumt during the year in respect of those operating leases was \$82,386 (1987 - £110,014).

20. RELATED PARTY TRANSACTIONS:

a) The essency has entered into an agreement with Patures Advisory Services Limited which is a former number of The Association of Patures Systems and Dealers Limited. The agreement involves the reciprocal referral of clients between Patures Advisory Services Limited and the company, and all transactions are on an arm's length basis. The agreement has now been terminated erally.

The beneficial owners of Pazuros advisory Services Limited are Mr. 2.2.4. Althor as to 50% and Mrs. 5. Pari, the wife of Mr. A.K. Pari (a shareholder in the sampany), as to 50%. The company earned commission of £209.582 from comments, and paid commission of £21,542 to Faturos Advisory Services Limited during the page.

- b) The company has remnived funds on behalf of Capeus Benkers Limited directly from conteners of Capeus Benkers Limited and has held those funds ag a less from Capeus Benkers Limited. Capeus Benkers Limited in evend by her. A.E. Peri as to 50% and Rr. S.Z.A. Abbar as to 50%. The company resulves no commission for this service, reserves the measure directly free customers and repairs the assumer plan interest directly back to customers. During they year, the assumery assequed funds on behalf of Capeus Benkers Limited totalling USESS-million and El.2 million, and paid interest on those funds totalling USESS-2000 mat 266,700 respectively. At the believes the totals of those funds were OSES-68 million med El.5 million. Interest accrued was USES-68-854 and E6,100 respectively.
- e) The company uses Oupcon Patterns, Inc. as its main braker in the United States of America. The company owns 4%, and various farmer directors own a furnise 18% (Note 20 (g)), of the ordinary saase empiral of Capone Patterns, Inc. Commissions insured by the company are based on competitive rates preventing in the market. The company paid commission of E907,000 to Capone Patterns, Inc. during the year.

The company has made a subordinated loss to Capens Pamerus, Inc. of USSIE,500,000 (Note 12) which has been repaid in full subsequent to year one.

d) First Travel Limited is a travel agent used by the company to supply travel services at mercal rates. First Travel Limited is evene as to 17.EL by Mr. S.L.A. Albar and as to 27.EL by Mr. A.L. Pari.

HOTER TO ACCOUNTS (Complement)

20. RELATED PARTY TRANSACTIONS (Consissed):

- e) On committee during the year, means were received from, and paid to, Finley Incommentantal Limited for the credit or charge of contoner accounts (Rote 21 (b)). The directors believe that Mr. S.Z.A. Abbur is a director of Finley Incommitment Limited.
- f) Funial investments receives commission from the company as an introductory agent. The owners of the company are unknown to current annagement. Bowever, Mr. A.K. Puri, on an-director of the company, has power of attorney for Fenial Invastments.
 - g) On 30 June 1987, the company seld a 78% belding of the equity share capital of Capeum Putures, Inc. to the them directors of the company—

	Ordinary shares of USSS fully-paid	I Bolding	Value \$
L.E. Monroll	ac,000	16	400,000
1. /ingmost	20,000	&	100,000
A.K. Pari	50,000	10	250,000
S.Z.A. Akber	140,000	28	700,000

As at 31 October 1988 amounts due in consideration of the above acquisitions had not been paid, and the amounts outstanding represent smedit transactions as defined under Section 331(7) of the Companies Act-1985. On 7 February 1989, Rr. A.K. Pari discharged his liability in full; on 2 May 1989, Capean Putures, Inc. redeceded Mr. 5.2.A. Abbar's charabolding and repaid his related leasn of URS700,000 to the company and un 7 Reptumber 1990 Capean Putures, Inc. redeceded Mr. Romrell's and Mr. Hagmons' shares and repaid their related loans of \$400,000 and \$100,000 respectively to the company.

- During October 1988, Mr. S.Z.A. Akhar was indicted in both the United States of America and the United Kingdom with substantially the same charges " as described in Note 19(b)(ii). The charge in the United Kingson was subsequently thought to use of company has agreed to indessify him for all legal exposure incurred in infeating these charges, irrespective of the outcome, since the directors are of the opinion that it is is the best interests, of the company to do so. He assumed institute that it is the best interests, of the company to do so. He assumed interests and best date but up to the date of approval by the company (Sets directors of the assumets £277,018 had been paid by the company (Sets 6(b)(ii)). . 6(b)(II)).
- 1) Mr. S.Z.A. Althor resigned as a director of the company on 11 October 1988. On companionate grounds, the company agreed on 18 November 1988 to publis a herisath allemence of £10,000 per month for the forescents future. As described in Note 8, up to tas tate of approval by the board of directors of the accounts £270,000 has been paid to Mr. S.Z.A. Athar.

21. UNUSUAL TRANSACTIONS

....

Subsequent to the decisions that investigations into the company would be parformed by Meany. Test Mervick Reliatesh and Hennes. Coopers & Lybrand, it was knowingled the attention of the current directors by certain ampleyees that a located directors directors had not been of uncessal transactions affecting discreticary contents assessment. As a result of both this and the investigations of member of uncessal transactions were identified, the most girelificat of obtains are numerical halos. . significant of which are summarised below.

MITTE TO ACCOUNTS (Countspand)

CHESTAL TRANSCITORS (Continued),

A december of agrifficial foreign cochects transactions was identified, the contents of ELLS allies between the contents of ELLS allies and the ELLS allies all all allies allies and all allies and an amount of the ELLS and the ELLS all all allies all allies all all allies allies all allies a

b) A number of significant receipts and personts, including receipts related as a filed policity for the significant receipts and state of the significant of the sig

a) The directors have come into the possession of an apresent stating that me 3 Pohranty 1982, Mr. A.A.B. Radil entered late an apresent to sell \$1,240,000 andred to the company to Mr. S.L.A. Abher for a consideration of \$1 stilled and the settlement of undisclosed provises accounts between the two parties from 1976 to that date. The mean consideration of \$4 million was paid to \$6. A.B.E. Exalli on 4 Pohranty 1988 and was character to 8 million was paid which did not emercia publication to a constant.

The directory have ressived us formal matification of the oxistence of this agreement we have they received a request from either of the parties to the agreement we register our related they intended they provide the desire by the order our relations as to whether this sensitives matificate and antificiations by the company is the parties that transcrient materials of the own starts.

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MUTTE TO ACCOUNTS (CONTINUES)

22. SUBSECUENT EVENTS!

The discounts have identified or updated the following subsequent events in the period from 9 May 1989 to the date of approval of the accounts by the board of directors—

- a) On 17 July 1989 the Council of the AFRD resulved that the company should be empalled from membership effective one mounts from the data of the decision and pay costs of \$400,000. The empalsion took affect on 17 August 1989: The company resigned from membership of The Securities Association on 25 July 1989.
- b) Mr. S.Z.A. Althor was found guilty in the United Einpies of a community offence and was fined and seatment on a October 1990 to a period of imprisonment of eighneen months.
 - c) The balance on the customer accounts owned by Mr E. Z. A. Albar has changed from a net creditor balance of £325,449 at 31 October 1988 in an (unamidized) not debtor balance of £7,029,531 at the date of approval by the beard of dismessers of the accounts. Irading on the accounts was anopomied in October 1990 by the accounts.
- d) Since the belonce sheet date £270,000 has been paid to Mr. 5.Z.A. Althor as a hardship allowance (Note.20(1)). As these payments relate to a pariod after 31 between 1988, this assumt has not been included in the profit and loss account for the year ended 31 between 1988.
- a) The subscriminated loan to Capeau Parurus, Inc. of £7,068,137 has been repaid in full subscriment to the balance sheet date.
- (f) The market numberships disclosed at most in Note 12, other than numbership to the Leaden Pounts Patures Association and to the Leaden Iraded Options Harbot, have been said subsequent to year—and for a not profit of £253.622.
- g) On 2 May 1989, Capson Pararos, Inc. redecand Mr. S.Z.A. Akbar's shares and repeid his related less of USS700,000 to the company. In addition, Capson Fararos, Inc. redecced 8,100 ordinary shares of USSS from the company in ordin to maintain the company's affective shareholding at 42. On 7 September 1990, Capson Fararos, Inc. redecced Mr Romrell's end Mr Hapman's hares and reyaid their related less of USS400,000 and USS100,000 respectively to the company,
- b) Mr Seregeldin-
- The company entered into an agreement with Mr Serngeldin, a director of the company from 15 November 1988 to 26 July 1989, to pay him introductory commission for certain new elicate introduced by him to the company.
- 16) On 12 July 1989 the employ requived a Writ of Summus from a client slatining ESS-06.551 and DECIA,397 dum on the alient's assesses. Under a Court Coder dated 18 October 1990, and following the payment of the two amounts (CE-5406.551 and DECIE,397) by Capeom into court pursuant is powerous Court Order dated 23 August 1989, it was agreed that the issue as tagable oversraking of the contested assesses was purely as issue between two clients. The summany has been released from the action.

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NOTES TO ACCOUNTS (Continued)

22. SUBSEQUENT EVENTS (Continued):

On 14 August 1989 the assummy issued a Writ of Summons against Hr. Sarmyaldin. The Writ, which Hr. Barmyaldin is defending, claims, amongst other matters, breach of somewhat and/or duty smaller descit, profits wrangfully made as commissions or utherwise and menine wrangfully paid out of accounts. It is not currently possible to assertain what sempenation, if any, may ultimately become recoverable in respect of this matter.

i) On 15 Hovember 1988, the company ensured into an agreement for the purnhase of effice premises at Poul Street in Lemion, for a basic must of £1.55 million. On 30 May 1990, the company also entered into an agreement with a membranter to refurbish the building at a most of £1.71 million. These committeests there been contracted in the name of Capital Estates Limited, a whally owned:subsidinry incorporated on 11 November 1988.

- 11 -



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FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DIST OCTOBER 1989



TO THE DESTRUCTION OF THE PERSON OF THE PERS

The Directors present their series prepart on the affairs of the Company toperheer with directors statements for the year ended like company 1969

The profunctional accurately of the Company was forwign sections describing. In the provides year, the Company had consent to provide services to constantly in the futures and options sections. Principal Activity and Resident Person

The loss on outliney activities after tenerion was Dice, 186. Exchange and complete income was Ω_{c} 445,117 during the year compared with Ω_{c} 126,682 in the previous year. The Directors do not recommend the payment of a dividend

The illumentum ' Report, for the year ended light octuber leds referred to a number of events that consumed hebben that helians enser data and the data times Accounts were approved, list January 1991. Relevant details of those metroms are given in Motes 17 and 18 to these Accounts.

In July 1991, Mark of Craft and Crassics International ('SCII') was effectively inflormed internal and crassical internal and contraction with others, with the mark of England's action of the contraction with the contraction of the contracti

US prosecuting authorities have sought to proceed against Capons by serving papers on a Campuny which is not a Sameidlary of Capons. Capons has been advised by its US: Lawyers that the purpurted service is ineffective, and that of open shall also no part in each proceeding. The Packel Court in Dampa, Florida notified oppose that it would these former's failure to upoper before it's contempt unless good research for such failure to upoper before it's contempt unless good research for such failure were given oppose about the capons before it's contempt unless good research for such failure were given oppose should not appear before the court. In default, the court has impresed a time of \$5,000 a week on Capons it contempt. Heaving obtained which the of \$5,000 a week on Capons is contempt. Heaving obtained court cutter that will not be enforced by the English Courts. A poculabrity of the US lags! appearance has been heard, so appearance before

25 K.

10 11 11

Oppose are defaulting these proceedings. The funds in question were received from Finlay international itsitud, a Liberian Company maintained by Mr. 6.2. A black and Mr. 6.2. North, on behalf of El Reyan investments Limited. It is oppose a new that the funds were remitted for and on behalf of El Reyan investments Limited in Physe in serriament of a tradity deby which was then owed by them to Oppose.

As part of their court proceedings, the Republic of Persen obtained a Marswa Injunction against Capons which limits Capons's payments to became payments. The form of this injunction was agreed with Capons and it permits capons to carry on its trading appropriate and to provide security to its bankers and trading partners in a full and unfectuated memory.

An order blocking all accounts of the Company held at Mangae Iau Geneve S.A. was issued in December 1991 by the Papublic and Canton of Geneve. This order was issued as a result of the Swiss authorities remaining information concerning the actions by the State of Paness and the Grand Jury indicrement on the Unites States of Paness and the Grand Jury indicrement on the Unites States of America referred to above. The Company have co-operated fully with the Swiss authorities but as at the date of approval of these fingstal statements the blocking order had not been removed.

on Jodijjemsky 1992 Oppome was served with a class action in the Childrenian Courts in Which Depose is messed among 76 other deferiants. The action is malacad to BCCT and its ectivities. The case was dismissed but the plaintiffs are appealing against the dismissed.

In April 1992 correspondence was issued by Alexandria Commercial & Maritims hank Limited of Alexandria, Baype demanding payment from the Company of sums toralling agrandmentaly f7,000,000 (at chrown exchange rates) under quarantees alloqued to have been given by the Company in favour of that Bank and relating to such sums advanced by that Bank to Oppose Bankons illusted. Does liabilities are not proven to the metistaction of the binactors and are being resistant.

Coppose Benjers idalted is a Company incorporated in Varuati and is not directly consected with the Company. The current Directors, Inchest, Company, the current Directors, Inchest, Company that Cappose Benjers Limited is owned by a furner Director of Cappose Fibracial Services Limited.

2 5



6. STAFF CHEEF (CONTINUED)

Directors' Benevation

The employee costs shown above include the following remanenation in respect of Directors of the Company:

445,497	225,000
30,000	30,000
£ 175,497	£ 255,000
	30,000

The Chairman received no remaneration. Mr. M.D. Berrett received E15,000 during the year for his services as the Company's Solicitor (Note 17(1)).

Rendship allowance of f120,000 was paid to a former Director, Mr. S.Z.A. Alder, during the year ended 31st October 1969 (Note 17(h)).

1 99,038	£ 92,000
n	
Municipal	Mumbus
. 2	3
2	-
1	-
₹.	1
-	1
	Manber 2 2 2 1 1

Higher paid Proloves

Employees of the Company, other than Directors, whose duties were wholly or mainly discharged in the United Kingdom, received remuneration (conducting persons contributions) in the following ranges:

	NCE COL	-
	•	
£35,001 - £40,000		1
£45,001 - £50,000	ã.	1
250,001 - £55,000	-	2

7. THE ON PROFIT ON ORDINARY ACTIVITIES

In view of the uncertainty ower certain of the transactions set out in Motes 16, 17 and 18, no benefit has been taken for the possible utilisation of 1968 the losses against deferred taxetion liabilities and cooperation the paid relating to the year ended list October 1967.

Page Thirteen

TOTAL TO SELECT THE CONTRACT OF THE SELECT O

15. <u>HOTEL AND LOSS ACTION</u>
At lot Remarker 1966
Less for the year:
At list October 1969

At list October 1969

£ (2,905,946)
£ (2,037,760)
£ (2,037,760)

THE TRUNCT CONTROLS ... 91

(a) Capital Camitages

The Company had no capital commitments at the year end.

(b) Contingent Libbilities

- The Company had contingent liabilities for futures, options and forming endrange contracts entered into on behalf of customers in the normal course of bariness, all of which have been subsequently settled.
- Ith Chaptry is a defendent in litigation commenced in the United States of America on 18th October 1988 for allegadly outrying out thrancial transactions involving processes derived by third parties from illegal drugs dealings. The Directors of the Company incomes for estimated legal costs and fees paid to regulatory bookses for estimated legal costs and fees paid to regulatory bookses and others in paletion to investigations of C1,222,982. No provision has been made for any fine which may become payable, since proceedings have not to data been served on the Company.

The Company has also guaranteed to indemnify ht. 8.2.A. Abbar, a former birector and a Shareholder of the Company, against all of his 'legal costs relating to the company, against all of baired Kingstom and in the United States of America (Note 17(g)). In the Accounts for the year ended list October 1988 the Directors and an additional provision for estimated legal fees of C27,018 in respect of the cost of hr. 8.2.A. Abbar's 'defence in the United Kingdom.

to the data of approval by the beard of Directors of the Accounts, C1,504,372 had been paid by the Company for legal fees in respect of the above items, and for legal fees and other fees paid to regularcey bother and others in relation to investigations into drugs acrey laundering. This includes accounts paid on behalf of Mr. 5.2.A. Alter as disclosed in Note 17(g).

(ii) On 21rd August 1991 the Company and Mr. S.I.A. Althur ware (with others) indicated by the United States wathordies for allegadly recinementing and learnering drug memory involving Benk of Credit and Company in the Indicate Line Company is US lawyers have advised Copuse that for legal reasons it should not appear before the court. In declarit the court has imposed a time of \$5,000 a week on Capons for contempt. The Directors are contident that the court access will not be entered by the English courts.

Page Hineraen

CAPATION OF TRANSPORT STANDARD IN THE STANDARD IN THE STANDARD STA

16. FDRNCOL CONCERNS (CONTINUE)

The Company is also a defendant in litigation commerced by the Government of Persons in the Onited Kingdom on 2nd September 1991 in commercial or because of UKE20, he form Finley International Limited (Note 18 (p)). The Company has served a defence in relation to this action.

7

On 10th January 1992 Caption was served with a class action in the Californian Charles in which Caption is remed served 76 other determines. The action is related to NCCI and its activities. The action is related to NCCI and its activities. The class was dismissed but the plaintiffs are appealing segurat the dismissal.

The himstons are unable to estimate the costs of defending these actions.

- (iv) An order blocking all accounts of the Company hald at Banque Issu Geneva 5.4. Was issued in December 1991 by the Republic and Cancon of Commus. This order was issued as a result of the Bains authorities receiving information concentrally the actions by the State of Pannes and the Council Day information in the United States of America referred to above. The Company have co-operated fully with the Swiss authorities but as at the date of approval of these financial streaments the blocking order had not been removed. The Directors are confident that the blocking order had not been removed. The Directors are confident that the blocking the action or when the author will be settled.
 - (v) In April 1992 correspondence was issued by Alecandria Committed Committed in Parities Bank Limited of Alecandria, Phypic demonstrap payment from the Company of same notalizing approximately (7,000,000 (et carrent exchange states) under openimises alloqued to have been given by the Company in favour of that Bank and relating to such sums advanced by that Bank to Capton Bankers Limited. These liabilities are not proven to the satisfaction of the Directors and are being remained.

(c) Lease Countiments

At 11st October 1989 the Company had arrunal finance lease constituents of E7,000 (1988 - £41,749) in respect of property and equipment leases which expire after five years.

Page Tuentry



WESTERN TELE-COMMUNICATIONS, INC.

LARRY ROVRELL

November 17, 1981

S. Ziauddin Albar Bank of Credit and Commerce International 199 Leadenhall Street Lendon, England EC3A, 3AD

Dear Mr. Althers

I am taking the liberty of enclosing some information on Tale-Communications, Inc. which is the company I work for and have for the past II years. I am forwarding this information to you because I have received the attached communications from Aracs, Inc. regarding the possibility of a cable television system, I believe, in Saudi Arabia; however, the latter does not say for certain. I am in hopes you will forward this material to Mr. Khalil for me and ask him his reaction to the proposed joint venture. It may be possible Mr. Khalil knows Sheik Al-Khalifa and could inform me as to whether it would be advisable to enter into a joint venture with him. In any event I would vary much appreciate his comments. I would send this material directly to Mr. Khalil; however, I do not have his address. Thank you very much for your help and thank you also for your help to Kerry Fox and myself during his recent visit to London. I am looking forward to seeing you in this country at the earliest possible time.

Best personal regards,

Larry Romeall

mk

A-07037

GENERAL CHICES - SHORWER TECHNOLOGICAL CENTER PO BOX 89585 - WILLEWIS STATION DEWER COLUMADO BORRE (200) 771-8800



LASTY POVERLL

November 3, 1961

Mr. S. Zisuddin Alber Bank of Credit & Commerce International 100 Leadenhall St. London, England EC3A.3AD

Dear Mr. Akber:

I thought you might be interested in the enclosed report on our company, Tele-Communications, Inc. On August 18, the date of this report, our TCI stock was being traded for \$13 3/8 per share. Today, November 3, the stock is priced at \$25 1/2 per share. If you need any further information, please give me a call.

Best personal regards,

Lerry Remrell

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#UTCD 0A #5169251" ***TCI ENGL #646086 EST 1206 JUN/09/1983

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6/9/83

APEN AM ATTA

AT THE TO! STOCKHOLDERS HEETING THIS YDANING IT 445 ANNOUNCED THERE. POLLED BE A ONE FOR THE STOCK SPLIT OF TO! STOCK, EFFECTIVE DATE 6/84/83.

SEST REGARDS LERRY ROWRELL TELEX 45-4457 SSEES! SCOLNA SMMKY LOC-9 MINS

A-07306

WESTERN TELE-DOMMUNICATIONS, INC.

LARRY ROMRELL EMELTING VOT STREET

May 24, 1965

Mr. Z. Akbar Bank of Crodit & Commerce Intl. 196 Leadenhall Leaden, England

Deer Mr. Alderi

I thought you would appreciate receiving the TCI and WTCI Armed Reports which have just recently come out. I believe both companies are doing very well and in fact will centime to do so in the faresceable future.

Best personal regards

Larry Romrell

Enclasures

A-04803

SENSON LONGES * PARK PLACE * SECO DTC SCALEVARD * SUITE SCO # D SQX 4117 * PASLEVICIO, COLUMADO SC198 * CICU: 795-9100

WESTERN TELE-COMMUNICATIONS, INC.

EMBELTIVE YOU THEREON!

November 14, 1984

Mr. Zisuddin Akbar Bank of Credit & Commerce International 100 Leadenhall St. London ECIA JAD UK

Dear Mr. Akber:

I am evelosing an enalyst report on WTCl and a current news elipping from the Wall Street Journal. I thought you might be interested in the good performance of WTCl after it split off from TCl last April. As you know, Boo Magness is still the Chairman of WTCl and is the controlling shareholder. I am the Executive Vice President. Secretary and a Director of WTCl.

I was informed the other day by the TCI finance group that they are interested in obtaining a loan famility in Eurodollars directly from a U.K. lending institution. I asked sob Magness if he was sincerely interested in such a famility and whether he would want to my to go direct to SCCI. He has asked me to determine whether there would be any interest on the part of SCCI. As you know, TCI has extremely good banking relationships in the United States, and through those relations, they are aske to borrow Eurodollars taking advantage of periodic improved interest rates. The costs, however, of going through the U.S. institutions for Eurodollars are not attractive because the managing institution on the U.S. side marks up the facility in order to profit from it. I believe the credit famility that TCI is leading for is around \$200,008.000. I believe TCI can assist in putting a group of banks together. If necessary, to fund the entire amount if you are interested in investigating this furthers. I will be very happy to make the arrangements. If not, please do not feel an obligation to pursue it because Mr. Magness and I are very happy with our even personal relationships with you, your bank and other associates we have us the U.K.

As a separate matter, WTCI will soon be issuing for approximately \$56,000,000 to construct a new microwave route from Chicago to Dallas via Kansas City. Our principle customer for this route is a British company named Cable & Wireless. You may be familiar with them. I believe they have a very impressive financial statement and have proven to be an extremely stable and respected company. Their contract with WTCI will be for a term of 15 years with remewal options of an additional two 3-year periods. Their contract alls for at annual payment of 35,842,344 per year. Our operating cests of this system will be \$1,852,000 per year. There are certain other favorable facuers in our errangement with Cable & Wireless in that we have inflation facuors which will adjust their rate based on our cost of operations. As the cost of operation goes up due to increased salaries or increased repair parts, we can adjust their annual charge accordingly. In addition, WTCI will be in a position to sold additional facilities in the same microwave stations for other customers at very high predict levels. WTCI will be looking for a \$50,000,000 credit line secured by all of the

OSPARAL GAMOSS I MARK RUACE I SARG STE BOLLEVARO I KUMS 500 KIO KOKA117 I ENGLEWOOD, COLORADO BOTSE I CICOS 789-8100

Mr. Ziauddia Alber Hovember 14, 1984 Page 2

equipment, hulidings, towers, etc. for this entire route. WTCI would also be willing to placing their contracts with Cable & Wirelass. We have several opportunities in the U.S. to obtain this credit line. My thought is, given the differential in current interest rates, there may be an opportunity to put this deal together with BCCI if you are interested. Again, let me stress that as far as Mr. Magness and I are concerned, you should feel no obligation whatseever to pursue these leans. Your failure to do to certainly will not negatively affect our relationship with you or the bank.

Best personal regards,

Larry Romrell

/te

Enclosures

A-04728

WESTERN TELE-COMMUNICATIONS, INC.

LARRY POMRELL DIRECTOR

February 20, 1965

Mr. Ziauddin Akber 22 Besing Hill Geldersgreen, London NW11

Dear Mr. Akbar

I am enclosing herewith a five-year prejection on Western Tele-Communications, inc. along with a recent press release. Please note that the numbers in the projection are in millions as indicated at the top of the page. I believe the revenues are conservatively stated and may be as much as 15% understated, as they do not include any service contracts we are currently werking which would some into service within the next five years. I will be in touch with you by telephone within the next day or two to discuss any questions you might have on the enclosed.

Best personal regards,

Larry Romesil

LR/sm

4-04793

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WUTCO GA

#518813651+ WTCL ENGL

8121961 EST 1620 MAR/19/1964

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Tor Mr. Ziguddin Alber Bank of Credit & Commerce Intl London

Mr. Akber,

I understand the WTCI stock will officially start trading at opening of business tomorrow, March 28. I want to confirm my understanding that I have established pursuant to my conversation with you a \$186,000 credit line with which to purchase stock and, in addition, that you have authorized me to purchase stock in your behalf up to a \$100,000 limit. The combined credit line would them be \$290,000 except that I would reduce my credit line within 30 days from \$190,000 to \$85,000. If this is not your understanding or does not meet with your approval, please contact me immediately.

Best regards,

Larry Romrell Denver, CO Telex 45-4457

892251 BCCLNZ 0

A-07132



WESTERN TELE-COMMUNICATIONS, INC.



April 2, 1984

Mr. Zlauddin Akbar Bans of Credit and Commerce International 100 Leadenhall Street London ECIA JAD

Dear Mr. Akber:

I am emissing herewith an Information Statement which has just become available this morning covering the distribution to the TCI shareholders of all the constanding shares of WTCI, the microwave common carrier. I understand from one brokerage firm that they have hed buy orders in for the WTCI stock starting at \$2.50 per share, then meving to \$2.50, \$3.50 and \$4.00 per share. They have not been able to purchase any WTCI stock up through today at these prices. The stock itself will be distributed today by mail along with the enclosed information Statement to all TCI shareholders. I believe after this distribution, the real market may be established. If the institutions holding TCI shared decide to sell their WTCI dividend, we expect that the price will fall sharply. If, on the other hand, these institutions hold their shares for a period of time, there is a possibility that the WTCI stock price will sell for a price upwards from \$1.00, I still intend to buy for a sur accounts at the best possible price somewhere between \$2 to \$4.50. If you have any comments or require any additional information, places give me a call.

On the subject of an aircraft, I am analosing a copy of our August 22, 1983 agreement with Jeffrey A. Marous of Commander Airways. This agreement covers the jet prop Commander shown in the brochure I sent you about a week ago. As you can see from the agreement, TCI has been paying \$10,000 per month against 40 hours per month actual flying time. This 40 hours per month can be averaged over the six month period or not greater than 240 hours without additional charge. As you can see from the agreement, TCI has been responsible for the aircraft's maintenance and immrance. I estimated that TCTs full cost per hour of airplane flying time based on 40 hours per month was around \$830 per hour. This includes the \$18,880 per month leads, approximately \$8.400 per year insurance, hargar feed of approximately \$1,000 - \$1,500 per month, fuel cost, hourly reserve for naintenance and cost of one pilot (which is all that is really necessary).

Mr. Akbar, if you are interested in looking at this airplane, I am sure I can arrange to have it available for your use during your April vist to the United States. It would be very practical to use between New York and Chicago, for instance, or New York and Mismi. It would be a little slow to use on a New York — Denver—Los Angeles trip. If you have an interest in a long term lease or a per occasion lease, please let me knew with enough advance notice to schedule it for your use. Mr. Marcom has told me that he would be very interested in structuring a lease with you which besed the aircraft in New York. This would enable him to use the airplane for his business use when you do not require it.

4-04635

GENERAL CHICKS - SACKWER THOMOSECAL CENTER
POLECUL MESSE - WELLE-HIL STRINGN DESWER COLUMNOS SORES (1938 777-680)

Mr. Zianddin Akber April 1, 1984 Page 2

Bob Magness and I are ment envious to visit with you with regard to the business opportunity we dissumed in Chicago or New York. We would be very pleased to meet you in either Chicago or New York to discuss the particulars of this venture. If this meets with your approval, please let me know the date of such meeting so I can achedule it with Mr. Magness.

Please inform Mr. Puri that I have not as yet been able to structure with Mr. Magness a final resolution on the Los Angeles building. He has been out of town again and has not been evaluable to finalise the figures. I still hope to be able to transmit final numbers to you before your departure to the U.S.

Mr. Alcher, if you need any further information on any of the above subjects, please telephone $m\,a.$

Best personal regards,

Larry Comrell

/te Englosures

A-04636

- WESTERN TELE.COMMUNICATIONS, INC.

LAMPY HOWELL

July 20, 1987

Sheik Abdel Raouf R. Khalil Kamal Adham Office Jeddah, Saudi Arabia

Sheik Kamal Kamal Adham Office Jeddah, Saudi Arabia

Kamal Adham Office Jeddah, Seudi Arabia

Dear Centlemen:

I have just returned to Denver from a meeting in Chicago with the CAPCOM lawyers and the CAPC Audit Committee. During a break in this meeting, Nr. Akbar had a private meeting with me in which we discussed his recent conversations with you concerning the actions of the Board relative to the CAPCOM-Chicago guarantees. I have the impression from this conversation that there is some dissatisfaction with the Board relative to the CAPCOM-Chicago guarantees. I have the impression from this conversation that there is some dissatisfaction with the Board soutions and resolutions concerning the entire CAPCOM-Chicago operation. I had not been aware of your concerns until Thursday, July 16th, as I had thought you were in full agreement with the actions we were taking. The Chicago Board of Trade had not given us any alternatives if we were to continue our memberships and trading positions. It was my understanding that the majority shareholders were not villing to sign these quarantees (with pethaps good reason). In order to continue to operate the business as had been intended originally, seweral of us supposed up to sign the guarantees taking on considerable personal risk on behalf of the remaining shareholders. I assure you that our intend in doing so was not to restructure the company's assets. As far as I personally as concerned, atcome for my paid-up, stock and notes, I have acted as nomines for one or more of the original shareholders. I have acted as nomines for one or more of the original shareholders. I have acted as nomines for one or more of the original shareholders. I have acted as nomines for one or more of the original shareholders. I have acted as no original called the remaining for one or more of the original shareholders. I have acted as no original called the remaining for one or more of the original shareholders. I have acted as no original called the remaining for one or more of the original shareholders. I have acted as no original called the original shareholders. approval,

After my commercation with Mr. Akber I have given this matter much thought. My concern is that I serve on the Board of Directors of several public companies in the United States. These companies are required very closely by the Securities and Directors, In addition, I serve on a large bank board and certain audit committees of

MARIAL CHARGES - PARK PLACE - SOED DYG SDLAEVARD - SLITE SOD # O SOK #117 - MARIAWOCC, COLDRADO SO155 - ISSUE 798-0168

Page 2 of 2 July 20, 1987

the bank. Also, I am an officer in several large public companies. If it were found by any securities organization that CAFCON was not operating entirely within their rules and good conduct, it would reflect very poorly on the companies I head-up. I view my job as Chairman of the Board of the London and U.S. CAFCON Companies very seriously. The Chairman serves at the plasmire of the shareholders lift whe shareholders of the company are unhappy with the Chairman's actions he should be replaced. If we have a serious split in the desire of the shareholders them it is my belief that I should resign rather than jumpardize the integrity of other compenies I serve on, due to what might be a very honset difference of opinion within the CAFCON shareholders. Flease be assured that if it becomes necessary for me to resign, I am still most desirous of maintaining my contact and friendship with everyone involved with CAFCON. If I can answer any questions for you relative to the Chicago office and the requirements of the Board of Trade, please let we know. Further, If I can in any my help to resolve the issues that have prevented you from signing the resolutions and minutes (which would clear-up the Chicago operation as far as the Board of Trade is concerned), please contact we directly.

In closing, let me share with you one more thought. Most of us, including Mr. Megness and myself, have purchased stock in CARCH, but have done very little to contribute further to the macross of the company. The company, as it exists today, is worth a fair smount of money. In fact, it has a return after taxes on the initial investments of over 50s. This is due to the considerable efforts of all the CARCH staff, but nost smedifically to the efforts of Mr. PATH-and Mr. Akbar. Together they have simple-handedly brought in virtually every significant account and made the company the success that it is today. I would not want them to get the impression that this is not appreciated, because they have made sech and every one of us a very good return on our investment. In summary, let me just say that as Chairman of CARCH I work for all the shareholders and I do not feel that I have any particular loyal-flue that would many my actions in favor of one group over another. If there is anything I can do at this point to resolve the differences and issues, I will be happy to do so.

Best personal regards,

Latry Nowrell

U/=

4-01457

WESTERN TELE-COMMUNICATIONS, INC.

July 25, 1987

Sheikh Abdul Raouf H. Khalil Kamal Adhum Office Jeddah, Smudi Arabia

H.E. Sheith Ramal Adhem ARTHOD, Juddah

<u>El Sayed</u> E. <u>El</u> Jawhary AKERCO, Jeddah

Omer Mr. Khalil:

With seppect to the CAPCH-Chicago issues we have been discussing, you asked Mr to call a shareholder meeting of all the shareholders of CAPCH. I believe both you and I would have liked to have held this meeting within the next few days. However, because of Boo Magness' and my prior commitments meither of us can meet until late August. At the earliest August 17th and 18th, It has been pointed out to me (see attached fax dated July 28th) that the closing data for reports due to the Chicago Spand of Trade for CAPCH-Chicago IS August 15th. The reports Themselves will need to be prepared by Japunt 12th. These reports are detailed and require us to indicate, again to the Chicago Board of Trade, the CAPCH-Chicago capital, shareholders and percent of these held.

Thus, there is a problem with the proposed shareholder meeting date, as the issues must be resolved prior to this filling. As you know, the reorganization plan for CNFCM-Chicago has already been filled. It was filled, as we discussed, because the Chicago board of Trade required that the CNFCM shareholders of more than 48 quarantee the principal trades of CNFCM-London. It was my understanding that at their time the majority shareholders representing yourself, Sheith Emmal and Hr. S. Jambary sould not sign the quarantees. After much discussion and cloud legal advice the reorganization was filed, We did not feel it was the only one we could see that would retain the original shareholders through voting trusts and nominees and meet the needs of the Chicago Board of Trade. It was understood by the reorganized shareholders that they were nominee for the original shareholders. Thus, the actual beneficial ownership did not change. To file an inconsistent report at this time would certainly jeopardize the good name and standing of CNFCM. On the other hand, if after filling a consistent August 15th report the shareholders (which you control) you wish to make changes of any kind to the nominees, the capital structure or anything else this will be possible.

Mr. Rhelil, I inderstant your position in that you had not agreed to the Chicago redressesation, and you would like to have a meeting of the shareholouse to discuss it further and to find other ways of

DENMANA, CHINCOLD - PARK RLACE - SEED O'TO SCILLEVARD - BLITE BOD P.C. BIDS 4117 - BNBLEWOOD, COLUMNOD HO198 - GODS 786-8100

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2 of 2 3 oly 26, 1987 accommodating the board of trade's request. Purther, that you would the se do seen with scaleses altopather and stoy the size that scales in the result would state the first of the season of trade in the event would require, of course, the saxeshidest to sign quarantees. This all configuration of course, the saxeshidest to sign quarantees. This all confident to company you said to the even of the board of trade or iss cartosest. Otherwise, all searchidests will be demanded in the value of their states.

At the time we last spoke, I fult a menting of August 17th and 18th in Chicago would remaive the lastes. Bowever, it appears in view of this last information the treatment of the to remain the last tender of the treatment of the treatment of the treatment of the treatment of the swallable until August 17th, you have my assumement that will not be available until August 17th, you have my assumement that will not be available to you of mention of the events. I will contains to be available to you by maintained until we are able to have a shareholders assetting. If I can of any halp places place a call to my office. If I mention, my sententary will be able to find he and I will return your call promptly.

mest paracral regards to each of you. I look forward to mesting with you seen.

mat requireds.

Lacry Numbell

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A-01487

CHICAGO MERCANTILE EXCHANGE

89-0H-4911 ACTIVITIES OF CAPCH FUTURES, INC. FROM JANUARY, 1988 THROUGH HEY, 1988

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ADDROUM B - CAPODH-U.S. DRAFT RESPONSE			í	27
ADDRILM C - CAPCON-U.S. IZTER MAT 11, 1988,				131
ADDRESS D - CAPCIN-U.S. LIST OF SEARCHDLINE				112

8/21/89 /lmb

ГОНООН

30 South Wacher Drivs Chicago, Illinois 80505 312/830-1000 MEW YORK WASHINGTON, DC

TOKYO

FILE NO.: 89-CH-6911

ORIGIN: Internal Investigation

SUBJECT: Activities of Capoos Putures, Inc. From January, 1986,

through May, 1989.

BACKGROUND:

Capcom futures, Inc. ("Capcom-U.S.") was approved to become a clearing member of the Exchange on October 16, 1985. In the course of an internal investigation into the firm's activities, on August 1, 1989, Mr. Kevin Holland, Vice President, Audit Department, sent to Mr. Mohammad Saghir, President of Capcom-U.S., a list of questions regarding certain transactions. On August 9, 1989, the firm responded with an undated document entitled "Draft Responses of Capcom Futures, Inc." ("Draft Response"). Mr. Holland's letter and the Draft Response are attached hereto as Addendum A and B, respectively.

#UNCKARY I

- 1. On April 27, 1987, there were nine transfers of positions and on April 28 and 29, 1987, there were seven transfers of funds, from unaffiliated Capcom-U.S. customer accounts into Ixora account \$101-10205 ("Ixora Account"), an account owned and controlled by Mr. Ziaudinn Ali Akbar, who controlled Capcom-U.S.'s parent, Capcom-Financial Services, Ltd. (Capcom-U.K.). The details of such transfers are set forth in Exhibit I to Addendum A. No written authorizations were obtained from customers prior to these transfers of funds.
- 2. The Ixora Account actively traded from December, 1986, until May, 1987. From November, 1987, through October, 1988, there were twelve receipts into the account totalling \$9,848,311.09 and twenty-five disbursements from the account totalling \$9,821,993.82. The details of these transactions are set forth in Exhibit III to Addendum A.
- 3. Multiple transfers of funds occurred between Hr. Mohammed Zaheer's (the brother of Hr. Saghir) account \$101-10204\$ ("Zaheer Account"), and two unaffiliated customer accounts. These transactions are set forth in Exhibit IV.A. to Addendum A.
- 4. On October 29 and 30, 1987, there were six receipts to and two disbursements from the Zaheer Account, totalling \$4,848,541.89 and \$4,800,000, respectively. The details of these transactions are set forth in Exhibit TV.E. to Addendum A. On October 29, 1987, there was no trading activity in the account on October 30, 1987, there were 15 transactions in December, 1987, T-Bond futures in the account. From the period December 31, 1986, through May 31, 1989, the ledger balance of the account was usually

less than \$150,000.

- 5. On October 6, 1988, Mr. Javed Razzaqui's account #101-10254 had a debit balance of \$145,575.56. On that date, Capcom-U.S. accepted trades from Mr. Razzaqui in a separate trading account (#101-10264).
- 6. On April 10, 1987, Capcom-U.5. epened account #101-10255 for Mr. Karim R. Faridi and Mr. Kahlil A. Zobairi, and opened account #101-10256 for Mr. Esbairi and Mrs. Tazeen K. Zobairi. On October 5, 1987, \$10,000 was received from Messrs. Faridi and Zobairi and purportedly credited to their account. On September 1, 1987, \$30,000 was received from Mrs. Zobairi and purportedly credited to their account. Such amounts were not credited to those accounts. The \$10,000 purportedly received for the account of Messrs. Faridi and Zobairi was instead credited to Capcom-U.S.'s house bank account #200-443-7 at Harris Trust # Savings Bank. The \$30,000 purportedly received from Mr. and Mrs. Zobairi was instead credited to Capcom-U.S.'s house bank account #203-441-3 at Harris Trust # Savings Bank.
- 7. On the July 31, 1987 quarterly 1-FR provided by Capcom-U.S. to the Exchange, a loan to Capcom-U.K. in the amount of \$2,984,124 was classified as a current receivable. The collateral servicing the loan was encumbered, requiring that the loan be classified as noncurrent. Calculation of the firm's adjusted net capital with the loan classified as noncurrent results in a decrease in capital of 21.6%, to \$10,459,842 from the previously reported figure of \$13,353,366.
- *** In June, 1987, the ownership of Capcom-U.S. was restructured to accomplish a reduction of Capcom-U.K.'s ownership in Capcom-U.S. from \$2% to 4%. The individuals who purchased Capcom-U.S. from \$2% to 4%. The individuals who purchased Capcom-U.K.'s shares in Capcom-U.S. did so with funds borrowed from Capcom-U.K. The restructuring occurred when the Chicago Board of Trade Clearing Corporation imposed a requirement that the owner of 5% or more of a clearing member guarantes the house obligations of such member. In May, 1988, CMT Rule 901.L. became effective, which imposed a comparable requirement on its clearing members. On May 31, 1988, Capcom-U.S. provided the information set forth in Addendum C hereto, in response to a request from the CMT Audit Department to all clearing members for information regarding ownership in the firms.

CAPCON-U.S. 'S RESPONSES!

1. With respect to the facts set forth in Summary Parsgraph 1, the firm indicated that it did not know the purpose of the funds transfers, and that generally, oral instructions were received from customers and confirmed in writing, although the files showed no confirmations in some instances. With respect to the transfers of

positions, the firm indicated that these occurred during its first year of operation, "when its understanding of the rules was not as clear as it should have been." In addition, neither counsel nor an 7CM to whom the firm paid a management fee raised concerns with respect to these transactions. The full response is set forth in Addendum B Paragraph A.

- 2. With respect to the facts set forth in Summary Paragraph 2, the firm indicated that it did not know the purpose of the transactions, and did not subject the account "to unusual scrutiny or monitoring." The head of Ixora, Mr. Akbar, told the firm he intended to use the account for trading and the firm anticipated significant trading volume. The full response is set forth in Addendum B Paragraph B.
- 1. With respect to the facts set forth in Summary Paragraph 1, the firm indicated that it did not know the purpose of the first three transfers set forth in Exhibit III hereto, and that the two \$20,000 transactions "were partial repayment of a \$50,000 loan between Mr. Rivui and Mr. Zaheer." In addition, the firm stated that "in at least one case, there appears to be written confirmation (see your Exhibit II 1/10 [to Addendum A])." The full response is set forth in Addendum B Paragraph C.
- 4. With respect to the facts set forth in Summary Paragraph 4, the firm replied in full as follows: "Mr. Saghir was responsible for this account, however, the account was not subjected to any unusual scrutiny or monitoring. The transactions were not understood to be unusual or irregular." (Addendum 8 Paragraph E.)
- 5. With respect to the facts set forth in Summary Paragraph 5, the firm replied in full as follows: "Mr. Razzaqui had promised to repay his debt expeditiously and we allowed him to trade as an accommodation. Mr. Razzaqui had told us that he was arranging for the sale of his house in New York for approximately \$650,000 and could thereby repay any debit that he had accumulated." (Addendum B Paragraph F.)
- 6. With respect to the facts set forth in Sunmary Paragraph 6, the firm responded in full as follows: "The heading of 'trading fund' en the letter dated January 15, 1985 does not refer to a separate fund or account. Rather, the accounts were opened by two bankers personally known by Mr. Saghir for purposes of beginning trading accounts. Accordingly, there are no records or documents to be submitted regarding a 'Trading Fund.'" (Addendum 3 Paragraph E.)
- 7. With respect to the facts set forth in Summary Paragraph 7, the firm responded in full as follows: "The loans described here were intercompany transactions supported by documentation that we are attaching herewith." (Addendum B Paragraph J.) The

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attachments appear at the end of Addendum B.

4. With respect to the facts set forth in Summary Paragraph s, the firm responded with the List of Shareholders attached as Addendum D hereto. (Addendum B Paragraph L.)

CLEARING RODER FINANCE SUB-CONSITTEE ACTION:

At its meeting of August 15, 1989, the Clearing House Finance Sub-Committee charged Capcon-U.S. with the following violations of Exchange Rules:

- a. Two violations of Rule 432.b. ("Act of bad faith"), for (1) commingling dustomer funds with house funds (as more fully described in Summary Paragraph 6); and (2) failing to disclose sufficient information to enable the Clearing House Committee to determine whether securities owned by Capcom-U.K. and characterized as leans, as more fully described in Addendum D, should be deemed equity securities of Capcom-U.S. for purposes of Rule 501.L. (as more fully described in Summary Paragraph 8).
- Four violations of Rule 432.0. ("Permitting misuse of facilities"), for not obtaining adequate explanation or corroborative documentation from its customers for the following transactions: (1) transferring funds and positions into the Ixora Account from unaffiliated customer accounts (as more fully described in Summary Paragraph 1); (2) permitting multiple receipts into and disbursements out of the Ixora Account when the account was not actively traded (as more fully described in Summary Paragraph 2); (3) permitting certain monetary transactions between the Iaheer Account and two unaffiliated customer accounts (as more fully described in Summary Paragraph 3); and (4) permitting multiple receipts into and disbursements out of the Iaheer Account when the account was not actively traded (as more fully described in Summary Paragraph 4).
- c. Four violations of Ruls 412.q. ("Detrimental act"), for not obtaining adequate explanation or corroborative documentation from its oustomers for the following transactions: (1) transferring funds and positions into the Ixora Account from unaffiliated customer accounts (as more fully described in Summary Paragraph 1): (2) permitting multiple receipts into and disbursements out of the Ixora Account when the account was not actively traded (as more fully described in Summary Paragraph 2): (3) permitting certain monetary transactions between the Zaheer Account and two unaffiliated customer accounts (as more fully described in Summary Paragraph 3): and (4)

permitting multiple receipts into and disbursements out of the Saheer Account when the account was not actively traded (as more fully described in Summary Peragraph 4); and one violation of Rule 432.q. ("Detrimental act") for the conduct described in Paragraph e.(2) above.

- d. Two violations of Rule 433.b. ("Unnommercial conduct"), for (1) the conduct described in Paragraph b.(2) above; and (2) the conduct described in Paragraph b.(4) above.
- e. One violation of Rule \$27.C. ("Accepting new trades when account undermargined"), for accepting trades from Mr. Ressaqui while his account had a debit balance (as more fully described in Summary Paragraph 5).
- f. One vielation of Rule 853.A.2. ("Transfers of positions with no change in ownership"), for transferring positions into the Ixora Account from unaffiliated customer accounts (as more fully described in Summary Paragraph 1).
- g. One violation of Rule 921 ("Notification of reduction in capital in excess of 20%"), for failing to advise the Exchange of a reduction in capital of 21.6% as of July 31, 1987 (as more fully described in Summary Paragraph 7).
- h. One violation of Rule 980 ("Compliance with financial requirements"), for commingling customer funds with house funds, in violation of Section 4d(2) of the Compodity Exchange Act and CFTC Reg. Section 1.20 thereunder (as more fully described in Summary Paragraph 6).

5

ACCEPTED A

CHICAGO MERCANTILE EXCHANGE

Santo A Halland Van Prositori Audi Despriment 210/000-2221

August 1, 1989

Nr. Nohammad Sephir Franklant Capaca Futures, Inc. 440 South Lafalla Street 23rd Floor Chicago, I. 40405

Dear Mr. Saghir!

Enclosure /Crp

By letter dated July 14, 1988, you were notified that the Clearing House Finance Sub-Committee remainded the order that MMMS Peat Manvick conduct a special review of Capace Fitures, Inc. (Capace - U.S.). The Committee directed the CMS sudit staff to conduct this review using the work and related results accommissed by the CFTC in participing its special review at Capaci - U.S.

The CHI's review consists of a series of questions that are enclosed with this letter. A unition response to each question is due by 5:00 p.m. on Tuesday, August 8, 1989. Please include any dominantation the firm has to support its responses. The results of our review will be presented to the Clearny House Firence Sub-Committee at its next besting.

If you have any questions, please call me or Mary Murphy at \$20-3227.

Sinceraly,

Page 6

M South Warter Price Chinson Illiania shand 111890 1000

- A. There were numerous monetary and position transfers into the Immra account \$101-10205 from traffiliated Capton-U.S. Customer accounts. Details are listed in Edibit I.
 - What is the purpose of the transfers from the unrelated customer accounts?
 - Who is the Capcos-U.S. employee responsible for authorizing these transfers?
- 3. The CME noted that Capara-U.S. sent written confinentions to the customers requesting they admoved receipt of the confirmation. However, these of the sustamers did not sign the letter sent to them by Mr. Saghir. In addition, the letters did not contain any details about the transaction. Capaca-U.S. confirmations are included in Decibit II.

Why wasn't written authorization obtained from the customer porcer to transferring funds?

- 4. On April 27, 1987, 12 June, 1987 T-Bord futures contracts and 8 June, 1987 T-Bord put option contracts were transferred into the Ixora account. Chicago Board of Trade Rile 444.01 does not allow trades to be transferred when a change of constship is involved. Why did the firm allow this transfer to coom?
- Did the firm question the unusual nature of these transactions? If not, why? If these transactions were questioned, what did the firm
- 3. The Immr scommt actively traded until May, 1987. However, there were trading receipts totalling \$9,848,311.09 and theory-five distributions totalling \$9,821,993.82 flowing into and out of the account from November, 1987 through October, 1988. The transactions are detailed in Double III.
 - 1. Why were there transactions in an account not actively trading?
 - 2. Who was responsible to maxitur the activity in this account?
 - 3. In what merror was this account monitored? What explanation was received reparding the activity in this account?
 - There were two \$25,000 dishursements on September 6 and 23, 1988. The dishursements were made to Albar Hilgreni, Director of the Latin American Division for MCCI. Hr. Milgreni was named in the indicement along with \$12. Albar and Capcom-U.K.
 - . 8. What was the relationship between Alber Bilgrami and Ixora?

Page 7

July 31, 1989

- b. What type of authorization was obtained from IMDER? Provide an explanation if authorization was not obtained prior to transferring the finds.
- 5. On September 23, 1988, \$1,950,000 was disbursed from the Immra account to Capons-U.K. According to a recent report issued by Peat Hervick Milintock, Mr. Akbar stated that this sum represented the settlement of the sale of Capons-U.K.'s shares in Capons-U.S. Further, Mr. Akbar stated the Capons-U.S. principal shareholders included \$.Z. Akbar, Zask Trading, Larry E. Rosrell, and Hohasmed Sagnir. Why Yould a transaction of this nature be made from a customer account?
- C. There were ramerous monetary transactions between Hohammed Zaheer's (ft. Sachir's brother) account \$101-10204 and two other traffillated customer accounts. A sample of these transfers are detailed in Edubit TV.A.
 - 1. What is the relationship between these three accounts?
 - 2. What is the purpose of these transactions?
 - 3. Who was responsible and what type of nonituring was Capern-U.S. parforming? Did the firs question why transactions of this nature were contring? If not, why? If yes, what did the firm conclude on these matters?
- 4. Why wasn't written authorization obtained from the customer prior to the transfer of finds in two of the five transactions?
- D. What was the commercian and place of employment of account comer \$10204 -Mr. Zaheer, at the time the account was opened? This information was not included in the customer's account documentation.
- E. On Outober 29 and 30, 1987, there were six receipts and two disbursements totalling \$4,848,541.89 and \$4,800.000, respectively, recorded in Honarmed Zaheer's account \$10204. Hr. Zaheer did not actively trade on these dates. The transactions are detailed in Edubit IV.B. The transaction amounts are meterial compared to the ledger belance which was usually less than \$150,000 from the period December 31, 1986 through May 31, 1988.
 - What type of scritoring was performed by Captre-U.S. over these meterial, urasual cash flows? Who was responsible for the manitoring?
 - 2. Did the firm question why transactions of this unusual nature were community? If not, why? If yes, what did the firm conclude on this matter?
- F. 1. Why was Mr. Pazzaqui (account \$101-10254) allowed to open another trading account (\$101-10264) when the first account had a debit balance of \$145,375.567 Pafer to the letter in Donihit V.

Page 6

July 31, 1949

- What efforts are presently being made to collect the net debit belance of \$143,251.41 in accounts \$10254 and \$10264?
- -G. What is the competion and place of employment of account owner \$10254 and \$10264 - Mr. Passaqui, at the time the account was opened? This information was not included in the customer's account documentation.
- R. According to account documentation, account \$101-10255 is comed by Karin R. Faridi and Kahlil A. Zobairi and account \$101-10256 is comed by Kahlil A. Zobairi and Mrs. Taxeen A. Zobairi. Included in the files for both accounts were letters on Capton-U.S.'s letterhead dated January 18, 1988 from Mr. Seghir to the scooner communication the net asset value of an investment in "Trading Rand", Rafer to Dobibit VI.
 - What is the relationship between accounts \$10255, \$10256, Capour-U.S., and "Drading Pard"?
 - 2. Submit all records and documents regarding "Trading Fund".
- I. What are the occupations and places of employment of account owners #10056 Mr. and Mrs. Zobeiri? This information was not included in the customers' account documentation at the tibs the account was opened.
- 3. 1. What was the purpose of the transactions in general ledger account \$29100.110 "Inexion leans" during the period April, 1986 through October, 1988?
 - 2. What type of supporting documentation is there for these transactions?
 - If these transactions resulted in receivables from Capon-U.K. ard were considered secured, provide documentation supporting this classification.
 - 4. If these are unsecured transactions but misclassified as a current receivable by the firm, how would this have affected Capcom-U.S.'s capital during the time period noted in J.1.?
- K. 1. Account \$101-10258 camed by Syad and Khalida Risvi, has a free dabit balance of \$8,628.24 as of July 17, 1989. What affort is Capcon making to collect the debit?
 - On September 13, 1948, account \$10258 received \$50,000 from Capton-U.K. What was the nature of this transaction?
- L. In June, 1987, as a result of the Chicago Hoard of Trade's parent quarantee rule, Capous-O.S. and Capous-O.K. were restructured into separate, unaffiliated entities.
 - List the original shareholders of Capons-U.S. prior to and after this restricting.

 Page

July 31, 1989

- Where or from whom did each of the shareholders obtain financing for their investments in Capons-U.S. before and as a result of the restructuring of the firm? If possible, provide supporting documentation.
- 3. Did Mr. S.Z. Mohar firence any of the stock purchases in Capone-U.S.?

During January, 1969 Mr. Seghir made two \$250,000 payments. One payment was made to Mr. Albar and the other was to Capone-U.K. What was the purpose of these dislumments?

Page 10

July 31, 1989

Daibit I

ACCOUNT 101-10205

200			locounts Transferring	Adequate
Date		Amount	Punds to lyons	Authorization
04/28/87	\$	8,520.99	10204	Жо
04/28/87		11,111,17	10250	No
04/28/87		29,525.36	10251	No
04/28/87		15,410.15	10252	No
04/29/87		26,402.25	10254	No
04/29/87		20,000.00	10255	No
04/29/87		20,000.00	10256	No

Data	Countrity and Positions			Amments Transferring Positions to Livers	Adequate http://www.cation.com
- 04/27/87	1	June 187	T-Bonds	10204	No
04/27/87	4	June 187	T-Bornes	10254	No.
04/27/87	2	June 187	T-Bonds	10250	No
04/27/87	' 3	June 187	T-Bords	10251	No
04/27/87	2	June 187	T-Books	10252	No.
04/27/87	2	June 187	T-Bords 90 Put.	10250	No
04/27/87	2	June 187	T-hords 90 Prt	10252	No
04/27/87	3	June 187	T-Bonds 90 Art	10251	No
04/27/87	1	June 187	T-Bonds 90 Put	10204	No

Page 11

July 31, 1989

Exhibitili 10

CAPCOM

CAPCON FUTURES, INC. 448 Seven Cabony Street 23rd Floor

Tyruphane: 313/643-7656 Tyrup: 40/100/1/GAPCOmi Fattoring: 313/963-7666

April 27, 1987

Hr. Nohammed Zeiwerr 135 Station Road Landon HV4 England

RE: A/C No. 10204

Dear Mr. Zeheer:

Reference to your telephonic instructions we have transferred your account balances and positions to IXORA Investment Ltd as of today. Kindly confirm our action by signing duplicate of this letter.

Thanking you.

Sincasety,

Mohammad Saghir President

H5: rp

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Page 12

Exhibit=11c

CAPCOM

CAPCON PUTUWES, INC. 446 South Labous Since: 23rd Floor Chicago, Minera 60605

Towardoug \$137943-7450 Towar #57501VGAPCOMM Feccionia, \$127640-7464

April 27, 1987

Hrs. Tasmeen Kazmi "Craigweed" Herthgate Herthwood Niddx RA5 2TJ Lenden

XZ: A/C No. 10250

Dear Mrs. Larmi:

Reference to your telephonic instructions we have transferred your account balances and positions to IXORA investment Ltd as of today. Kindly confirm our section by signing duplicate of this letter.

Thanking you.

Sinceseij

Hehammed Saghir Prasident

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Page 13

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Thanking you.

Acterence to your telephonic instructions we have exemplerted your account belances and postitions to LIGEA Investment Lides as at today. Mindly contirm our action by signing duplicate of this latter.

Dest Mr. Zubatri:

EE: V\C 30 10321

Mr. Iqbel M. Zubalri El-Zahra Street Flat Me. 6el Muhandesean, Calro Egypt

VARE TY TARY

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01/5

4110

CAPCOM

April 27, 1987

Mr. Hustafa Kamal e/o Mr. Sanda Masan Three Grave Isla #1206 Coconuc Grave, Florids 33133

RE: A/C No. 10252

Dear Mr. Kamali

Reference to your telephonic instructions we have transferred your account balances and positions to IXORA Investment Ltd am of teniny. Kindly confirm our action by signing duplicate of this letter.

Thanking you,

and Singersty.

Hohammad Saghir President

MS sep engl?

Page 15

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GREOM

CAPCOM PUTURES, DIC. 648 South Lobotiv Steer: 23rd Filmer Consense, Wheel, 66604

Total APRILL PARK



April 27, 1987

Mr. Javed Ahmed Razzaqui 68 Wayzide Lane Scarzalais, NY 10583

RE: A/C No. 10254

Dear Mr. Lassagui

Reference to your telephonic instructions we have transferred your account balances and positions to IXORA investment ltd as of today. Kindly confirm our action by signing duplicate of this letter.

Thanking you.

Sincersiy,

Mohammad Saghir President

MS: ep

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Page 16

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GAPGOT

GAPCOM PUTURES INC. end Seven LASSIN Serves 324 Films Chinago, foreign 60605

Trepton: 312/663 1822 Trept 1978014/CAPCOMes F manusc. 312/663-7666

April 27, 1987

Hr. Karim R. Faridi Hr. Khalil A. Zebairi 15/1 Jabbar Plaza Sedder, Karachi Pakistan

RE: A/C No. 10255

Dear Mr. Faridi:

Reference to your telephonic instructions we have transferred your account belonces and positions to IXORA Investment Ltd as of today. Kindly confirm our action by signing duplicate . . . of this letter.

Sinceron,

15

Hohammad Saghir Prasident

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encl.

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Page 17

GAPGOM

EAPOBM PUTURES, IVC. 448 Sauth Labalta Street 23rd Floor

TOMORATINI 2124443-7416 Tutori 10770040GAPGOMA

April 27, 1987

'Mr. Khalil A. Zobsiri Mrs. Tereen Khalil Zobsiri 46(1 13th Street, Phase V Off Khayeban E-Hujahid Dafance Housing Authority Karachi, Pakisten

RE: A/C No. 10256

Dear Mr. Zebairi:

Reference to your telephonic instructions we have transferred your account balances and positions to IXOA Investment Ltd as of today. Kindly confirm our action by signing duplicats of this latter.

Thanking you.

SineCaly,

Mehammad Saghir President

Miry

Heacl.

Page 18

FD0059382

47-941 0 - 92 - 12

IXORA INVESTMENT LIMITED

c/o 22 Besing Hill Golders Green London NW11 STH

16 December 1987

Mr M Saghir Capcom Futures Inc 23 Floor, 440 South LaSalle Street Chicago Illinois 60605 USA

Dear Sir.

To the debit of our Account No.10205, kindly pay US\$29.646/- (Dollars twenty nine thousand six hundred ferty six only) to Account 10204 with yourselves.

Thanking you.

Yours faithfully, pp IXORA INVESTMENT LIMITED

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ERIL \$ 16,200.00

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Pacinity III	200,000,00	50,000,00		87,887,88C	2,900,900.00	248.834.80		2,170,488.13 122,128.45	3,880,000.00	8,246,311.00
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bhibit TV

ACCOUNT 101-10204

1

- <u> </u>	Receipt 5	Districtment	Transferred	Adequate Authorization
04/28/87		\$ 8,520.99	101-10305	No
,12/16/87	\$ 23,646.00		101-10206	Yes
-04/06/88	•	1,700.00	101-10254	No
12/08/88	20,000.00	•	101-10258	Yes
01/03/89	20,000.00		101-10258	Yes

3

Date	Receive	Distance	
10/29/87	\$ 40,000.00	2	
10/29/87	1,964,157.77	•	•
10/29/87	60,000.00		
10/29/87	_ •	\$ 2,000,000.00	,
10/30/87	2,732,434.32	N.	
. 10/30/87		2,800,000.00	
10/33/87	* \$0,000.00	= 5	
20/30/67	2,000.00	F.C.	
***	* 5 a	10 T 555	·
<u></u>	\$ 4,848,543.89	\$ 4,800,000.00	

Page 2

July 31, 1989

Exhibit I

GAPCOM

Shell Floor Change Street World

Tempero 213/643-7680 Temp 49/5641/6APCOV4

September 19, 1988

CONTIDENTIAL

Hr. Javed Ahmed Rezzaqui 48 Vayside Lane Sezzadele, Nev Yerk 10583

RE: Account No. 10254

Dear Hr. Rattaqui:

As per our discussion over the phone, we confirm the following arrangement regarding above account:

- Asseunt 10254 shows a debit belonce of \$143,375.56 and you will try to adjust this debit belones as soon as possible.
- Heantime, we have opened another account No. 10264 to allow you trading on fully margined basis.
- J. At any time we are authorized to offset account 10264 _ against 4ebit balance of 10254.

Kindly sign the duplicate of this letter as your acceptance to this agreement.

Linesporty,

HA-Hehammad Seghir Frasidant

Miss

onel.

Page 2

MOHAMMAD SAGNER

Exhibitat h

CIPCOII

CAPCOM FUTURES, INC. .

January 18, 1988

Mr. Karim R. Faridi Mr. Khaiil A. Zebeiri 15/1 Jabber Placa Sedder, Karschi Pakistan

ME: TRADING FUND

Dear Hr. Yaridi and Hr. Zobeiri:

I om pleased to inform you that the set esset value of your investment at December 31, 1987 was \$32,233.98.

Details ere es follows:

Date	Particulars	Dabit	<u>Credit</u>	Balance
%-10-67	Funds Required		\$20,000.00	\$20,860.00
%-30-87	Sermings (122)		540.00	20,540.00
9-30-87	Sermings (142)		734.88	21,274.88
10-05-87	Funds Required		10,000.00	31,274.88
12-31-87	Sermings (122)		959.10	32,233.98

President

FD0059389

Page 25

MOHAMMAD SAGRES

Exhibit TIFE,

CAPCOU

CAPCOM FUTURES, INC.

10250

January 18, 1988

Mr. Rhelil A. Zebairi Mrs. Tazzem Khalil Zebairi 46/1 15th Street, Phase Y Off Kheyaben E-Hujahid Dafense Newsing Authority Earschi, Pakistan

RE: TRADING TUND

Dear Hr. Zebsizi and Hrs. Zobelri:

I am pleased to inferm you that the net asset value of your investment at December 31, 1987 was \$53.213.99.

Datails are as follows:

Date	<u>Particulars</u>	Debit	Credit	Salance
4-10-87	Tunds Received		120.000.00	120.000.00
** 6-30-87	Espaines (127)		\$40.00	20,540,00
8-31-67	Larmings (147)		495.24	21.035.24
9-01-67	Tunds Received		30.000.00	\$1.035.24
9-30-87	Earnings (14%)		595.41	51,630.65
12-31-87	Barmings (12%)		1.583.34	53,213.99

Sincerely

Honomed Saghir

JG red

Page 26

ALCENIUM.

DRAFT RESPONSES OF CAPCON FUTURES, INC.

- their account, we do not know why the customer is seeking to transfer their funds. Accordingly, we could only speculate as to the purpose of each of the transfers referred to in this question.
 - (2) There was no particular employee responsible for authorizing the transfers in the accounts to which you refer.
 - (3) As a general matter, oral instructions were received from customers, followed by some form of written confirmation. It is apparent that in some instances, the files do not show receipt of a written confirmation.
- (4) These trades occurred in our first year of operation, when our understanding of the rules was not as clear as it should have been. At that time, we had engaged an in-house attorney who did not suggest that there was any irregularity in the transaction. Moreover, we also were paying a well respected FCM approximately \$60,000 per annua as a management fee, and they also raised no concerns.
- (5) We did not realise that the transactions were unusual and accordingly took no special action.
- -8. (1) We cannot speculate as to the notivations underlying the transactions in the customer's account.

- (2) Mr. Mohammad Saghir was responsible for the account.
 - (3) The account was not subject to unusual scrutiny or menitoring. Mr. Axbar teld us that he intended to use the account for trading, and given his activity in the market, we anticipated significant trading volume.
 - (4) We cannot speculate as to the nature of the actual relationship between Mr. Bilgrami and IXORA. Telephone authorization was obtained and was to be followed by written confirmation.
 - (5) In September, 1988, \$1.95 million was wired to CAPCOM-U.K. from the IXORA account. We can neither explain nor adopt Mr. Akbar's version of this event, nor can we speculate as to why he decided to wire funds from a particular account.

The first three transfers contained in Exhibit IV were conducted pursuant to customer instructions for reasons known only to them. We cannot speculate as to their motives. The two \$20,000 payments were partial repayment of a \$50,000 loan between Mr. Risui and Mr. Jaheer. Responsibility for the accounts and transactions were that of Mr. Saghir, who was aware of the loan and understood there to be no irregularity in those transactions. The customers had provided telephone suthorization, and in at least one case, there appears to be written confirmation (see your Exhibit II 1/10).

Pege 25

- D. The occupation of Mr. Zaheer was that of a self-employed auto dealer with a dealership in Karachi, Pakistan.
- Y. Mr. Yaghir was responsible for this account, however, the account was not subjected to any unusual scrutiny or monitoring. The transactions were not understood to be unusual or irregular.
- F. Kr. Razzaqui had promised to repay his debt expeditiously and we allowed him to trade as an accommodation. Kr. Razzaqui had told us that he was arranging for the sale of his house in New York for approximately \$450,000 and could theraby repay any debit that he had accumulated.
- G. Mr. Razzaqui is a banker located in New York.
- H. The heading of "trading fund" on the letter dated January 16, 1988 does not refer to a separate fund or account. Rather, the accounts were opened by two bankers personally known by Mr. Saghir for purposes of beginning trading accounts. Accordingly, there are no records or documents to be submitted regarding a "Trading Fund."
- T. Mr. Zobari presented himself as a bank manager in Karachi, Pakistan. We are unaware of Mrs. Zobari having an eccupation outside the home.
- J. The loans described here were intercompany transactions supported by documentation that we are attaching herewith.

and the second of the second o

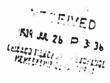
- E. (1) We have been in frequent centact with Mr. Rizui in attampts to cellect the debit. The efforts are continuing to date.
 - (2) It is our understanding upon information and belief that Mr. Rizui personally berrowed \$50,000 from Mr. Zahear, which was remitted from his CAPCOM-U.K. account.
- L. We are attaching a list in response to this question.
- Mr. Saghir paid \$250,000 to CAPCOM FINANCIAL SERVICES LTD,
 LONDON and \$225,000 to Mr. Raziuddin Akbar as rapayments of
 leans.

700e 30

CAPCOM FUTURES, INC.
List of Shareholders
as of June 25, 1987

tr -	t of Share- holding .	Amount of Sharabolding	Financial ATTANESPENS
Capenn Financial Services Ltd.	82	\$4,100,000.00	. <u>.</u>
Nehamad Saghir	5		1. \$225,000.00 (From H. Sahner) 2. \$225,000.00 (From R. Akbar)
Zask Trading & Investments Ge. Ltd.	5 <u>15 19</u> 1 ee	450,000,00	ر بر المحدد
* + * * * * * * * * * * * * * * * * * *	100	<u>45.000,000.00</u>	51
······································	· As of June 30, 1	987	
		en de la companya de La companya de la co	Lagne From CAPCOM-S.X.*
Larry 1. Rourell	16	\$ 400,000.00	\$ 400,000,00+
Beb Magness		100,800.00	100,000.00+
Sesbas Peri		230,000,00	250,000.90*
Robert E. Povell	10	250,900,00	250,000.00+
Nohamad Saghir	: 19 ::	475,000,00	250,000.00+
2. Alber	26	790,000.00	700,000.00+
Zask Trading & Investment Co. Ltd.		223,000.80	`, `, _' , ', ', ', ', '
Copen Pinennial Services 186.		100,000,00	·
Andrew March (1994) Andrew March (1994) March (1994) Andrew March (1994) March (1994) Andrew March (1994)	100 100 - 10	\$2,\$00,000,00	\$1,950,000,00





July 26, 1989

Ms. Catherine J. Carter Manager, Nembership Department Chicage Hercantile Exchange 30 Seeth Vacker Drive Chicage, Illineis 60606

Dear Ma. Carter:

)

)

I refer to your inquiry of July 20, 1989 centerming Mohammed Zahaer of Karmahi, Pakistan and his relationship to Mohammed Saghir of CAPCOK FUTURES, INC.

Investigation in Tarmshi, Pakistan by an INTERPASS associate has varified that Hohammed Zahper is the jounger brother of Hohammad Saghir.

Mr. Zahear does in fact reside at the address that you provided, B, 296, Block 6, Gulshere 10BAL, Karachi, Pakistan; heverer, the talophone number of 46 27 13 is seeigned to him out who lives next doer.

Mr. Zeheer is presently vorking in Earschi, Pakister at a meter verkshep/service station, phone number of 42 60 35. Mr. Zeheer's position at this verkshep/service station is described as "not very high".

Investigation in London, England has disclosed that the midrons you provided as Hr. Zahoer's mailing address, 135 Station Read, Lundon NV4, is presently occupied by Missaur Zahman and Ajrama Missa. It appears that these individuals are related to Mr. Zahoer and Mr. Segbir.

Westington Office + State 700, 1665 N. Fort Myor Cirks, Addignos, VA 25508 a (700) 684-5866

Mr. Tahoor does not appear on any official documents concerning CAPCON that could be located in London, England,

If you have any questions or desire further investigation, please contact ou at 703/324-3888. Thank You!

Larry 3. Sheats

Hanaging Diructer Vashington Office



GB.83 MD.1 89-CH-6917

PLEASTRE MEMBER: Capoon Putures, Inc. (*Capoon*)

ALLBORS SELE VIOLATION:

452, MAJOS afferens, (Twer sourts) -- It shall be a major offense:

- for a ... elearing member to permit the [mis]use of its facilities..."
- 499, MINOR OFFERER, (Two sounts) -- It shall be a Biner effanse:
- b. to be quilty of uncommercial conduct.
- 827. MANGINE OF COSTONERS.-
- Clearing members shall not accept orders for new trades from a customer unless the minimum initial mergin for the new trades is on deposit or is farthcoming within a reasonable time...
- 853. TRANSFERS OF TRADES .- Subject to the approval of the Procident:
- A. Existing trades may be transferred on the beeks of a clearing member provided:
 - 2. The shange merely constitutes a transfer from one assumnt title to another associat when symmethip in said associats remains the same.

PINDINGS

On Ostaber 10, 1989, pursuant to an affer of settlement in which Capons neither admirted her denied violating Exemenge rules, the clearing House Finance Sub-Committee ("Committee") found that:

1. From approximately April 1887 through Ortober 1888, Capean failed to adequately motein and Beintein downmarkation of information to support! certain transactions between Capean and individuals or antities directly or indirectly controlled by shareholders of Capean; and certain transfers of funds in accounts held by individuals or entision directly or indirectly samtrolled by amerabolders of Capean. The Committee found that in so daing, Capean committed major visiations of Exchange Rule 432.c. and miner violations of Rule 431.h.

30 South Wester Drive Chicago, Illinois 60608 313/690-1000 HERY YORK

WARRANT TO A

- j. On Ostaber 5, 1985, a Capoes mistener account had a dabit halance. On the same data, Capoes accepted trades from the same outtoner in a separate trading account. The Counities found that in as doing, Capoes violated Exchange Bule \$27.C., a minor offense.
- On April 27, 1987, Copour transferred nine (9) positions into a particular Capean sustance associations of the consistent found that in se desire, Capean violated Exchange Rule 883.A.2., a minor offence.

PERALTY

In accordance with the settlement effer, Capeen Putures, Inc. agreed to a fine of \$500,000 and the Committee agreed to accept Capeen's withdrawal from Exchange slearing membership.

SFFECTIVE DATE:

October 18, 1989

Chicago Board of Trade

HAND DELIVERED

April 24, 1987

Hr. Mehammad Saghir CapCom Futures, Inc. 840 South LaSalle Street 23rd floor Chicago, IL 60605

RE: 87-FIN-48

Dear Hr. Saghir:

Enclosed are the findings of the Office of Investigations and Audits' recent examination of your firm. The report will be submitted to the Business Conduct Committee for their review. The Committee wishes you to acknowledge receipt of this letter and reply to the findings in the report. A written reply should be made to se no later than ten business—days after the date of this letter. The reply will be forwarded to the Committee with OIA's report.

Sincerely,

Ivonne J. Downs Administrator Office of Investigations and Audits

DAS/01s

Enclosure

cc: Mr. Lawrence A. Herst

FD0059400

Ladama at Jack nor Cricage Himmes 80804 212 136 2500

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Chicago Board of Trade

Dene A. Shadrick

Office of Investigations and Audits

COMPTRESTIAL REPORT

OIA Reference No.: 87-FIR-A8 Date Report Completed: Harch 26, 1987

Tripled by County A. V.

oved By: ______ Tvenne J. Down

Subject Matter: CapCon Futures, Inc./CapCon Financial Services Limited

In Thursday, January 22, 1987, OIA examiners commonded a review of Expressifutures, Inc. and its parent Capeon Financial Services LTD. (lipson Lancon). The purpose of the review was to determine the nature of Capeon Futures and Capeon London's business, and to review the firms trades to verify their classifications as hedge positions. OIA reviewed the firm's customer and hom-customer accounts noting the following:

Old reviewed sustance errors, customer secount documentation, segregation statements, EFF's and flow of future transactions noting following:

- a. Old reviewed two (100%) customer account files noting appropriate documentation appeared to be properly signed and dated in accordance with CBOT Rules and Regulations.
- B. Thirteen customer erder tickets were reviewed seting 1005 appeared to contain only one time stamp. OIA brought the matter to the firm's attention and orders now appear to be time stamped upon receipt and fill. All trades appeared to flow through the floer order tickets, trade registers and customer account statements.

1.05.000 01.000 00004 5 *- 4.000 05-0-0-00004 - 17 425 2000

A-01343

- c. Segregation statements from 12/23/86 thru 12/31/86 appear to be properly completed. Firm's excess segregated (unes from 12/23/86 through 12/30/86 appeared to be low. OIA preves balances on 12/24/86 and 12/29/86 noting they appear to be correct. On 12/31/86 the firm deposited an additional \$50,000 in order to insure the firm maintained excess segregated funds.
- 2. CIA reviewed Capcom Futures only non dustomer account Capcom London. All (1003) of the T-bond Transactions in this account on December 23, 26, and 31, 1966, were reviewed in order to verify their classification as a hedge. In addition to the above transactions, DIA reviewed 1005 of the EFF Trades for the month of December. OIA noted the following:
 - a. OIA traced each open futures position from the trace register to the corresponding floor order tickets nating 33.335 had only one time stamp. The firm was informed of the proper procedures.
 - b. OIA traced all T-word trades and EFF's from the trade register to the corresponding dustomer statements for the customers of Capcom London. OIA noted the following:
 - for each trade or group of trades executed at the CSIT there was a corresponding trade or group of trades reflected on the customer accounts statement. In every case the trade price on the trade register agreed with the trade price on the customer statement. In all cases, except for two Eff trades, the trade cates agreed. The firm indicated that two trades are being executed almost simultaneously, one between the customer and the firm, and one at the CBOT. The trade on the CBOT is executed to hedge the position the firm is taking with its oustomer.
 - All customer statements reviewed appeared to have foreign addresses.
 - The firm indicated its eustemers are precedinately banks, financial imstitutions and corporations with ealy a few individual accounts. The majerity of accounts are using the market to hedge exposure, however, some carry outright positions.

Page 2

4-01344

- 8. OIA reviewed Capton London's specifications on the T-bond Futures Centracts it sells to its customers. The centract specifications appear to be identical to those of the CBOT T-bond contract.
- c. OIA also traced the each side of the EFF transactions to their trade confirmation statements. For the month of December, Capens London executed eight EFF transactions, all of which were done with Refee Inc. The cash side of all EFF transactions was executed with M. G. Partners, an affiliate of Refee Inc. Capens London indicated that EFF transactions are utilized for the purpose of executing a trade when the markets in Chicago are closed. A typical EFF transaction for Capens is outlined below:
 - 1. On December 3, 1986 Capeon London receives an order free a foreign customer for (5) about T-bond centracts. The markets in Chicago are not open, therefore, Capcon London contacts Refee in New York to obtain a futures contract which can be used to hedge the new position with its dustomer.
 - Capcon London still #500.000 7.5% T-bonds to M. G. Partners, Inc. at 102.15.
 - Aefro and Capcom London execute a EFF transaction where Capcon London buys from K. G. Parthers, Inc. 3500,000 7.55 Tebonds at 102.15. Aefro then, through the EFF, transfert (5) short Tebond contracts to Capcom London at a prize of 100.12. The transfer completes the EFF transaction.
 - 6. Capcem London enters into (5) short futures centracts with its oustoners at a price of 100.12.

The two dash traces between M. G. Partners and Capcom London net to zero at the end of tracing on 12/3/86 and don't appear on M. G. Partners' Daily cash leager. Gazom London's cash account statement at M. G. Partners reflects each cash trace and a zero balance for the month of December.

Page 3

4-01345

Seven of the eight EFP trades reviewed were similar to the one outlined above. Capeca Landon executed the dash transaction first and then the EFP transaction which result in the firs acquiring a short futures position. In one case, however, Capeca executed a EFP which resulted in Capcos receiving a long futures position. In this case the EFP was executed prior to the cash transaction which sets up the EFP. In an EFP transaction one of the each transactions is always appointed with the EFP transaction. The transaction order was determined by the order number on the cash confirmation tickets. The transaction is sutlined below:

- On December 4, 1986 Capean London received an order from a foreign dustomer for (1) long T-bond contract. The markets in Chinage were not open, therefore, Capean contacted Refco in New York to obtain a futures contract which could be used to hedge the position the firm is taking with its customer.
- Capcom sold a \$100,000 7.5\$ T-bend to H. G. Partners for 102 %5/128. As part of the EFP transaction, Refer transferred (1) long futures position to Capcom London at a price of 100 7/32. The transfer completed the EFF transaction. However, Capcom was still short a cash position.
- 3. Capcom bought & \$100,000 7 1/25 T-bond for 102 45/126 from M. G. Fartnera.
- Capcom London entered into a long futures contract with its customer at a price of 100 7/32.

The result of the above transaction is the transfer of a long futures position from Refco to Capcom London. This transaction is similar to the one outlined before, however, in this case the EFP was executed prior to the cash transaction.

Page 4

4-01346

RELEVANT RULE AND REGULATIONS

318.88 Time and Flace for Trading - Dealings upon the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business, and no member shall make any transaction is assurities with another member except at the post designated for the perticular security in which the transaction is made and no member shall make any transaction for future delivery of a commodity except is the pix assigned to trading in such commodity, except as provided in Regulations 444.81 and 444.83. No member shall make, in the rooms of the Association, a transaction with a sem-member, in any commodity or in any security admitted to dealing on the Exchange: but this Regulation shall not apply to transactions with an employee of the Association of the Cleating House engaged is carrying out arrangements approved by the Board to facilitate the borrowing and landing of money.

312.88 Order nust be Executed in the Public Harret - All process received by any member of this Association, firm of corporation, doing business on Change, to buy or sell for future delivery any of the commodities dealt in upon the Floor of the Exchange (except when in exchange for each property) must be executed competitively by open outcry in the open market in the Exchange Hall during the hours of regular trading and under no circumstances shall any member, firm or corporation assume to have executed any of such orders or any portion thereof by acting as agent for both buyer and seller either directly or indirectly, in their own name of that of an employee, brease or other members of the Association; provided, that on transactions where brokers as agents for other nembers meet in the execution of orders in the open market and without prearrangement unintentionally consummate a contract for the one and same clearing member principal, such transactions shall not be considered in violation of this rule.

332.81 Open Market Execution Requirement - All futures transactions resulting in change of ownership (except those involving the exchange of futures in dash transactions) must be made in the open market is the manner prescribed by Rules 322.50 and 318.88.

Page 5

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- 358.85 Floor Practices The following acts are detrimental to the welfare of the Association:
- (e) for a member to take, directly or indisectly, the other side of any order of another person revealed to him by reason of his relationship to such other person, except with augh other person's prior consent and in conformity with Exchange rules:
- (f) for a member to make any purchase or sale which has been pre-arranged;
- (h) for a member to execute any order after the closing bell is sounded except in a call market close;
- (i) for a member to buy and sell as an accommodation at any time or to use one order to fill another order, or any part thereof.

to use one order to fill another easer, et any part thereef.

444.81 Transfer Trades - Transfer trades, or office trades, are defined and limited to trades made upon the books of a commission merchant for the purposes of: (s) transferting existing trades from one account to another within the same office where he change in ownership is involved; pr. (b) transferting existing trades from the effice of ene commission merchant to the office of another semmission merchant where no change in ownership is involved, provided that he such transfer may be made for the purpose of evading and evodding delivery on such trades and provided further that if such transfer is made after recapt from the Clearing Seuse of a notice of intention to deliver must be passed through the clearing Bouse along with the trades so transferred and the Clearing Bouse shall thereupon pass the notice of intention to deliver to the commission merchant to whom such transfer has been made and delivery shall be taken by such commission merchant; or, (c) exchanging futures for cash commedities or in connection with cash commedities transactions; or (d) to establish the prices of of cash commedities.

Exchange of futures in connection with each commodity transactions of futures for each commodities may be made at such prices as are nutually agreed upon by the two parties to the transaction.

All transfer trades made between the offices of two commission merchants and all office trades made in commented with cash demmedity transactions or the exchange of futures for data semmedities shall be designated by proper symbol as transfer or office trades and must be cleared through trades and must be cleared through trades and must be cleared through the Clearing Bouse in the requier manner.

Page 6

A-01348

Trinsfer trades must be made at the same price of prices which appear on the beeks of the transferring commission merchant, and the transfer must also show the date when such trade or trades were originally made; provided, however, that these transfers involving a debtor as defined by and in accordance with Regulation 272.22 shall retain the original trade date for purposes of delivery but shall be entered on the books of the transferred at the settlement price on the day of the transfer. In addition, each party to transfer trade transactions shall file with the Clearing House a memorandum essting the nature of the transaction, whether the transaction has resulted in a change of ownership, the kind and quantity of cash commodity, if any is involved, the kind, quantity and price of the commodity future, the name of the opposite Clearing member if any, and such other information as the Clearing Books may require.

385.85 Other Offenses - It shall be an offense against the Association to:

(b) Trade systematically against the orders or position of his customer.

1887.51 Hours for Trading - The hours of trading for future delivery in U.S. Treasury Bonds shall be determined by the Beard. On the last day of trading in an expiring future, the closing time for such future shall be 12:08 noon subject to the provision of the second paragraph of Rule 1887.92 The markets shall be opened and alosed for all months simultaneously, or in such other manner as the Beard shall direct.

\$10.00 Busket Shee—his mamber shall be streetly or indirectly interested in or associated in Buskets with, or have his office streetly or indirectly connected by sublic or private wire or miner method or continuence with, or transact any business directly or indirectly with or for

- (a) Any sucker shoet or
- (b) Any organization, first, or individual shatting a practice of dealing on differences in market overlaining of
- [c] Any organization, firm, or individual ongaged in oursessing or solling dominanties or securities for sustainers and making a practice of lawing the side of the makent opposite to the side taxon by customers. 152

£35.01 Recerus of Clistomers' Onciers — Immediately voon recess in the sales office of a customer order each maintuis registered pernorants or registered corporation shall present a written resent or the arear. It this be easied and wine-maintaid when the order is reserved and shall show the actioning easies and shall show the actioning easies and the sale shall be office and wine-sampled when it is transmitted to the fleet of the Easthange and when as easiespeaker, or the last that it is unaple to be executed, to reperve from the Poor of the Eachbange to the order of the Eachbange to the each office.

immediately uses researcen the Piper of the Exchange of a customer arcter, each member, requisited sentences, or registered corporation shall prepare a whiten receive of the arcter, it shall be detect and unequipared when the perior is received on the Piper and shall shall shall shall set account designation. The United shall shall set to tene-stamped.

- (a) when it is transmitted to the floor broker if it is not transmitted immediately after it is received on the Floor, and
- (b) If the writer leter is transmitted to the Sept broker, when the order to received back from the Copy broker, or
- (c) If the order is transmitted to the figur braner verbally or by hand signals, when a report of the execution, or the last time it is unable to be executed, its received from the Rear Unblac.

All lame-statings required by the regulation shall show the lamb to the nearest manufa.

At the beginning of each trading day, each cleaning member must ensure their each time stock used on the beauty floor by that eleaning member is synchronized with the time displayed by the master clock on the Eachtange Ploor.

Page 7

4-01 349

JEY

ade at the same price or prices which appear ferring commission merchant, and the transfer such trade or trades were eriginally made: If a transfers involving a debter as defined by equiation 272.82 shall retain the original trade ivery but shall be entered on the beeks of the enterty but shall be entered on the beeks of the enterty but shall be entered as and if file with the transfer trade transcribens shall file with the nature of the transcriben, has resulted in a change of ownership, the kind emedity, if any is involved, the kind, quantity ity future, the name of the opposite Clearing member, information as the Clearing News may require.

- It shall be an offense against the Association to:

ly against the orders or position of his customer.

ling - The hours of trading for future delivery in hall be determined by the Board. On the last day of g future, the closing time for such future shall be the provision of the second paragraph of Rula 1887.58. opened and closed for all months simultaneously, or as the Board shall direct.

meet shad be directly or indirectly vilorested in or associated in) directly or indirectly assistanced by audite or assist were or other remeat any business directly or indirectly with or for

by John making a progress of pepting on differences in market

individual employed to discretishing or setting commandities or requiries; it precises of lawing the side of the market appears to the piec taken by

vers' Coupry — immediately upon recoupt in the sales office of a customer of parametries or requisered corporation shall propose a winton record of my sale-attained when the artist is recovered and shall allow the account also as enter-camped when it is transmissed to the Place of the Escrising last that is a unable to to account the place of the Escrising last that is a unable to be uncounted, to resonant from the Place of the Escrisings

IN the Place of the Eustange of a bustomer name, oden member, revisioned pargaranan shad propore a wroten receive of the order A bhad for falce and Jeris received on the Place and shad above the account deseptionen, The union

IN the Boar broker if B is not transmitted immediately after 4 is received to

a pranamitted to the Rear Broket, when the secies is recoved back from the Roor

- 17 15 the Rept busher variably or by having pignists, which is report of its execution, a set to be executed, its received from the Room brukes.
- of . The regulation shall show the lamp to the nuarost minute.

Th trading 65t, 888h (865hing Member Must ensure Hilb) each lime clock used on at cashing member to synchronized with the time dropleyed by the hilbler clock Page 7

4-01350

Assisable Firm Ownership

I. CapCom Financial Services Limited

		Interest	:
Directors	Address	in firm	
L.E. Remrell A.S.E. Ehalil	Englewood, Colorado St. Andrew St., London		
A.K. Puri B. Magness	St. Andrew St., Lender Englewood, Calerado	15	
J.J. Dedin	St. Amerow St., London		
J.C.F. Farry	St. Andrew St., Lender		
Stockholders er Limited Partners		Isteres	ı.
(> 55 Interest)	Address	in firm	
3.K.l. Adham	St. Andrew St., London	773	
E.E. Eljawhary	St. Andrew St., Leaden	15%	
R.E. Povell	St. Andrew St., London St. Andrew St., London	15\$ 5\$	
Gresella S.A.	St. AMEPTS St., COMOUN	. **	
II. CapCom Futures	Inc.		
General Partners	Responsibilities	Address	Interest
Larry E. Rourell	Chairman, CEO	Englewood, Colorado	
Honomead Saghir	President	Chicago, Illinois	95
Ajmy K. Puri	Treasurer, Secretary	St. Andrew St., Lend	•n
Stockholders or Limited Partners			
(> 3% Interest)		Address	Interest
	•		
CapCom Financial Sc		St. Andrew St., Lond	
Task Trading and II	RYOSCHOOL, LIG.	St. Andrew St., Lands Chicago, Illineis	en 95 95
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A-01951

Chicago Board of Trade

Office of Investigations and Audits

CONFIDENTIAL REPORT

OIA Reference No.: Supplement to 87-FIM-48 (28) Date Report Completed: April 22, 1987

Propared By: Marie C V- and

Dana A. Shadrick

Approved By: Yvonne J. Downs

Subject Matter: CapCom Futures, Inc./CapCom Financial Services, Limited

As indicated in the report dated March 26, 1987 concerning CapCom-Futures, Inc. and its parent CapCom Financial Services, Ltd. (CapCom-London), OIA reviewed, in addition to the EFF transactions all (1005) of the T-Bond trades on December 23, 26 and 31, 1986 for CapCom (London) by CapCom (USA). OIA noted the following:

- 1. The flew of a T-Bond transaction appears to be as follows:
 - a. A foreign oustomer contacts CapCom (London) destrict to buy ten T-Bond contracts. (See step one below)
 - b. CapCos (London) then calls CapCos (USA) in order to execute a trade for the CapCos (London) proprietary account, which will be uses to "hadge" a position takes with a customer. CapCos (London) buys ten C3T T-Bond contracts at a price of 98.10. (See step t-z below).

Lafellu et Jädtsagh Chesepa Hampu <mark>4000</mark>4 312 oza 2606

A- 1777

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c. At approximately the same time, CAPCOM (London) contacts the sustomer and executes a trace with the sustomer at the same price as the price received on the Chienge contracts. CAPCOM (London) sells to the customer ten long contracts at a price of 98.10. (See step 3 below).

	CADCOR	(London)	Foreign Customer	
Step 1			Request for 10 long T-Bond Contracts	
Step 2	10 CBCT T-Bonds # 78.10			
Step 3		10 T-Bends # 98.10	10 T=8onds & 98.10	

 Confirmation statements sent to the Lendon dustomer indentify the T-Bond trades as "C.B.O.T. Treasury Bonds".

RELEVANT RULES AND REQUATIONS

501.00 Fictitious Transactions — III shall be an offence against the Association to create incliners transactions or to give an order for the purchase of sale of futures or eshons the electrical of which would inverte ne change in elementaria, or to especies such an error with timewoodle of till sharadiar. 142

a=01354

FILED

MATIONAL PUTURES ASSOCIATION 1230 1230 ESPORE THE CENTRAL REGIONAL SUSPENSE COMMONT COMMITTEE.

In the Matter of: CAPCON FUTURES, INC. (NFA ID \$183570)

NFA Case No. 90-BCC-029

Respondent.

CONTLATION

Having reviewed an investigative report submitted by the Compliance Department of National Futures Association ("MFA") and having reason to believe that MFA Requirements are being, have been or are about to be violated and that the matter should be adjudicated, NFA's Central Regional Business Conduct Committee ("Committee") issues this Complaint against Capeon Futures, Inc. ("Capcom").

ALLEGATIONS

COURT I

VIOLATION OF MFA CONFLIANCE RULE 2-4: FAILURE TO OBSERVE RIGH STANDARDS OF CONCERCIAL BONCE AND JUST AND EQUITABLE PRINCIPLES OF TRADE.

1. At all times relevant to this Complaint, Capcom was a futures commission-merchant ("FCH") Hember of NFA. As such, Capcon was and is required to comply with the Bylaws, Compliance Rules and Financial Requirements of MFA ("MFA Requirements") and is subject to disciplinary preceedings for violations of NTA Requirements,

- 2. At all times relevant to this Complaint, George Trakis was an associated person sponsored by Capcom in accordance with Commodity Futures Trading Commission ("CFTC") Regulation 3.12 and registered as an Associate of an MFA Hember in accordance with MFA Bylaw 301(b). Capcom is liable for violations of MFA Requirements committed by Trakis in the course of his employment with Capcom.
- 2. NFA Compliance Rule 2-4 requires Hembers and Associates to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their commodity futures business.
- 4. On or about November 1, 1989, Trakis, acting as an agent of Capcom, falsely represented to first International Hercantile Bank Ltd. ("FIMS") that its Capcom account was profitable.
- 5. Trakis, acting as an agent of Capcon, used money sent to Capcon by FIME for the purpose of opening a second account at Capcon to cover a dabit balance in an existing account vithout the authority or knowledge of FIME.
- 5. Trakis, acting as an agent of Capcon, placed three trades in the account of Paul Holler ("Moller"), during December 1969 and January 1990 without Heller's authority to do so.

 By reason of the foregoing acts and emissions, Capcon is charged with violations of NTA Compliance Rule 2-4.

COUNT II

VIOLATION OF MYA PINANCIAL REQUIREMENTS SECTION AS-A: FAILURE TO KAINTAIN REQUIRED MARGIN.

- The allegations set forth in paragraph 1 are realleged as paragraph 8.
- 9. NFA Financial Requirements Section A8-a requires, in part, every Hember FCM that is not a member of a contract market to collect performance margin for all dustomer accounts at a level ne less than that established for customer accounts by the rules of the applicable contract market.
- 10. On July 11, 1969 Capcom failed to collect performance margin for the account of Ambres Holdings SA ("Ambros") at the level established for customer accounts by the rules of the applicable contract market, in that Capcom transferred cash from the account to Ambros causing the account to be under required Margin levels.
- 11. By reason of the foregoing acts and emissions, Capcom is charged with violation of NTA Financial Requirements Section A-8a.

- 4 -

COURT III

VIOLATION OF WA COMPLIANCE RULE 2-9: PAILURE TO SUPERVISE.

- 12.-13 The allogation set forth in paragraphs 1 and 2 are realloged as paragraphs 12 and 13.
- 14. HFA compliance Rule 2-9 requires each Hember to diligently supervise its employees and agents in the conduct of their commodity futures activities for or on behalf of the Hember.
- 15. The allegations set forth in paragraph 3 through 7 are realleged and incorporated herein by reference.
- 16. Capcon failed to diligently supervise Trakis in the conduct of his commodity futures activities for or on behalf of Capcon.
- 17. The Allegations set forth in paragraphs 9 through 11 above are realleged and incorporated herein by reference.
- 18. Capcom failed to diligently supervise its employees and agents in the monitoring of margin levels in the Ambros account.
- 19. By reason of the foregoing acts and omissions, Capcon is charged with violations of NTA Compliance Rule 2-9.

PROGRAMMAL MIGHTELEGORE

 This Complaint is issued pursuant to NFA Compliance Rule 3-1, and all further actions and proceedings

conducted as a result of or in connection with the issuance of this Complaint shall be governed by the provisions of NFA Compliance Rules, which include the following specific provisions:

- a. _The Respondent is entitled to file an Answer to this Complaint ("Answer");
- b. The Respondent is entitled to a bearing in this matter if the Respondent so requests in its Answer:
- c. The Answer must be in writing and filed with the Central Regional Business Conduct Committee within 10 days from the date of this Complaint;
- d. The Answer shall respond to each applicable allegation in the Complaint by admitting, denying, or averting that Respondent lacks sufficient knowledge or information to admit or deny the allegations; and
- a. An averment of insufficient knewledge or information in an Answer may be made only after a diligent effort has been made to ascertain the relevant facts, and shall be desmed to be a denial of the pertinent allegation.
- 2. WFA staff is hereby authorized to grant such reasonable extansions of time in which an Answer may be filed as it deems appropriate.
- The Respondent's failure to file a timely Answer shall be deemed an admission of the facts and legal conclusions contained in the Complaint, and shall also be deemed a vaiver of the Respondent's right to a hearing.

- 6 -

- the Respendent's failure to expressly respond to any allegation shall be deemed an admission of that allegation.
- 5. The Respondent's failure to request a hearing in the Answer shall, unlass good cause is shown, be desired a valver of the Respondent's right to a hearing.
- 6. The place for filing an Answer to the Central Regional Business Conduct Committee shall be:

Mational Putures Association 200 West Madison Street, Suita 1600 Chicage, Illinois 60606-3447 Attn: Legal Department -- Docketing

- 7. The allegations in this Complaint may constitute a statutory disqualification to registration under Section 8a(3)(H) of the Commodity Exchange Act.
 Respondents in this matter who apply for registration in any new capacity, including as an associated person with a new sponsor, may be denied registration based on the pendancy of this proceeding.
- a. At the conclusion of the precedings conducted as a result of or in connection with the issuance of this Complaint, the Committee may impose one or more of the following penalties;
 - expulsion or suspension for a specified period from HFA Hambership;
 - b. her er suspension for a specified period from association with an NFA Member;
 - c. cansure or reprimand;

- 7 -

- a monetary fine net to exceed \$250,000 for each violation found; and
- an order to mease and desist or any other fitting penalty or medial action met inconsistent with those penalties.

MATICICAL PUTTIES ASSOCIATION CENTRAL REGIONAL SUSINESS COMPORT COMMITTEE

Dated: October 19.1980

Byt

A Krufaly

Philip M. Raleigh, Esq. National Futures Association 200 West Hadison Street Suite 1600 Chicago, Illinois 60606-3447 (J12) 781-1405

PER: jac (Con\Capone-PER)

AFFIDAVIT OF SERVICE

I, Sharlean I, Brooks, on oath state that on October 1/5, 1990, I served copies of the attached Complaint and Decision by placing such copies in the United States Mail, postage prepaid, cartified bail, return receipt requested, in envelopes addressed as follows:

Jean Walb, Secretariat Compodity Futures Trading Commission 2033 K Street, N.W. Wasnington, D.C. 20581

Capcom Futures, Inc. Honermad Sagnir 440 South L4Salle Street 23rd Floor Chicago, IL 60605 Paul Bjarnasen Division of Trading and Markets Commodity Putures Trading Commission 2013 K Straet, N.W. Washington, D.C. 20581

Arthur W. Hahn, Esq. Kattan Muchin & Zavis 525 West Monroe Street Suits 1600 Chicago, IL 60606

Sharlean E. Brooks

Subscribed and sworn before me on this 'f day of October, 1990.

NOTATY PUBLIC

: jj (aff: 126)

OFFICIAL BEAL CARMEN M. CUELLAR NOTATE PUBLIC STATE OF RLINE ST COMMISSION EXPRES 6/18/91

CHICAGO MERCANTILE EXCHANGE

Sayta P Hottom Vota Property Audit Department 313635-3321

REGISTERED MAIL

R August 18, 1969

Mr. Mohammed Saghir President Capcom Putures, Inc. 440 South LaSalle Street 23rd fleor Chisage, IL 60605

> RE: 89-CH-8911 NOTICE OF CHARGES

Dear Mr. Saghir:

On August 15, 1988, the Chicago Mercantile Exchange Clearing House Finance Sub-Committee ("Committee") reviewed the staff report concerning the activities of Capcom Putures, Inc. (Capcom-U.S.), from January, 1986, through May, 1989, Upon consideration of the report, the Committee determined that there was a reasonable besix to energe Capcom-U.S. with violations of Exchange Rules 432.b. ("Act of bad faith"), 432.o. ("Permatting the misses of facilities"), 432.q. ("Detrimental act"), 433.b. ("Uncommercial conduct"), \$27.C. ("Accepting new trades when account undermargined"), \$33.A.2. ("Transfers of positions with no change in ownership"), 921 ("Motification of reduction in capital in excess of 208"), and 980 ("Commissions with financial requirements"). The nature will be referred to the pipropriate disciplinary body for a hearing on the charges. The bases for the charges are explained in the enclosed investigation report.

Capcom-U.S. may, if it wishes, submit a written answer to the charges within ten (10) days of receipt of this nation, which time may be extended upon good cause shown. If Capcom-U.S. files a written answer to the charges, it must state that Capcom-U.S. admits or denies each charge included in this nation. If Capcom-U.S. is unable to obtain information necessary to enable it to admit or deny a charge, it shall be deemed to have denied the charge. Pailure to file an answer shall not have the effect of an admission or denial of the charges contained in this notice.

The appropriate disciplinary body will conduct a hearing on the above charges at a future meeting, due notice of which will be

30 South Wacker Drive Chicago, Illinois 60606 312/830-1000

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WARRINGTON, DC

TOKYO

Kr. Hohammad Seghir President August 18, 1989 Page 2

provided to you. Capcom-U.S. has the right to have representatives appear personally at the hearing and the right to be represented by an attorney or other representative other than a member of the Board of Governors, a member of the Clearing House Finance Subcommittee, a member of the Probable Cause Committee, or an official of the Exchange.

Capcom-U.S. may waive its right to a hearing within ten (10) days of receipt of this notice of charges. If Capcom-U.S. elects to waive its right to a hearing, Capcom-U.S. will be netfined, within three (3) days of the decision, of the findings and penalties, if any, to be imposed and their effective date.

If you have any questions regarding this matter, please contact ${\tt mat}$

Sincerely,

Enclosure

cc: Art Hahn

CAPITAL COMMODITY DEALERS LIMITED

A BRIEF RESUME OF THE COMPANY AND ITS DIRECTORS

AUGUST 1984

CAPITAL COMMODITY DEALERS LIMITED

THE COMPANY

Capital Commodity Dealers Limited is a newly established Company, promoted in collaboration with a group of American and Saudi Arabian businessmen.

Our Directors and Shareholders trade regularly on various American markets in their individual capacities, in addition to the dealings of the organisations in which they have interests, and provide excellent access to a varied clientele.

The Company has already acquired a seat on the London International Financial Futures Exchange, and has established a clearing arrangement with National Westminster Financial Futures Ltd. We asticipate a fairly rapid growth in the volume of business that we are able to put through L.I.F.F.E.

Our underlying strength, however, remains the significant level of American business that has been committed to us. This business is spread over the major exchanges - Philamelphia, COMEX, CME and CBOT mainly, but also NYFE.

The Company has been initially capitalised at £1,000,000, but this will be increased as and when required. The Company's shareholders are in a position to make substantial further contributions, we have more than adequate expertise at our disposal to provide the order-processing and administrative facilities needed initially, and have already initiated the process of taking on further experienced staff so that we are in a position to increase our business volume. We have set up a fully-equipped dealing room in the City of London and are now in a position to commence operations.

CAPITAL COMMOSTY DEALERS LIMITED

DIRECTORS:

Mr. Larry Romrell

Hr. Bob Hagness

Sheikh Abdul Raouf Hasan Khalil

Hr. Ajay Krishan Puri

CHIEF DEALER:

Mr. John Parry

CAPITAL COMMODITY DEALERS LINITED

RESUME ON MR. LARRY ROMRELL

Name:

Larry Rosrell

Address:

5823 South Keerney Street, Englewed, Colorado 80111, U. S. A.

Age:

Nationality:

U. S. Citizen

Current Positions Held:

Western Tele-Communications, Inc. - Director, Executive Vice President,

and Secretary

General Communication, Inc.

- Vice President

Western Satellite, Inc.

- Executive Vice President

TCI / Silver Sour Lane & Cattleco - Yice President (includes; Silver Sour Ranch, Silver Sour Horth and Bar M Ranch)

Cherokee Ranch

- Vice President and Secretary

Amigo Farms, Inc.

- Secretary

Winterwood Associates

- Vice President and Secretary

Hidden Velley Ranch

- Vice President

Western Repeater

- Vice President

Fox-Romrell & Associate

- General Partner

Capital Commodity Dealers Ltd.

Education:

Electrical Engineering Degree from Idaho State University

Cont ...

Capital Commodity Dealers Ltd. - Resume on Hr. Larry Romrell - Cont ...

Employment History:

Western Telecommunication, Inc. - 1961 to Present:

- 1961 Microwave Technician. Advanced to Chief Engineer and then to Division Manager.
- 1972 Executive Vice President Capacity: Corporate administration and co-ordination of Engineering, Purchasing, Construction, Marketing and Operations Divisions.
- 1983 Elected Director and Executive Vice President and Secretary.
- W.T.C.I. is a quoted public corporation in the Microwave Common Carrier Communications Services area. The Company has an Annual Gross Income of U.S.S 42 million.

Time, Inc. & Columbia Pictures - 1958-1961:

Engineer - Broadcast TV

K.B.L.I., Inc. - 1956-1958:

Engineer - TV Studio maintenance, equipment and TV transmitter maintenance.

Het Worth:

As at June 1984 this was in the region of 2.2 million U.S. dollars.

CAPITAL COMMOD. . F DEALERS LIMITED

RESUME ON MR. 808 MAGNESS

Name :

Bob Magness

Address:

4175 South Holly, Englewood, Colorado 80111, U. S. A.

Age:

60

Nationality:

U.S. Citizen

Current Positions Held:

Tele-Communications, Inc. (includes the TCI/Silver Spur

"- Director and active Chairman of

the Soard

Ranches)

Western Tele-Communications, Inc.- Director

- Treasurer

Cherokee Ranch Amigo Farms, Inc.

- Treasurer

Hidden Valley Ranch

- President

Winterwood Associates

- Treasurer

Education:

Attended Oklahoma University

BA Degree from Oklahoma South Western State College, Weatherford

Employment History:

Tele-Communications, Inc. - 1968 to Present:

Director and active Chairman of the Board of TC1 and pre-decessor companies.

TCI's consolidated revenues for year end 1983 were U.S.S 347,267,000. TCI is a publicly held mutiple system operator with its primary activity being the cable television bestmass in the United States with two classes of stock traded over-the-counter under the symbols TCOMA and TCOMS.

Cont ...

BRIEF RESUME OF SHEIKH ABOUL RAOUF HASAN KHALIL

Name :

Sheikh Abdul Raouf Hasan Khalil

Address:

P. O. Box 541, Jeddah, Saudi Arabia

Mationality:

Saudi Arabian

BUSINESS:

a) Is a prominent Saudi Businessman and has been involved in trading in real estate and construction business, mainly in Saudi Arabia, U.A.E. and Oman. In 1976 became Director General of Ministry of Communications of Saudi Arabia.

b) Owner / Director of following Companies:

International Commercial & Industrial Establishment (Saudi Arabia)

Arabian Electronic Project Establishment (Saudi Arabia)

Matthew Hall (Saudi Arabia)

Global Chemical & Maintenance System (Saudi Arabia)

Razat Associates (Panama)

Has following agencies in U.S.A. and U.K.:

Rockwell International U.S.A.

Recall (London)

In addition, owns property in Saudi Arabia, Egypt, U.K. and U.S.A. with total value exceeding U.S.S 10 million and an Islamic Museum in Jeddah worth about U.S.S 200 million.

NET WORTH:

As at the close of 31st December, 1983, this was estimated to be U.S.S 300 million.

Capital Commodity Dealers Limited - Resume on Hr. Bob Magness - Cont ...

Employment History (Cont ...):

Community Television, Inc. - 1964 to 1968:

President (Tele-Communications, Inc. (TCI) became the parent of Community Television, Inc. and Mestern Microwave, Inc. in 1968).

Western Microwave, Inc. - 1958 to 1965:

President

Community Television - 1958 to 1964:

Founder of community television – built first cable television system in Memonis, Texas, in 1956.

Anderson Clayton Co. - 1952 to 1958:

Plainview and Hemphis, Texas.

Anderson Clayton Co. - 1949 to 1952:

Elk City, Oklahoma.

Personal Net Worth:

As at June 1964 this was in the region of 25 million U.S. dollars.

CURRICULUM VITAL

Name:

AJAY KRISHAN PURI

Address:

6 Derwent House, Stanhope Gardens, London SW7 SBJ

Mationality:

28 years

Marital Status:

Married

EDUCATION

8.Com.(Hons) Degree

University of Delhi, India 1975

M.S.A.:

University of Delhi, India 1977

Chartered Accountancy:

Institute of Chartered Accountants in England & Wale

Associate Hember since February 1982

Professional Courses:

Have attended various short professional seminars of Management, Taxation, Accountancy, Law and Commonth Trading subjects

EXPERIENCE

a) Industry:

1976 - The Delhi Cloth & General Mills Co. Ltd.

Management Reporting and Financial Control, and the Hear of the 'Unit Control' section of the Textiles Division of a Major Indian industrial conglomeration. Duties included analysis of financial statements, inter firm comparisons and monitoring liquidity and working capital.

h) Professional Accountancy:

1977-1981 - Lever Brothers & Co. Berke Cohen Fine & Co. Benson Catt & Co.

The audit of industrial and service organisations of various types and sizes, at various levels, as part of training for Mambership of the Institute of Chartered Accountants; related Accountancy and Taxation work.

Cont ...

CURRICULUM VITAE - AJAY PURI (Cont ...)

b) Professional Accountancy:

1981-1982

Post qualification experience for approximately 1½ years with a professional practice, supervising audits and providing financial consultancy advice.

c) Commodities & Financial Futures:

1963 to date - Notan Trading & Investments Ltd.

U.K. representative of this Company since 1983.
This Company actively trades in the U.S. markets through London brokers. The job entails menitoring the Company's portfolin, liaising with brokers on the Company's accounts and supervising trading in accordance with the Company's trading policy.

CURRICULUM VITAE - AJAY PURI (Cont ...)

b) Professional Accountancy: 1981-1982

Post qualification experience for approximately 1½ years with a professional practice, supervising audits and providing financial consultancy advice.

c) Commodities & Financial Futures:

1983 to date - Notes Trading & Investments Ltd.

U.K. representative of this Company since 1983. This Company actively trades in the U.S. markets through London brokers. The job entails aonitoring the Company's portfolio, liaising with brokers on the Company's accounts and supervising trading in accordance with the Company's trading policy.

BRIEF RESUME OF MR. JOHN C. F. PARRY

Name:

Mr. John C. F. Parry

Address:

23 Montford Flace, London SE11

Mationality:

British

Education:

1963-1968 - Sherborne School

1968-1970 - West London Business School Higher National Diploma of Business Studies

Employment History:

- Capital Commodity Dealers Ltd. Chief Dealer 1984-

1982-1984 - Conti Commodity Services Ltd. Account Executive

1980-1982 - Anco Commodities and Co. Ltd. Options Trader

1976-1980 - Inter Commodities and Co. Ltd. Desk Trader

1974-1976 - E. Bailey & Co. Ltd. Authorised Floor Trader Cocoa, Coffee and Sugar

1973-1974 - Fergusson Wild & Co. Ltd.
Authorised Ring Dealer London Metal Exchange

1972-1973 - Brandeis Goldschmidt & Co. Ltd.

Traines, London Metal Exchange

1971-1972 - Overseas Containers Ltd. Management Trainee

In addition to his work for the above Companies, Mr. Parry has been a frequent contributor to the National Press and to various Commodity Nagazines. He is also a regular Speaker both here and abroad at lectures and seminars with special reference to Options.

CAPITAL COMMODITY DEALERS LIMITED - REFERENCES

a) For Mr. Larry Romrell

First Interstate Bank of Denver 833 17th Street Denver, Colorado 80270, U.S.A. (Please-mark for the attention of Mr. Richard Sisung)

b) For Mr. 800 Magness

Mr. Allen Griffith Senior Vice President Bank of New York 51 West 52nd Street New York, N.Y. 10019, U.S.A.

c) For Sheikh Abdul Raouf Khalil

Mr. Ziauddin Adbar Bank of Credit & Commerce International 100 Leadenhall Street London EC3

d) For Mr. Ajay Krishan Puri

Hr. M. Woollacott Manager Lloyds Bank Pic Bl Edgware Road London WZ 2HY

e) For Mr. John Parry

The Managing Director Conti Commodity Services Ltd. Europe House World Trade Centre London El

f) For The Company

Manufacturers Hanover Trust Company 88 Brook Street London MIA 4MF (Please mark for the attention of Mr. Martin Thurlby / Mr. David East

State Bank of India State Bank House 1 Milk Street London ECZP 2JP (Please mark for the attention of Mr. T. U. Patel)

CAPITAL COMMODITY DEALERS LIMITED

Auditors to the Company:

Benson Catt & Co. 29 Queen Street Landon ECA 18H

Solicitors to the Company:

Barretts Albert Buildings 49 Queen Victoria Street London EC4H 4SA

CAPITAL COMMODITY BEALING LTD.

BALANCE SHEET AS AT 11pt JULY 1984

	Hates	1	1
FIXED ASSETS			
Pursimers, Pixtures à l'Ettings Office Equipment Uniter Voltale	2(b) 2(b) 2(b)	15,503 27,265 18,500	53,264
CARAGETT ASSETS			
Sundry Debtors Deposit vick broker Sank Saloness		8,907 250,000 701,213 960,300	
COMMENT LIMITATION			
Summiry Creditors		30.444	
HET COMMENT ASSETS			929,832
		•	963,100
SHARE CAPITAL			
Authorized, issued and fully paid: 1,000,000 Ordinary Shares of £1 cas	.		1,000,000
DEFICIT ON PROPER & LOSS ACCOUNT	z		(16,900) 983,100

Report of the Auditors to the Nephers of Capital Commedity Deslare Ltd.

We have midited the above Salamon Shoot in assertioner with approved Auditing Standards.

In our opinion the Salaman Short which has been prepared under the historical energemention gives a true and fair view of the state of the Company's affairs at list July 1984 and of the definit on the Profit & Lone Assumet, there having men as tracing since incorporation.

25 Quasa Street, London ECLE 12E

Sth August, 1984

Checteria Accessante.

CAPITAL COMMODITY DEALERS LTD.

NOTES TO THE ACCOUNTS FOR THE PERSON EMDED 31 of JULY 1986

1. INCOMPORATION

The Company was incorporated as Bourshams Limited on 27th April 1984. The norm was chambed by Special Resolution to Capital Commedity Bealers Limited on 22nd Hey 1984.

1. ACCOMPANIES POLICIES

- a) The Company had not accessed trading at Mary May, 1984. The definit on the Profit and Loss Associate of the uncess of preliminary and educatestation expendent over interest receivable.
- b) He provisions have been made for depresiation of fixed assets and Corporation Tax. Such provisions, had they been made for the period, would not have had any material affect on the Profit and Loss Assense.

3. MARE CAPITAL

The Company increased its Authorised Shore Capital, by the creation of 999,900 El Ordinary Shores to £1,000,000 by Special Besolution dated lat June 1986.

A. CONTRACTUAL CONCEDENTS

The Company has entered into contracts for the purphase of assets and services, in the normal course of bidiness, for periods of up to two years. The total commitments for the full periods of contract are given below.

> Capital Commitments Other Commitments

£ 44,775 £ 59,125

1 105,500

The amount for Capital Commissions includes \$40,075 for contracts for purchase of market memberships conditional on the appropriate market association excepting such transfer of memberships

CAPITAL COMMODITY DEALERS LIMITED

LIST OF SHAREHOLDERS AS AT 27TH JUNE 1984

	Shares of £1 each	
Sheikh Abdul Reguf Hesen Chalil P. O. Box 541 Jeddah Saudi Arabia	200,000 Shares	201
Sheikh Kamal Ibraham Adham P. O. Box 6126 Jeddah Saudi Arabia	170,000 Shares	175
Mr. Elsayed E. Eljawhary P. O. Box 6126 Jeddah Saudi Aramia	150,000 Shares	15%
Hr. Robert Edward Powell 6471 Bixby Hill Read Long Beach California 90815 U. S. A.	150,000 Shares	151
Hr. Larry E. Rosrell 5823 South Kearney Street Englammed Calorade 80111 U. S. A.	110,000 Shares	11s
Mr. Christopher David Stawart Williams 10 Langton Street London SM10 QJH	100,000 Shares	102
Gresella S.A. Bank of America Building SOTH & S2rd Street Paname City Paname	50,000 Shares	5%
	Cont	

- 2 -

Capital Commodity Dealers Limited - Shareholders - Cont ...

	Shares at Il each		
Hr. Ajay Krishan Puri 77 South Audley Street Landon MIY STA	49,999 Shares	32	
Niss Jame Careline Coeke (Newinee for Mr. A. K. Puri) 17 Station Road St. Paul's Cray Orpington Kent	1 Share		
Mr. Bob Magness 4725 South Holly Englawood Colorado 80111 U. S. A.	10,000 Sheres	12	
Sheikh Hattan Rashed Pharaon P. O. Box 6474 Jeddan Saudi Arabia	10,000 Shares	15	
	1,000,000 Shares	1001	

Total Issued Capital: 11,000,000

FULLY PAID UP

CAPITAL COMMENTS BEALING LITE

LIST OF SHAREHOLDERS

AS AT 31ST OCTOBER 1985

CAPITAL COMMONICAT MEALERS LID

LIF. OF STATEMENTS AS AT MIST OCTOBER 1985

		OF SMARRS OF FULLY PAID
Excellency Sheith Kamal Thrakia Adham P. O. Box 6126 Juddah SAUDI ARABIA	171	4,250,000
Rr. Elsayed E. Eljawhary P. O. Bor 6126 Jeddah SAUDI ARABIA	151	3,750,000
Sheikh Abdul Raouf Hasen Chelil P. O. Box 541 Jeddeh SAUDI ARABIA	201	5,000,000
Hr. Rebert Edward Powell 6471 Birby Rill Reed Long Beach California 90815	nı	3,750,000
Hr. Larry E. Romrell 5823 South Engreey Street Englewood Colorado 80111 USA	111	2,750,000
Mr. Seb Hagness 4725 Smuth Holly Englewood	11	250,000
Colorade #0111 USA		,
Mr. Ajay Krishan Puri	15.5%	3,870,000
	C/FWD	Z3,620,000

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List of Shareholders Capital Commodity Sealars Ltd

> CEDITARY SHARES OF LL BACE POLLY PAID

3/PED 23,620,000

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Greella S.A. Bank of America Building 50th 4 53rd Street, Panana City PAKAMA

Sheikh Harram Rashad Pharson P. C. Box 6474 Jeddah SAUDI ARABIA

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CRPCOTTMIND ELL 1 2 1988

May 31, 1988

Mr. Kevin P. Bolland Chicage Hereantile Exchange 30 South Wacker Drive Chicago, Illinois 60606

RE: CM Rule 901,1

Dear Mr. Wolland:

We refer to your letter regarding above rule and would like to furnish the following information regarding eventship of Capcom Futures, Inc.:

Name of Shareholders	Z of Shareholding
Capean Financial Services Ltd.	4
Larry I. Regrall	16
Bot Magness	4
Rebert I. Povell	10
Ajay K. Puri	10
Mchannad Saghir -	19
→S. Ziauddin Ali Akbar -	2ª > 37%
Each Trading & Investment Co. Ltd.	_ , _ , _ , _ ,
-	100

If you have any questions, please do not hesitate to call

President

z Per discussion with Monommod Saghir, President. S. Ziowdin Ali Akbar owns 100% of Zash Trading + moss + ment co. Ltd.

H\$: ad

13 sending this in writing

Page 131

MAME	I of SMAREMOLDERS	MO. OF SHARES	AHOMIT	CAPCON LONGON	
Lacry E. Romrell	16	80,000	480,060	400,000	
Sob Magness	4	28,000	100,000	160,006	
Hobert E. Powell	10	50,000	250,000	250,000	
Ziauddin A. Akbar	28	140,000	700,000	700,000	
Zask Investment & Trading Etd.	•	45,000	225,000		
Sustian Peri	10	50,000	250,000	250,000 Report	411
Hohammad Saghte	19	95,000	475,000	256:000 Cylinic 1	
Cupcom Financial Services Lt4.	4	20,000	100,000		
	-				
	100	500,000	2,500,000	1,950,000	

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TO: HR ZIAUDDIN AKBAR BANK OOF CREDIT 4 COMMERCE LONDON

I RECEIVED & CALL TODAY FROM SHYLK RASHED AL-MHALIFA OF BAHRAIN. HE WAS CALLING TO REQUEST THAT I ASSIST HIM IN INSTALLING A SURSCRIPTION TELEVISION SERVICE IN BAHRAIN. HE SAYS HE HAS THE MINISTRY OF INFORMATION APPROVAL TO PROCEED. HE VILL BE FLYING TO DENVER ON VEDMESDAY, HOUSEPER 3 TO DISCUSS HIS PLANS VITH ME.

MR ARBAR, HAVE YOU CONTACTED MR. MHALIL TO SEE IF HE CAN DETAIN HINISTRY APPROVAL TO INSTALL A SUBSCRIPTION TELEVISION SERVICE IN SAUDI ARABIA. AS I MENTIONED TO YOU IN THE PAST, I VOLLD HUCK RATHER YORK VITH YOU AND MR. MHALIL ON THIS VENTURE.

REGARDS.

LARRY ROWRELL DENVER, CO USA TELEX 45-4457

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TO: MR. S. ZÍAUDDIM AKBAR BANK OF CREDIT & COMMERCE INTL LONDON

81

HR. AMBAR,

VE MAVE RECEIVED A REQUEST THROUGH THE U.S. REPRESENTATIVE OF A SAUDI COMPANY TO PROVIDE A CABLE SYSTEM IN JEDGAH FOR THE HINISTRY OF DEFENSE AND AVIATION ARMY RIR DEFENSE COMMAND. THE U.S. COMPANY'S MAKE IS SALADIN VESTCO, INC. THE PRESIDENT OF THE COMPANY IS HR. HAZEN MABBANI. WE VILL BE MEETING VITH HIN ON MONDAY. DECEMBER BY TO GUOTE COST OF THE SYSTEM. IS.HR. MANG.IL INVOLVED IN ANY BAY VITH THIS GROUPT DO YOU MAVE AMY ADVISE FOR US IN DEALING WITH THIS GROUPT I MAVE PLACED SEVERAL CALLS FOR HR. MANLIL AND HAVE NOT AS YET BEEN ABLE TO REACH WITH.

REGARDS,

LAREY ROMRELL VICI - DENVER, USA

TELEX 45-4457

TCI ENGL

ACCEPTED 00530

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WESTERN TELE-COMMUNICATIONS, INC.

LAGRY ROMPELL

Janeury 6, 1983

Mr. Zlauddin Akbar Bank of Credit & Commerce International 106 Leadenhall Street Landon, England ECJA,JAD

Dear Mr. Akbar:

110

I am seeking your advice on how to proceed in the fellowing matter concerning our bid to the Saudi Gevernment for a cable televisien distribution system located at the Reyal Saudi Ar Defense Coverand School, North of the City of Jeddah, Saudi Arabia. We were approached by Mr. Meten Kabbard to bid this requirement through his American company which is called Saladin WESTCO, Inc., 1850 Union Street, Suite 7, San Franctico, California 94123. I understand he also has a Saudi company lecated in Jeddah. The name of this company is El-Beed Establishment, PO Sax 8552, Jeddah, Saudi Arabia. I understand he wants us Tele-Tommunications, Inc.) to hid jointly with his U.S. company to do the cable work. The question I am asking you to respond to, and possibly you could also inquire from Mr. Khalli, is...do you knew Mr. Kabbani or do you knew of his companie? Can you recommend that we bid this work to his company? Se is asking us for a letter stating that El-Beed Establishment will cot as our representative for all business in Saudi Arabia. He originally asked for this letter to be in perpetuity, however, we have indicated to him that it would be limited to the cable system contract only.

As I have mentioned, I would very much like to have your advice as to whether you would recommend our working with Mr. Kabbani. At this point in time, we have given him a budgetary quotation which will be finalized after he answers the many questions we have given him. It is my understanding that he left for Squidi Arabia on January 4. I would appreciate hearing from you on this matter at the earliest possible date.

Best personal remarks.

Larry Romes

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Mr. Zieuridin Alder Bank of Credit & Commerce International

Mr. Alter,

I reserved coefficient request water from the Winterwedd Territories soller, Mr. John Assers, to deliver to him evidence of a benix convinitionant to lend the funds required for the empletten of these toursparenes. The reason this is important to John is that he must first berrow enough money from his benix to clear the liens at this property before we buy it. His benix to reserved to lend him the money unless he can allow evidence that the sale will be completed by Jan. 15 and fully funded by us. With this in mind, would it be possible for your to send me a tolest on Manday, Dat. 25, confirming that Bob Magness. Larry Reserved and Bab Seffell have erranged for a 2,500,000 U.S. Dollers line of credit with BCCI to be used in servicetion with the pursuase of the Winterwood Tournburnes in Securepost Springs and that this line of eracit will be available to us by January 15, 1984.

I hape this does not sauce you any inconvigence. However, the saller has been quite insistant that we show evidence of our bank line of aredit. If you have any questions, please call me at home this weakend or early Monday marriend at the effice.

Marry Christmas. Best personal reports.

Larry Remneil

Teles: 45-4457

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PEAR VM. ARMARY

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RESARDS.

LARRY TOWRTLE TELET: 45-4457



WESTERN TELE-COMMUNICATIONS, INC.

Larry-Take Brochure. To London

LARRY ROMPELL

March 16, 1982

Mr. Ziauddin Akbar Bank of Credit & Commerce international 106 Lesdenhell St. London ECJA, JAD

Dear Mr. Akbar:

Mr. Fox and I have examined our personal tax positions for the tax year 1982 and have concluded that it would benefit us and hopefully Mr. Khalil to delay exercising his purchase option on his Potato Paten House until calendar year 1983. If this were agreeable to you and Mr. Khalil, there are a few problems we would have to work out. First, there is the matter of our construction loan for the property, which was actually due in the late fall of 1981. Although we were able to extend the due date of this loan to coincide with Mr. Khalil's option date of June, 1982, we doubt that the U.S. Banks who hold the note would be willing to extend it further. Therefore, we would like to propose the following:

If your bank. The Bank of Credit and Commerce, would lean the Fox-Romrell partnership \$530,000.00, we would then pay off all debt against Mr. Khalil's house and give your bank a clear first mortgage on the property. Then, when Mr. Khalil exercises his purchase option, say in January of 1983, the bank would be repaid in full. In the meantime, we would actust Mr. Khalil's lease payments to correspond with the interest payments due the Bank of Credit and Commerce.

We would hope this would actually represent a reduction in the lease payments which Mr. Khalil makes, as it would seem that the interest rate might possibly be at or very near the LIBOR rate. As far as your bank is concerned, we feel that a clear title and 1st mortgage on Mr. Khalil's house would be excellent collateral for the \$530,000 leaned to Fox-Romrel since this nouse is actually worth \$750,000-\$800,008 at the current market prices.

After you have had a chance to review this letter, we would appreciate hearing from you on this proposal.

Best personal regards,

Larry Romrell
Executive Vice President

/te

ce: Karry Fox



LARRY ROMRELL

October 20, 1982

Mr. S. Ziauddin Akbar Bank of Credit & Commerce International 100 Leadenhall St. London ECJA.JAD

Dear Mt. Akbari

It certainly was a pleasure to see you and your amoriate in Colorado this week. I only wesh you could come back more often to visit. As you have instructed me, I am checking into the prices of building sites in Potato Patch. I will have a report for you within a few days as to the prices on the lots we showed you.

You inquired as to whether Mr. Fox and I were interested in selling our house in Potato Patch. The answer is yes. We have come to the conclusion that it is not being used enough to justify owning it. We expect to be putting it on the market at \$688,090 in the very near future. We feel quite cartain that it will bring this price even though the market is rather soft at this time. We plan to offer financing to a qualified buyer of possibly \$100,000 down, payments of approximately \$6,000 per month for 60 months and the balance due at the end of 60 months. Mr. Akbar, I have not signed the real estate listing agreement as yet. If you or Mr. Khaill or any of your sequentiances would like to buy or even lease the house, we would be very much interested in working almost any kind of deal with you.

I am also sending pictures of the Potato Patch house. I will be sending within a few weeks pictures of the Beaver Creek house.

We also are very much interested in working with Mr. Khalil and yourself with regard to television distribution in Saudi Arabia or any surrounding areas. This is a business we know well and we believe firmly that it would very profitable to introduce to some of the Arab cities. I would be very happy to go to Jeddan to meet with with Mr. Khalil on my next trip to Europe. In the meantime, I would appreciate your making Mr. Khalil if he has checked into the possibility that this type of television distribution would be allowed in the private sector.

Once again, Mr. Akbar, it was a real pleasure to see you again and wish you could have stayed a little longer. We are most anxious to work with the bank in managing any investments you wish to make in our area.

Best personal regards,

Larry Romrell

/te encis. 4-07101

WESTERN TELE-COMMUNICATIONS, INC.

LADRY ROMRELL EMOUTHS VOS PRESIDENT DANCTOR

January 17, 1986

Mr. Ziauddian Akhar 22 Basing Hill Goldersgreen, London, England NWII

Dear Mr. Akbar:

I would like to briefly cover three topics is this letter. I will be sending you more detailed information within the next few days.

The three topics are 1. The house in Vail, 2. The private offering of stock in a company called Duds 'n Suds and 3. A property in Phoenix which appears to have a very substantial profit potential. I will address each of these items in order.

I am enclosing pictures of the house in Vail. Some of these pictures are before we started to move furniture and others are after we had started to clean up. I thought you might be interested in the extent of the damage. The house itself structurally is sound and the damage itself looks such worse in the pictures because of all the sheet rock that fell down on the furniture. Some of the glue came loose in the furniture as they were moving it; you can see this in one of the pictures where the top came off a night stand as he started to lift it up. The insurance company is currently itsmixing the damage and I will continue to work with them on the repair and replacement of everything demaged from the water. It was actually caused by the plumbing under the sink in the living room bar. You will see this in the pictures on the entrance side of the living room; it has the mirror and glass shelves. There is a close-up picture of the pipe itself under the sink which shows that the left hand supply line to the sink had pulled off. I turned the shut-off valve around slightly to get a better picture of it, as it was originally found it had just slipped off the pipe that comes through the wall. The piece of metal laying across the drain and the other supply line is actually a metal strap that fits up undermath the sink to hold it in place. The humidity had counsed it to fall down. The insurance company seems satisfied that it was not in fact a frozen pipe or due to any carelessness. It actually had been in place for approximately four years with no use of the sink and for some undetermined reason the pipe pulled apart. I explained to you on the phone, it is not a threaded connection it is actually a connection

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CHARGE CHARGE : PARK PLACE : SEED ONG EDLAEVARD : BUTT BOD

where that nut is slipped over the pipe and then tightened down making a pressure connection. I suppose that it might have just expanded and slipped off. There also could have been work going on in the streets by the city water department, where they might have had the water turned of for a period of time and then turned it on maddenly causing the pressure to increase enough to force a commention (that hadn't been made right) to come off. Whatever the cause the insurance company is not challenging it and appears to be working on the settlement. I am very confident that we can restore everything to its original condition and that there will be no ongoing damage or problems from the water. There is one item that the insurance company did notice and that was that the carpet in the living room was actually faded somewhat from the sun. This happened a couple of years ago before I was able to get the window coverings in. I am still going to try to get the insurance company to replace the carpet because of the stains caused by the wer furniture, but this will have to be a negociated item. I will keep you posted.

As I mentioned to you on the telephone the other day, I have an acquaintance by the name of Gene Rouse who has taken a large position in a very new company named Duds 'n Suds. He is offering us a private offering of stock a \$3.50 per share. He is going to take the 'n Sude company to the public stock market in August or September of this year. He anticipates that it will come on the market at that time at between \$11.00 and \$15.00 per share. Mr. Rouse has a very good reputation for finding young companies with big growth potential, investing in them himself, taking them public, and continuing to direct them in a way that the stock has performed extremely well. Mr. Rouse was President and Chairman of the Board of the Materpik company which had a good performance history before being sold to Teledyne a few years ago. He then developed a new tooth pasts and south wash which controls the forming of plaque on teeth. He took it public a couple of years ago and I believe the stock has increased over 200 times. The Duds 'n Suds scheme is as follows. Here in the United States there exists a fairly large coin operated laundry business. Most arefranchise stores, but others are operated as independents. I haven't noticed coin operated laundries in London, however, I am sure they must exist. Tou usually find them where there is a concentration of apartment dwallings or people who may be in transit. For instance one of the prime locations are near Colleges or Universities where the students do not normally have laundry facilities. These coin operated stores are very drab and dirty and many of the women are unconfortable about sitting there alone as they do their learning. For just a single load of learning it takes one half hour to week and one half hour to dry. None of the stores offer any activity or food other than wending mechines. I have a lot of information on the Duds 'n Suds scheme. I will enclose a few of the things with this letter. Besically their idea is that you have a captive client during the time he is doing his laundry because they are bored and as a necessity have to stay there to watch their laundry, that they will buy other services. The Duds 'n Suds plan is to offer recreation, food and drink services in a pleasant and well lighted atmosphere. They also have some ideas concerning the use of a computer chip which is programmed for the actual run times of

A-04874

the machine so that a person doesn't have to bring a poster full of quarters each time they go to the laundry center. Because Duds 'n Suds are offering other activities they will have several people around to keep the place clean and attractive. I have's feeling that these stores will catch on very big in the U.S. and possibly the rest of the world and have a very good opportunity for profit potential. You may want to scan some of the enclosed literature for further details and 'will be talking to you on the phone about it. One of the articles is in the current issue of Esquire magazine and I have enclosed the entire magazine. This magazine admittedly is not one of the most classy magazines, however, they had picked up the story which I think is significant of the potential. The article on Duds 'n Suds is on page 41 of this magazine. I think the best bet is to own part of the franchise company and then possibly to pick a couple of store locations that would have high potential and consider owning a store or two. Rowever, that is completely optional.

The third item which is related to some property in Phoenix, Arizona was brought to us by Mr. Hoel Cullison. You may recall that he is a developer in the Phoenix area and borround \$525,000.00 from us a few months ago. This was actually funded through CAPCOM. He will be repaying these funds with interest one week from today, which will be January 24th. He has been most appreciative of this loan even though we charged him a rather high interest rate. Sob Magness feels that he is a good developer and has a good reputation in the Phoenix area. He called to tell us that he had come across a deal which he felt had a very high profit potential over a short period of time. The land he wants us to look at is limated southwest of Phoenix. A major developer named American Continental has recently purchased 9,000 acres in the immediate area. They tried to purchase the subject land, however, the farmers would not sell it to them at that time. I will enclose a copy of the American Continental financial statement. As you can see, they are a fairly substantial company, Also, I will enclose some news releases concerning their acquisition of the land surrounding this subject property. It is enticipated that American Continental is planning a huge community development and theme park, something similar to DisneyLand. They have been purchasing the land for approximately \$5,000.00 an acre. As you can see from the attached map they have purchased land all around the property we are interested in and really need to purchase this other parcel which is owned by the Arnold brothers (which we call the Arnold farm). One of the primary reasons this is a necessity for them to purchase is that it has 8,000 acre feet of water rights that go with the property. Most of the property that American Continental has purchased does not have water, and it will be necessary for them to buy water in order to develop the property. They had approached the Arnolds to purchase their farm, however, the Arnold brothers had wented to develop it themselves. They started a joint venture with a firm in loss and have, within the last few days, terminated their relationship with their joint venture partner. Apparently they did not have the same ideas of the development. Mr. Cullison knows the farmers quite well and has a short term exclusive right for us to look at it. Bob Hammess and I are planning to sign an agreement with the Arnold brothers which would give us a 30 day period

A-04875

to look the deal over. The key issue is what is the 8,000 arre feet of water worth. We believe that it may be worth \$1,200 per acre foot. There are recent sales of water in the same geographic area for this value. We think the Arnold brothers may take \$4,000.00 per acre foot the property, if it is a cash deal. As I stated earlier, American Continental and others are paying around \$5,000.00 just for dry land. We think we could sell the land separate from the water if necessary to cash out. I view this as a fairly short tare investment; neither Bob or I are interested in actually developing the property, nor do I think you are. What I had in mind was signing the exclusive agreement for 30 days and during that period of time getting an MIA appraisal of the land value and opinions of water attorneys on the value of the water and our ability to transfer it to the City of Phoenix or any other municipalities around. This would give us a backup position if American Continental did not purchase the land and water. If the appraisal comes out good and the opinion of water counsel is good then I would like to make a cash deal with the Arnold brothers and immediately offer it to American Continental. To my knowledge they do not know that it is currently gwallable. If they are not interested in buying immediately we would put it on the market and I believe it would sell very ouickly. We would look to BCCI as a lander in this deal with, I assume, personal guarantees from Bob and myself and we would also welcome you as a partner on either the franchise deal or the land deal in Phoenix.

I will talk to you on the phone about this after you have had a chance to look the enclosed material over.

Ses regards,

Larry _ell

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To: Mr. Ziauddin Akbar Bank of Credit & Commerce International London

Mr. Akbarı

Bob Magness and I have discussed your proposal to invest in a U.S. brokerage firm in Chicago or New York and to participate in the ownership and operation to the mutual benefit of BCCI and ourselves. Bob has contacted our attorney in New York as he has run a brokerage firm in the past for several years. He will advise us as to any SEC rules governing the ownership of brokerage firms. He also is going to look for small firms which, in his opinion, would represent a good purchase. Please let me know if there is anything further we can do for you on this venture.

Best personal regards,

Larry Romrell Denver, CO USA

Telex 45-4457

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CAPITAL COMPRESTY DEALERS LIMITED
ATTWI MR. ARBARI
I. LARRY REFINELL. AN PLEASED TO ACCEPT THE POSITION OF A RIRECTOR IN CAPITAL COMMODITY BEALERS, LTD.
S INCERELT.
LARRY ROPERTLL
LARRY REMMELL
5883 SENTY REARMEY
EMILENDED, COLORADO 86111 (ARAPANDE COUNTY)
BORN: ST. ANTHONY, ISANG SECTIONS 38, 1777
POSITIONS VITH PUBLIC (SEC) COMPANIES:
SIRECTOR. EXECUTIVE VICE PRESIDENT AND SECRETARY WESTERN TELE-COMMUNICATIONS. INC.
VICE MESIDENT AND MERETARY EDWERAL COMMUNICATION INC.
VICE MESIDENT
SILVER SPUR RANGUES GRUSSIDEARY OF TELE-COMMUNICATIONS. INC. /
I. BOB MAGNESS, AN PLEASED TO ACCEPT THE POSITION OF A DIRECTOR IN CAPITAL COMMODITY BEALERSH. LTD.
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EMOLEVOOR, COLORADO 46111
(ARAPANOS COUNTY)
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POSITIONS VITE PUBLIC (SEC) COMPANIES;
CIRECTOR AND CHAIRMAN OF THE SOARS
SIRECTOR AND CHAIRMAN OF THE BOARD WESTERN THE COMMUNICATIONS. INC.
SINECTOR
MATIGMAL TELE-FILMS, INC.
MR. AMMAN- I WILL BE MORE ON MOMONY. IF YOU HAVE ARY SURSTIONS
PLEASE CALL ME AT 382-TYP-SARS
LARRY NOVEELL
TRLEX 49-9457
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Wire transfer Mr. Akbar's payments to:

Bank in Liechtenstein B.E. FL-9490 Vadum Liechtenstein

Telephone: 41-7551122

Contact Person: Mr. Ospelt

Account Name: SASK Investment and Trading Co., Ltd.

Account Humber: 8470650-1033301

Telex Number: Lischtenstein 889222

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Larry Romrell

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Name :

Sherikh Abdul Asser Masse Malif

Address

P. G. Box 541, Joddah, Saudi Arabia

Matienality:

Soud! Arabias

BUS INESS :

a) Is a preminent Saudi Sustanassma and has been involved in trucing in real estate and sometruction business, mainly in Saudi Arabia, U.A.Z. and Gumn. In 1978 became Director Seneral of Hinistry of Communications of Saudi Arabia.

b) Owner / Director of following Companies:

International Commercial & Industrial Establishment (Saudi Arabia)

Arabian Electronic Project Establishment (Saudi Arabia)

Matthew Hall (Saudi Arabia) 1

Global Chemical & Haistonance System (Soudi Arabia)

Razat Associates (Panema)

Has following agencies in D.S.A. and U.Z.:

Recipiel ! Internetional U.S.A.

Accell (London)

In addition, mass property in Soudi Arabia, Egypt, U.K. and U.S.A. with total value exceeding U.S.S 10 million and an Islamic Museum in Jeddah worth about U.S.S 200 million,

KET WORTH:

As at the close of 31st December, 1983, this was estimated to be $0.5.5\ 300\ million$,

Capital Connectity Dealers Limited - Resume on Nr. Seb Hagness - Coms ...

. . . .

Employment History (Cost ...):

Community Television, Inc. - 1964 to 1968:

President (Tele-Communications, Inc. (TCI) became the parent of Community Television, Inc. and Meeters Microsove, Inc. in 1966).

Western Hierangve, Inc. - 1968 to 1968:

President

Community Television - 1958 to 1964:

Founder of community television - built first cable television system in Homphis. Texas, in 1966.

Anderson Clayton Co. - 1952 to 1958:

Plainview and Mamphis, Texas.

Anderson Claycon Co. - 1949 to 1962:

Elk City, Oklaham.

Personal Net Worth:

As at June 1984 this was in the region of 25 million U.S. dollars.

CURRECTURE YETA

AJAT JIRISHAR PURI

6 Derwent Mouse, Stanhope Gardens, Lendon SM7 583

Mationality:

Harital Status:

Perried

EDUCATION

S.Cos.(Hons) Degree

University of Delhi, India 1975

M. S.A. :

University of Bulbi, India 1977

Chartered Accountancy:

Institute of Chartered Accountants in England & Holes; Associate Humber simon February 1962

Professional Courses:

Have attended various short prefessional summars on Nanopument, Taxation, Accountancy, Lew and Cosmosity Trading subjects

EXPERIENCE

a) <u>industry:</u>

1976 - The Delhi Cleth & General Hills Co. Ltd.

Management Reporting and Financial Central, and the meas of the 'Unit Control' section of the Textiles Division of a major Indian industrial complementation. Duties included analysis of financial statements, inter firm comperisons and memitaring liquidity and working capital.

b) Professional Accountancy:

1977-1981 - Laver Srothers à Ca. Berte Cohen Fine à Co. Benson Catt à Co.

The audit of industrial and service organisations of various types and sizes, at various levels, as part of training for Ammorship of the Institute of Chartered Accountants; related Accountants and Taxation work.

Cont ...

CURRICIALM VITAE - ALAY PURE (Cont ...)

b) Professional Accountages

1981-198Z

Post qualification experience for approximately li years with a professional practice, supervising audits and providing financial consultancy advice.

c) Commodities & 1983 to date - Hotan Trading & Investments Ltd.

**Transial U.K. representative of this Company since 1983.
This representative of this Company since 1983. U.K. representative of this Company since 1983.
This Company activaly trudes in the U.S. markets through London brotors. The job entails sentering the Company's portfalle, listing with brotors on the Company's accounts, and supervising trading in accordance with the Company's trading policy.

CAPITAL COMMODITY BEALERS LINETED

LIST OF SHARDIGLDERS AS AT ETTH JUNE 1964

	Shares of El gath	
Sheikh Abdul Roouf Hesan Rha?f1 P. O. Ben 541 Joddan Soudi Arabia	360,808 Sheres	201
Sheith Roos I Ibraham Adham F. 8, Sex 6125 Joodeh Saudi Arabia	170,000 Shares	מו
Nr. Elsayed E. Eljanhary P. O. Box 6126 Joddah Saudi Arobia	150,000 Shares	151
Ar. Asbert Edward Pouell 6471 Binby Hill Rend Long Beach California 90815 U. E. A.	150,000 Shares	181
Nr. Larry E. Assrell 5823 South Engreey Street Englement Calerade 80111 U. S. A.	110,000 Shares	115
Nr. Christopher David Stamert Williams 10 Langton Street London SWIO GJH	100,000 Shares	101
Brosella S.A. Bank of America Building BOth & 53rd Street Fanada City Panada	E0,000 Shares	153
	Cont	

. . .

Capital Community Dealors Limited - Shareholders - Cont ...

	Shares at [] each	
Mr. Ajay Krishen Puri 77 South Andley Street Lendon VIV STA	49,999 Dares	52
Hiss Jane Careline Cooks (Numinoe for Nr. A. K. Port) 17 Station Rood St. Paul's Cray Orpington Kont	1 Share	
Ar. Bob Magness 4725 South Helly Englawood Celevade 80111 U. S. A.	10,000 Shares	15
Sheith Hettsn Reshed Pherenn P. O. Box 6474 Jeddeh Soudi Arabia	10,000 Shares	15.
,	1,000,000 Shares	100%

Total Issued Capital: £7,000,000

FULLY PATE UP



WESTERN TELE-COMM! HOATISNE, ING

LATTY SOVERLY

Jane 18, 1984

Deer' Mr. Purk

Encioned herewith is the executed Capital Commodity Design Limited Share Application for 114,000 Ordinary Sharen,

Best remble.

/ta

VIA DEL COURTER

CAPITAL COMMONTY DESLITA LINETED

PAR APPLICATION

Pull Name of Applies	MAGE TARREST	
Necessity	MESTON	<u> </u>
Address	SELL MOVE DELINEY	
	DETERMINE.	
	COLUMNIA SOLLI (AMAPARO	E 0000891
	To do do	1
· ·	1	-
Number and Type of Shares Applied Part	110,000 Ordinary States	et ti sam
Amount Paid With Applications	\$15,000	
inomit Besitting To be Paid in And When Called:	(NE	
Dàta r		
		•
*		APPLICAT'S SIGNATURE
971CX UET GELT:		
		BUT OF THE PARTY.
1011- 1- N-01000 Ad		

81 583 8342 CEPITEL CEP '15 82/13 12:23 M1

FAX TRANSMISSION

Fa: Me Larry Romrell

From: A. K. Pari

Capital Commodutes

Total 4 Sheets including this RESOLUTIONS passed by the meand of Figuresons of Chillic Checkly; Scales thating on live August 1964.

RESILVED that or Researchisety General Meeting of the Research of this Company so milled for the 14th September 1984 so consider and pass, if considered fit, the following Resolutions:

RESULTED that the appaintment of Shaith Abbil Rosef Shash Shell, Mr. Letry Rescall and Mr. San Magazon as Directors of the Company with offset from 6th June 1984 he and hereby in Estified.

RESCLUMD then the bearth actions in appointing Mr. Staphen John Soundars as Director with effect from 20th June 1984, antil his resignation on the Jrd August 1984 he and bereby is ratified.

APPROVED

MY. LATTY Bourall

Mr. 300 Magness

Rr. A. S. Melli

COMPENSAT RESOLUTION of the sense of SCHICAGE of CAPITAL COMMUNITY DEALERS LIKETED made on 15th Commune, 1984.

- The attached mute was discussed by the Electron and the contents thereof metad.
- 2) It was RESCLVED that the Directors requisition on Extraordinary Seneral Pasting to be held on Note Greator, 1964, to condider and wate on the following prolinkry remaintains.
- A That the Company hereby increase its Authorised Share Capital from EL,000,000 to E15,000,000 by the greation of 14,000,000 El ordinary shafts, to rank para poses in all respects with existing El urdinary shafes.
- That the Commany hereby outhorize the Birstmarz to make a ciphts issue of 9,000,000 II ordinery shares to shareholders, registered in the Company's where register on 15th Ostaber, 1984, pro rate to their oristing share holdings. Should such rights be remonated or not accepted within five days of the require of the letter of allotment, the Directors shall be authorized to offer man remonated or succeepted shares commanded in the letter of allotment to any other examples or any other individuals or bediev corporate, as does fit by the directors.
- That the Company harmy authorises the Birothers is invite the shareholders to submerfue \$1,000,000 of submerfurs is invite the shareholders to submerfur \$1,000,000 of submerfuration attack, pen rate to their holdings as urdinary marges as bleen in the Campany's share requisiter on ifth October 1984. Buch loan stock will rank only before share uspital for purposes of distribution in the overt of liquidation and, where their then in the prior seeks of liquidation, will be repayable at par on ist Newmont 1989. The loan stockholders will be entitled to a fixed rate of interest of two purcount per answer puyable harmously on 30th April 1985. It is forther outhorised that the firectors grave, the shareholders minestribuse to the after mortioned loan stock have more inner load loan stock as newwerkers the loan stock list ordinary share espital or the basis of some it over the loan stock list ordinary share separated on the basis of some in all requests to existence of the example of the first population of the resoversion. The option shall be for the conversion of the whole or any surfect of the loan stock and shall explice, unions proviously reserving in full, on 31st Deriver 1981, Should any Marnholder not suscept of the offer, the Urmaner sey sected the offer the conversion of the option that the material we within rive only of matification of the offer, the Urmaners may extend the offer to day of any person they down the.

APPROVED

4-04788

AMERICA of the 18840 OF SIMILIDES of CLAIGE CONCRETS SEALED LIMITED held of 77 Sweet hadley Sizers, Lamber VI, on 8888 Sweet on have Join 1884.

- MRDLAND that this Company unter late in definition tills instant westerment planeauth fracture limited for the sinetise of the wrades on the landson lineareactural Planeauth Paramet hadrons. The first of approximate provided by mediumit theresis are Planeauth Patrices lett. to and harring in approximate and mr. A. F. Part be and harring to entherized to sign the approximate on behalf of the Company and the Patrices Transact the Company to all and parameter than Company to all and parameter the Company to all and parameter that the patrices and the patrices.
- AMBOLITO that this Company enter into a Classing Agramment with Maximal mesminguar Finanzial Peturne United, London International Finderial Printed Endroppe Lington and improment doesd The American Classing David Lindoni. The lett of the agramment doesd The James 1944 is because queried and Mr. A. T. Red in because extensions to ensure the agramment on behalf of the Company. Application of the Company's seal to this agramment is because substituted.
- PCDCLVED that this Company symm assesses with Onlineases Provey, Inc. of Chirope, SER, and Seak Nr. L. E. Forth he said hereby is setherized to ensemble any and all documentation required to spen and animals as company in commandation with Saldermann Pastry Inc., inclinating that operain document means as Companie improvement, an encourage empty of which is to be made a part of the minutes of this smoothest empty of which is to be made a part of the minutes of this smoothest.

n

Parther resolved that Mr. A. E. Burkand / or Mr. Maphan John Saundare to and Natury are numberland to buy and sell serious in hance of this occupantion on the neural of trade of the City of Chicago, as well as on any other suchange neuralizated appropriate by kay of them.

Pursher resulted that the secretary of this marperanism, who is nex authorized to trade, is between designated as the representative of this Composition to the majoration and valid in mailed at any of the Composy's self-see that he might designate. Purther resolved that the Composy's seal he applied to a capy of this resolved that the accretary may seed to delicate the a capy of this resolution which the accretary may seed to delicate the a capy of this resolution which the accretary may seed to delicate the cover, the

- memited that the appointment by Sheila hadd land hasa Sheili of Mr. synd Slaudila as his eltheredu Director be and hereby in egytteed by the head.
- RESIDENTS that the bound Chapt Mr. Response John Saundarn as a Director of the Company, such appearance to be retified by the sonner of the Company of their next areside.

MAN ROS

A-0479

LOAN AGREEMENT

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MR LARLY I ROBERTLE

AND

PATER EQUALNOS INC.

2012 1002 1347

AN AGRESHEY made the 50th May of Jane 1907 BRYERS
Faton Soldings ins of whose indicates in o/s Exels do Dr Cocile M Lingumbers,
44 his Avenue Ening, 1206 Congres, Submoutherd Commissions called "the
Londor") in the one part and Mr Larry S Resembl of 5023 South Enamer Susses,
Englavood, Calaundo SCIII, MinCharminafuer called "the Serverer") in the
other part

VIIIIT IT IS AGRIED on follows

- The Londer will land to the Serroser the sun of \$700 Pounds 221,157.83 (Two Sendand and Towney One Thompset, One Sendand and Fifty Seven Pounds, History Three Penns only) (Characaether called "the Loos") subject to the terms beyond and to the provision of powerity as hereinafter provised.
- 2. Die Lemier agrees with the Borrower as follows-
- (a) That the total liability of the Berrower is the repayment of the loan and all its accrued interests is attrictly limited to the value of his shares in Capson Financial Services Limited, tegesher with all its dividends and interests. The liability of the Berrower shall assess also to all assest dividends, right shares and any property accruing or offered at any time by way of redesption booms, preference option or otherwise.
 - (b) That the Borrower shall repay the loss and all accrued interests through the presence of the shares or their sale if effected or otherwise at any time but no later thes list Desember 1989.
 - (c) In ease at naturity data the lass or any part thereof has not been poid, the Lander shall have the right to sail the observe deposited with his as security, to apply the proceeds to the assumes due to him, and to pay the balance, if any to the horrower.



- (d) The Bossesse shall pay intersect to the Lender on such part of the lane as shall be extended from time to time at the sets of 1.55 obver the base pure of Hearfacturege Trust Sempony, Louise, such intersect to be psychia on the first days of January, April, July and Outober in such rear.
- (a) For the purpose of purvising countity to the Leeder for the repayment of the Lees and all intersect on 12, to salar into the Hencemodes of Deposit in the free assessed better-
- (f) To reinburse to the Looier all such cooks that the Louier ary inserin enforcing this Agreement or the Humstandom of Deposit referred to above.

1

3. The Agreement should be construed in accordance with the laws of England

A 5 VITXES in the hands of the parties berete

X of war

SIGNED on bobalf of the Borrower

SIGNED on bahalf of the Leader

MARGEARDER OF BEFORET

- I. If Larry E homeal of \$823 South Hancary Street, Englaned, Coloredo \$6111, Die have this 30th day of June 1987 deposited with and charged to PATES EXECUTES INC whose address in a/o Eumin de Dr Conila H Eingpunhary, 44 his avenue Ering, 1208 Geneva, Southerland (harinefter unlied "the Londor") the securities mentioned in the Schodule harvto to be retained by the Landor as a security for repayment to it of all memor and lightlities now or harvefter owing or inserred to it from or by me unfor an agreement of dated 30th June 1987 made between the Londor and he together with interest on all such dates and lightlities to the basic payment, legal or other costs, charges and arpeaness.
- 2. The sharps hereby created shall affect and the security subject herets shall include in addition to the securities sectioned in the felocials herets any security substituted themsfore and all dividends or interests payable or paid after the date horsest and all sunche shares (and the dividends or interest thereon) rights semine or property securing or offered at any time by way of redespoint house preference spring or otherwise to or in Propect of any semurities hareby sharped.
- J. Any dividends interests or other payments which may be received or receivable by the Londer in respect of any somerities hereby charged may be retained by it and held in response and if I shall fail to pay further seemes or satisfy to the Londer on decade any nemby or liability hereby neutral when the same shall be dee they may be applied by it as though they were proceeds of the sale hereunder and the Londer may without further notice sall or dispose of the securities hereby charged or may of them in such a manner and for such assaidanation (whether payable or deliverable insectable) or by instalments) as it may think fit and may apply the proceeds of sale in or towards this charge of the costs insurred therein and of the money and liabilities hereby secured and shall pay the recidue to me or my order.

- i. I undertake for myself and my personal representatives from time to time to assents and sign all Transfers, Powers of Attorney and other documents which the Lamier may require for vesting or enabling it to want the same in itself or its positions or in any purchaser.
- 3. The Lander or ity seminess may energise at its or their discretion in my name or otherwise at any time whether before or after the power of sain beyonder has arisen and without any further consent or authority on my part in respect of any accuration became charged any voting rights and all the powers given to trustees by Seation 1863) and (4) of the Trustee Act 1925 as accorded by Section 9 of the Trustee Investments Act 1961 in respect of poessition or property subject to a trust and all powers or rights which may be assertioned by the person or persons in whose same or access the securities are registered under the same themsef or otherwise.
- 6. Vithout prejudice to the rights and obligations hereby strated any dividands interests or other meany hareby charged which may be received by as after the power of sale hereusder has arison shall be held in trust for the Lander and paid over to it on domand.
- 7. The Lender may at all times, without disaherging or in any way affecting the security hereby areafed:-
 - (A) Grant to me or to any other person any time or indulgance
 - (b) Daal with exchange release modify or abstein from perfecting or enforcing any securities or other guarantees or rights which it may now or hereafter have from or against no or any other person
 - (c) Compound with me or with any other person or parraness



- 2. The occurity hereby created shall not be affected by any failure by the Londor to take may occurity or by any invalidity of any security takes or by any existing or future Agreement by it as no the application of any odvecess made or to be made to be
- 9. Any nonice received hereunder may be placed and hept to the credit of a mispense excess for so long as the Leeder thinks fit without any obligation in the manutime to apply the same or any part thereof is or reverse discharge of any menay or liabilities due or incurred by me to it. Notwithstanding any such payment, in the event of any proceedings in or smalageus to benkruptey liquidation composition or arrangement the Leeder may prove for and agree to scampt any dividend or composition in respect of the whole or any part of such money and liabilities in the same measure as if this accurity had not been created.
- 10. I and my consessors in title during the continuance of this sensity will pay all calls or other payments due in respect of any securities subject harste and in the event of default the Lander may if it thinks fit make such payments on my behalf. May some so paid by the Londer shall be repayable by me or my successors in title to the Lander on demand and pending such repayment will be a charge on the securities and subject herets.
- 11. The restriction on the right of consolidating mertgage securities contained in Section 93 of the Law of Property Act 1925 shall not apply to this security
- 12. The security hereby created is in addition to any other guarantee or security for the customer now or hereafter held from me or otherwise

1. 1

A S VITYIIS the hand of the said - MR LANCE S RECEIL and the head of the duly authorized signature on behalf of Faton Haldings Inc

* 07

Per Pre PATER BOLDENS DEC

AUTHORISED SIGNATORY

SCHIPTE

The following security is to be provided:

169,500 Pully Paid Ordinary Shares of Capern Financial Services Limited, of 9-13 St Andrew Street, Louise SC4.

* If low

NA NA 108 MARKS

- 2) 454 less agreement
- 2) Bow loam aggressent (2 aspins)
- 3) Anthority to pay dividence to Passes

Old agreement for your information only. Please send both Sld = new agreements to us.

AN AGRETMENT made the 30th Day of September 1988 SETMED Middless
Financiers Limited of whose address is 870 Bex 211, Port Vila, Vanuatu
(herminafter called "the Londor") in the one part and Nr Larry E Resmell
of S823 South Knarney Street, Englawed, Colorade 80111, USA (horeinafter
called "the Borrower") in the other part

MHERERY IT IS AGREED AS follows:

- The Lender will lend to the Sorrower the sum of MS Dellars 400,000.00 (US Dellars four hundred thousand only) (horeinafter called "the Lean") subject to the terms hereof and to the provision of security , as hereinafter provided.
- 2. The Lender agrees with the Serrawer as follows:
 - (a) That the total liability of the Borrower in the repayment of the lean and all its accrued interests is strictly limited to the value of his shares in Capcon Futures Inc. (an Illinois Corporation) as specified in the appended schedule, together with all its dividends and interests. The liability of the Borrower shall extend also to all stock dividends, right shares and any property accruing or offered at any time by way of redemption bonus, preference option or otherwise,
 - (b) That the Borrower shall repay the least and all accrued interests through the proceeds of the shares or their sole if effected or otherwise at any time but no later than 31st December 1991.

A-01775

- (C) In case at materity date the lean or any part thereof has not been said, the Lender shall have the right to sail the shares deposited with him as security, to soply the proceeds to the amounts due to him, and to pay the balance, if any to the Serrover.
- (d) The Borrower shall pay interest to the Lender on such part of the loan as shall be outstanding from time to time at the rate of one percent above the US Dellar call deposit rate of Hanufacturers. Trust Company, London, such interest to be payable on the first days of January, April, July and October in each year.
- (ii) For the purpose of providing security to the Lender for the repayment of the lean and \$11 interest on it, to enter into the Mumorandum of Deposit in the form annaxed herets.
- (f) To reimburse to the Lender all such costs that the Lender may incur in enforcing this Agreement or the Momorandum of Deposit referred to above.
- The Agreement should be construed in accordance with the laws of England

AS WITHESS In the hands of the parties herete

SIGNED on behalf of the Serrover

SIGNED on behalf of the Lander

4-01776

SCHEDULE

The following security is to be provided:

80,000 Fully Paid Common Shares of USSS.00 each of Capcam Futures Inc., on Illinois Commonstion.

A-01777

HEHORARDUM OF DEPOSIT

- 1. I Larry E Remeil of \$823 South Kearney Street, Englowed, Calorade 80111, USA have this 30th day of September 1988 deposited with and charged to Mideest Financiers Limited whose address is PO Bex 211, Fort Vila, Yanuatu (harquarter called "the Landor") the securities mentioned in the Schoolale herete to be retained by the Landor as a security for repayment to it of all money and liabilities now or hereafter owing or incurred to it from or by me under an Agramment dated 30th September 1988 made between the Landor and the together with interest on all such dobts and liabilities to the basic payment, legal or other casts, charges and expenses
- 2. The charge hereby created shall effect and the security subject herete shall include in addition to the securities mentioned in the Schodule herete any security substituted therefore and all dividends or interests payable or paid after the date hereof and all specks shares (and the dividends or interest thereon) rights mentes or property accruing or affered at any time by way of redemption beaus preference option or otherwise to or in respect of any securities hereby charged.
- 3. Any dividends interests or other payments which may be received or receivable by the Lender in respect of any securities hereby charged may be retained by it and held in suspense and if I shall fail to pay further secure or satisfy to the Lender on demand any money or liability hereby secured when the same shall be due they may be applied by it as though they were proceeds of the sale

A-01778

Rereunder and the Lender may without further notice sail or dispose of the securities hereby charged or any of them in such a manner and for such consideration (whether payable or deliverable immediately or by instalments) as it may think fit and may apply the proceeds of sale in or towards this charge of the costs incurred therein and of the money and liabilities hereby secured and shall pay the residue to me or my order.

- 4. I undertake for myself and my personal representatives from time to time to execute and sign all Transfers, Powers of Attorney and other documents which the Lander way require for vesting or enabling it to vest the same in itself or its nominees or in any purchaser.
- 5. The Lander or its nominees may exercise at its or their discretion in my name or otherwise at any time whether before or after the power of sale hereunder has arisen and without any further consent or authority on my part in respect of any securities hereby charged any voting rights and all the powers given to trustees by Section 10(3) and (4) of the Trustee Act 1925 as amended by Section 9 of the Trustee Investments Act 1961 in respect of securities or property subject to a trust and all powers or rights which may be exercised by the person or persons in whose name or names the securities are registered under the terms thereof or otherwise
- 6. Without prejudice to the rights and obligations hereby created any dividends interests or other money hereby charged which may be received by me after the power of sale hereunder has arisen shall be held in trust for the Lender and paid over to it on demand.

A-01779

- The Lender may at all time, without discharging or in any way affect.
 ing the security bereay created:
 - (a) Scant to me or to any other porson any time or indulgence
 - (b) Deal with exchange release modify or abstain from porfecting or enforcing any socurities or other guarantees or rights which it may now or hereafter have from or equiest me or any other person
 - (c) Compound with me or with any other person or guaranter
- 8. The security hereby created shall not be affected by any failure by the Lender to take any security or by any invalidity of any security taken or by any existing or future Agreement by it as to the application of any advances made or to be made to me
- 9. Any monies received hereunder may be placed and kept to the credit of a suspense account for so long as the Londor thinks fit without any obligation in the meantime to apply the same or any part thereof in or towards discharge of any money or liabilities due or incurred by me to it. Notwithstanding any such payment, in the event of any proceedings in or analogous to benkruptcy liquidation composition or arrangement the Londor may prove for and agree to account any dividend or composition in respect of the whole or any part of such money and liabilities in the same manner as if this security had not been created
- 10. I and my successors in title during the continuance of this security will pay all calls or other payments due in respect of any securities

A-01780

subject herets and in the event of default the Lamber may if it thinks fit make such payments on my behalf. Any sums so beld by the Lander shall be repayable by me or my successors in title to the Londer on demand and pending such repayment will be a charge on the securities and subject hereta

- 11. The restriction on the right of consolidating mortgage securities contained in Section 93 of the Law of Property Act 1925 shall not apply to this security
- 12. The security hereby created is in addition to any other guarantee or security for the customer new or hereafter held from me or otherwise

AS WITHESS the hand of the said MR LARRY E ROWRELL and the hand of the duly authorised signature on behalf of Mideast Financiers Limited

Per Pro HIDEAST FINANCIERS LIMITED

Authorised Signatory

A-01781

Jan 30, 19 87

POR HR L 2 MONEY.

- Now loss agreement (2 aspins) Anthority to pay dividends to Passes

HEMORANDUM OF DEPOSIT

- of 5823 South Kearmay Street, Englaweed, Celerade 80111, UEA have this 17th day of June 1985 deposited with and sharped to FATEN BOLDINGS DEC. whome address to a/s Enude de Dr. Cocile M. Ringgonberg, 44 bis Avenue Eriog, 1208 Geneva.

 Switzerland (hereinefter exiled "the Londer") the securities mentioned in the Schodule herets to be retained by the Londer as a security for repayment to it of all memory and liabilities new or hereafter owing or insurred to it from or by me under an Agreement deted 17th day of June 1985 made between the Londer and me together with interest on all such debts and liabilities to the heats payment, logal or other cents, thereas and expenses
- 2. The sharps hereby created shall affect and the security subject herete shall include in addition to the securities mentioned in the Schodule herete any security substituted therefore and all dividends or interests payable or paid after the data hereof and all stocks shares (and the dividends or interest thereon) rights mentes or property accruing or offered at any time by way of redemption beams preference option or otherwise to or in respect of any securities hereby charged
- I. Any dividends interests or other payments which may be received or receivable by the Lender in respect of any securities hereby charged may be retained by it and held id suspense and if I shall fail to pay further secure or satisfy to the Lender on demand any money or liability hereby secured when the same shall be due they may be applied by it as though they were proceeds of the sele hereunder and the Lender may without further setice sell or dispuse of the securities hereby

sharped or any of them is such names and for such name/deration (whether payable or deliverable immediately or by instalments) as it may think fit and may apply the processe of sale in or timeris this there of the costs incurred therein and of the memor and liabilities hereby secured and shell pay the residue to me or my order

- 4. I undertake for myonif and my pursonal representatives from time to time to ensemble and sign all Transfers, Powers of Attorney and other documents which the London may require for westing or enabling it to want the same in itself or its newimons or in any purchaser
- 5. The Lander or its meminess may assertine at its or their discretion in my name or otherwise at any time whether before or after the power of sale herounder has arisen and without any further comment or authority on my port in respect of any securities harsby charged any voting rights and all the powers given to trustees by Section 10(3) and (4)/ of the Trustee Act 1925 as amended by Section 9 of the Trustee Leventments Act 1961 in respect of securities or property subject to a trust and all powers or rights which may be ambruised by the person or persons in whose maps or means the securities are registered under the terms thereof or otherwise.
 - 6. Without prejudice to the rights and obligations hereby created
 any dividends interests or other messy hereby sharped which may be
 received by me after the power of sale hereunder has arisen shall
 be held in trust for the Londer and paid owner to it on demand
 7. The Londer may at all times, without discharging or in any way
 - 7. The Lander may at 412 times, without disaberging or in any way affecting the operative bereity bready created:
 - (a) Great to me or to any other person any time or inculgance
 - (b) dual with exchange release andify or abstain from perfecting or enforcing any securities or other guarantees or rights which it may now or hereafter have from or against

me or any other parson

- (a) Compound with me or with any other person or purrenter
- 8. The security hereby eracted shall not be effected by any failure by the Landor to take any security or by any invalidity of any security taken or by any existing or future Agreement by it as to the application of any advences nade or to be made to me
- 1. Any menios received berounter may be placed and boot to the credit of a suspense assessed for so long as the Lendor thinks fit without any obligation in the manatime to apply the same or one part thereof in or towerds discharge of any money or liabilities due or incurred by me to it. Notwithstanding any such payment, in the event of any proceedings in or analogous to benkruptcy liquidation composition or arrangement the Lander may prove for and agree to accept any dividend or composition in respect of the whole or any part of such money and/ limbilities in the same manner as if this security had not been erested 10. I and my successors in title during the continuence of this scourity will pay all calls or other payments due in respect of any securities subject hereto and in the event of default the Lender may if it thinks fit make such payments on my bahalf. Any sums so paid by the Lander shall be repryable by me or my successors in title to the Landar on demand and pending such repayment will be a charge on the securities and subject herete
- II. The restriction on the right of consolidating mortgage securities, contained in Section 93 of the Law of Property Act 1925 shall not security
- 12. The security hereby created is in addition to any other guarantee or security for the customer new or hereafter held from me or otherwise

A 5 W T T W W S 2 the head of the said Hr. Larry E. Resrell end the head of the dely authorized signature on behalf of Paten Heldings Inc.

HR. LARRY E. BOWELL

For. pro PATEM BOLDINGS INC.

MATTHORISED SIGNATURA

AN AGRERRET made the 17th of June 1985 RTVXIII
Paten Boldings Inc. of whose address is c/o Stude do Dr. Conile N.
Ringpunberg, 44 his Avenue Eriog, 1208 Conova, Switzerland (hereinafter
mailed the "Lendor") in the one part and Mr. Larry E. Rescull "
of 5823 South Engray Struct, Englaverd, Colorado SOIII. W.S.A.,
(hereinafter valled "the Borrower") is the other part
VXXRXXV IT IS AGRERS on follows:

- The Lender will lend to the Perryour the sum of one headred and sixtymine thousand, five hundred pounds, £169,500 (hereinafter called "the Loan") subject to the turns hersef and to the provision of socurity as hereinafter provided
- 2, The horrower agrees with the Lander as follows:-
 - (a) To repay the less and all interest due thereen se later thou 17th June 1987
 - (b) To pay the Leader on the date hereof an arrangement for of 1.5% of the loan
 - (a) To pay interest to the Lendar on each part of the lean as shall be outstanding from time to time at the rate of 1.3% above the base rate of Hamufacturers Second Trust Company such interest to be payable on the first days of January. Hareh, June and September in each year
 - (d) For the purpose of providing security to the Londor for the repsyment of the loan and all interest on it, to enter into the Hemotrandum of Deposit in the form annated hereto
 - (a) To reimburse to the Londor all such sests that the Londor may insur in enforcing this Agraement or the Hamorandum of Deposit referred to shows

 The Agreement should be construed in assortance with the laws of England

AS VITHISS in the hands of the parties herate

INDED on bakalf of the Borrower

SIGNED on behalf of the Leader

SCHEDULE

The following essurity is to be provided:

Shares of Capital Commodity Declars Ltd., of 9-13 St. Ameror Street, London EC4, having a face value equivalent to the americ berrowed. Such shares being fully paid.

PLON: Hr Larry E Rosrell SE22 Seeth Tourney Street Englaveed Columnic 90233. USA

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The Socretary Capess Financial Services Limited 9-L3 St Andrew Street LORDON HOAL JAR

Dear Sir.

Places pay all future dividends due to me from Capson Financial Services Limited to the order of Faton Soldings Inc. until further motice.

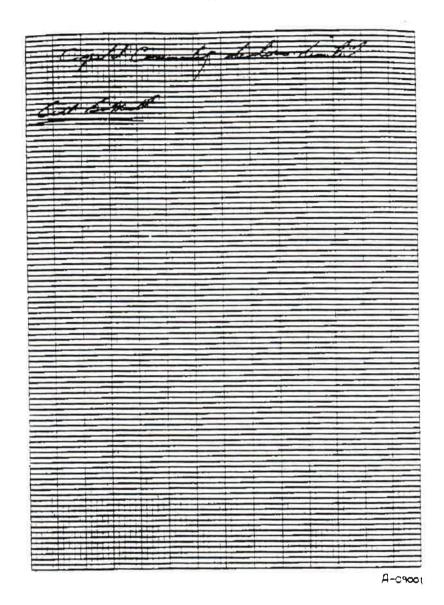
Yours faithfully,

HE LARRY E ROMETLE

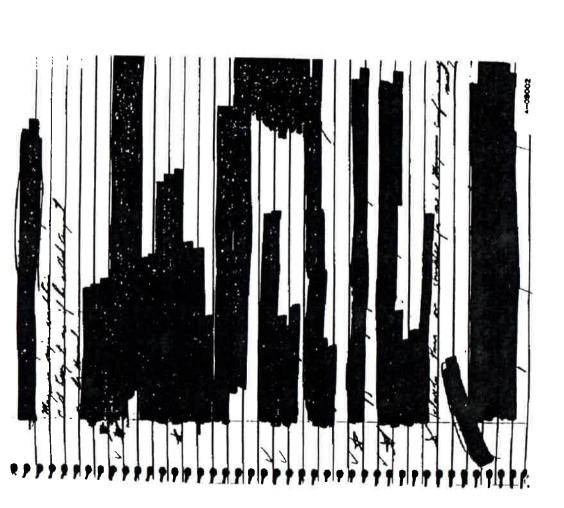
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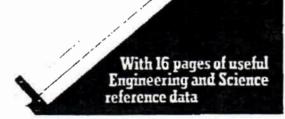
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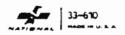
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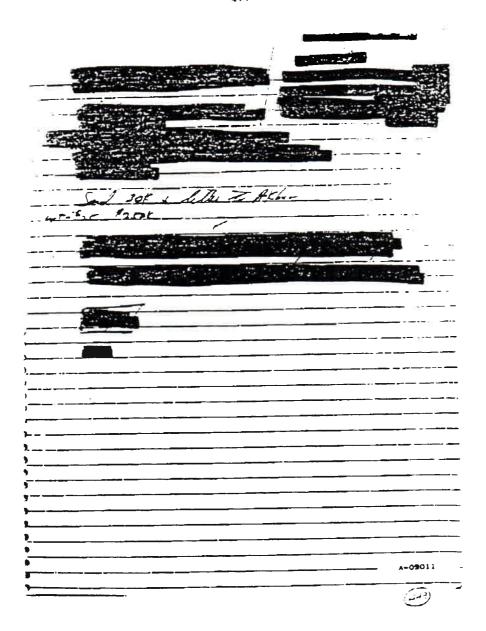
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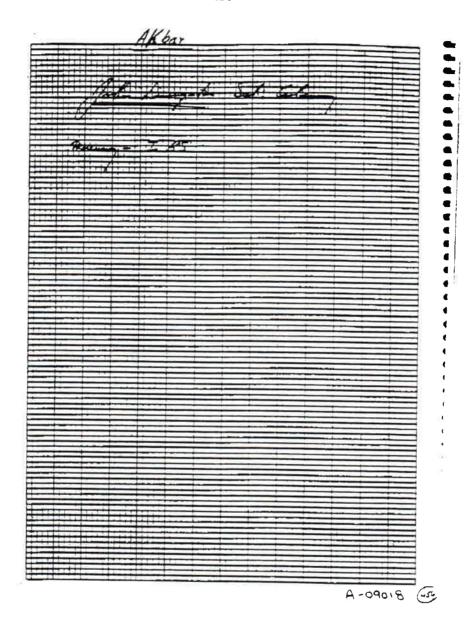
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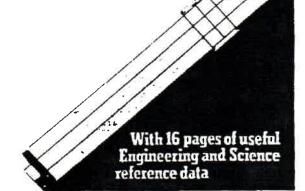


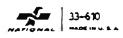
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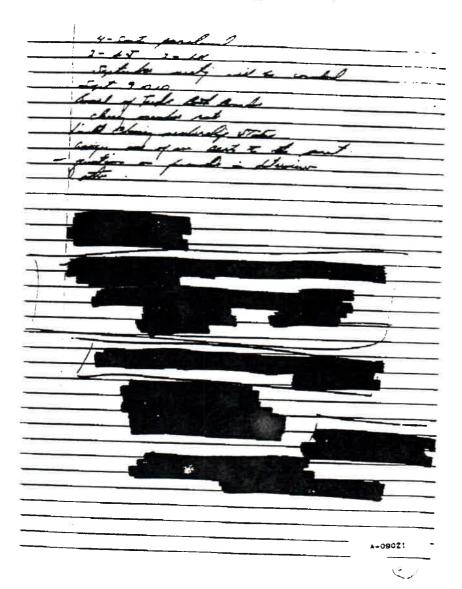




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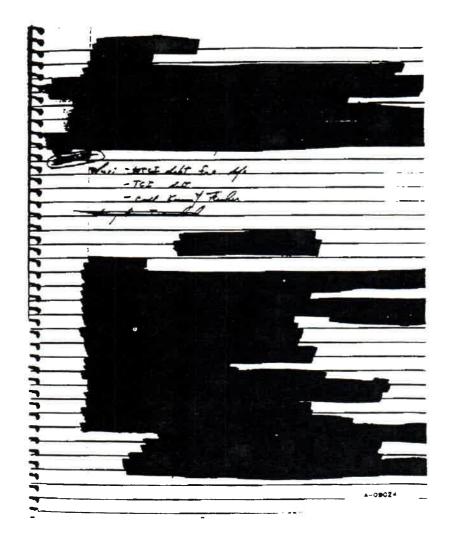
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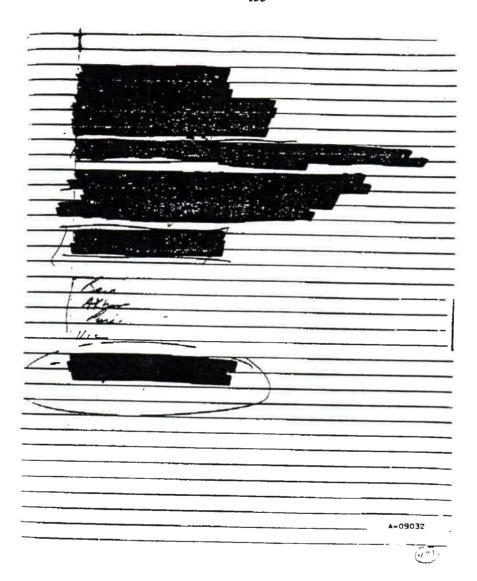
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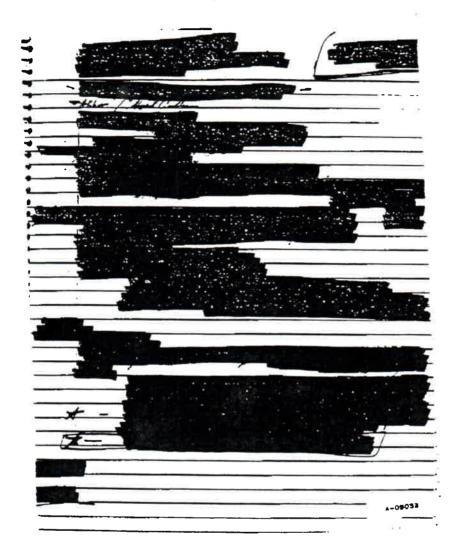
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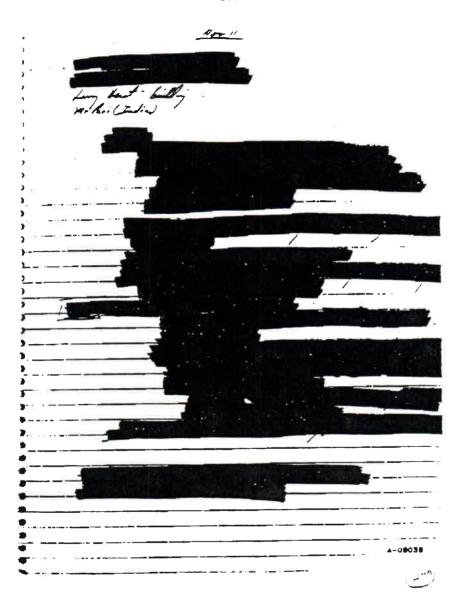
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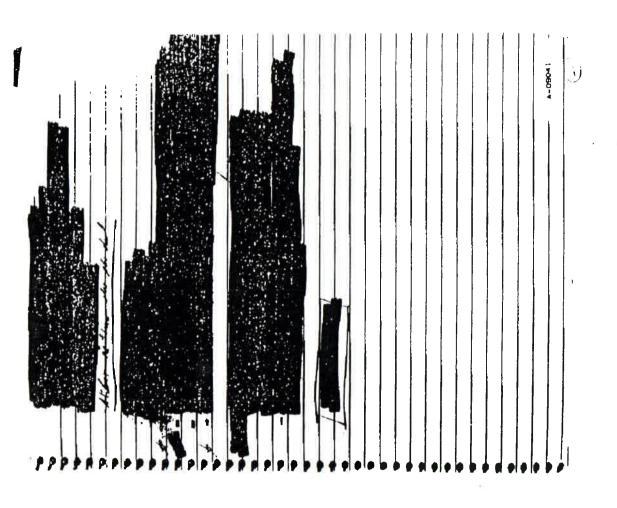
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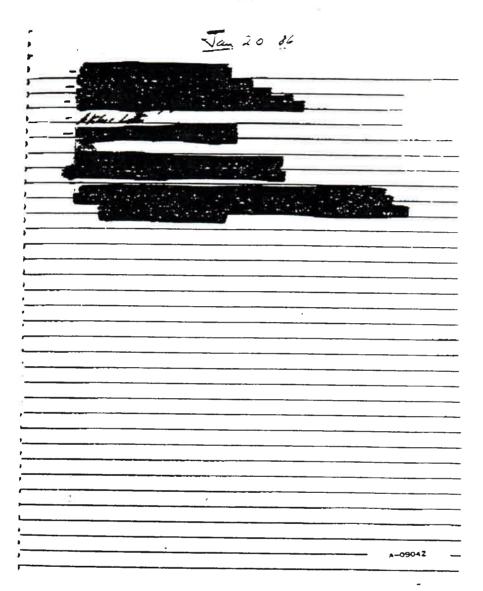
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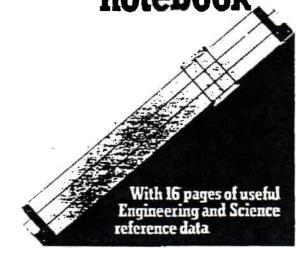
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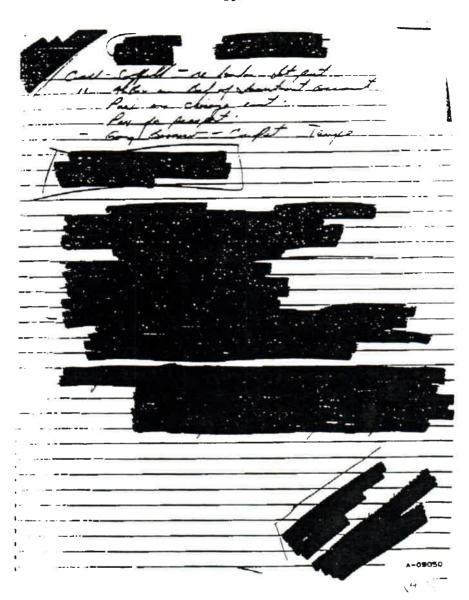
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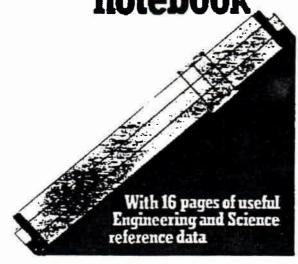
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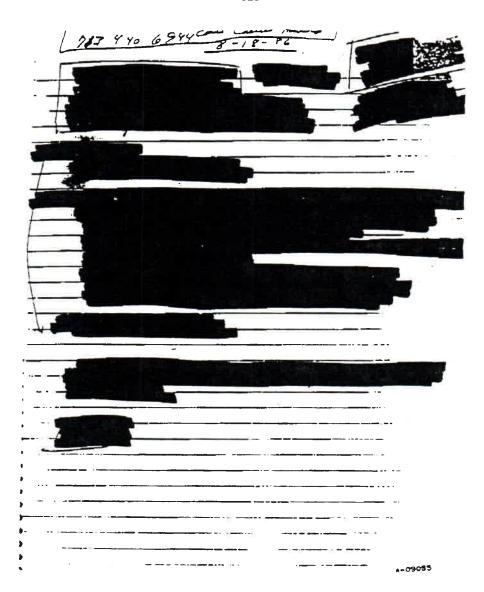
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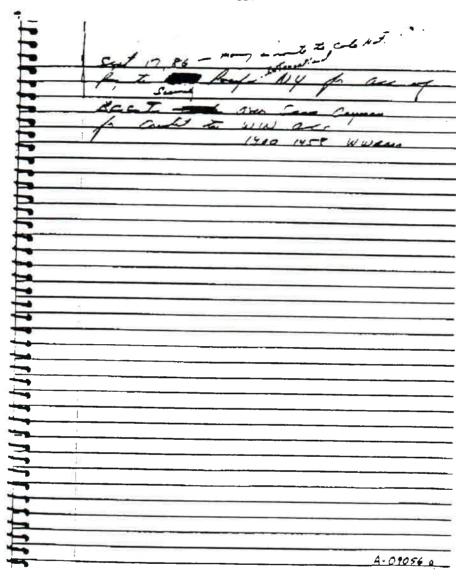
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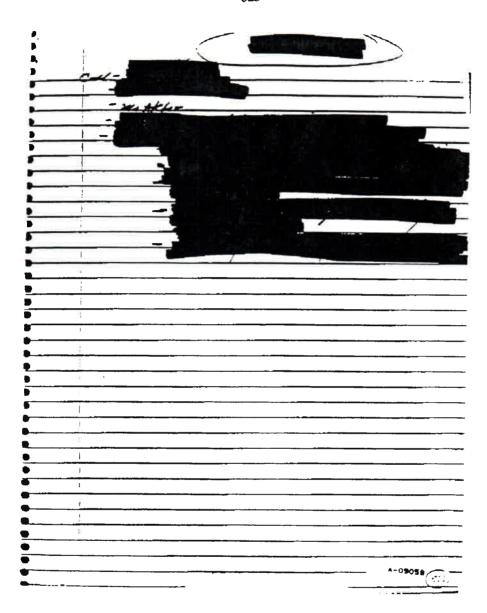
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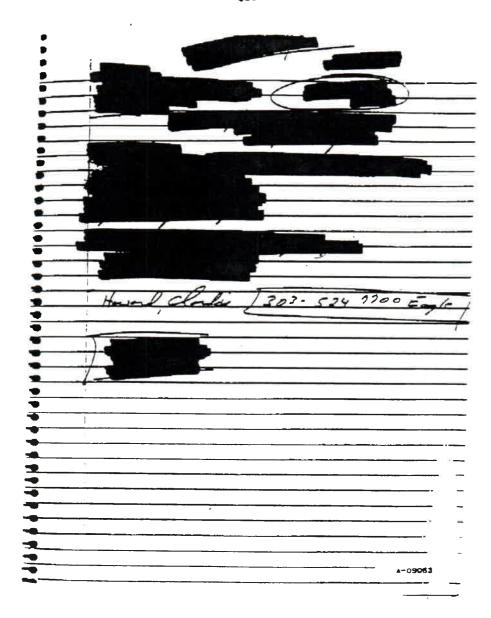
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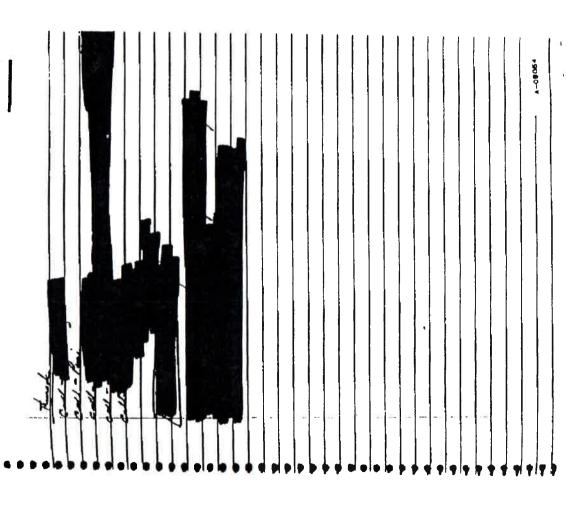
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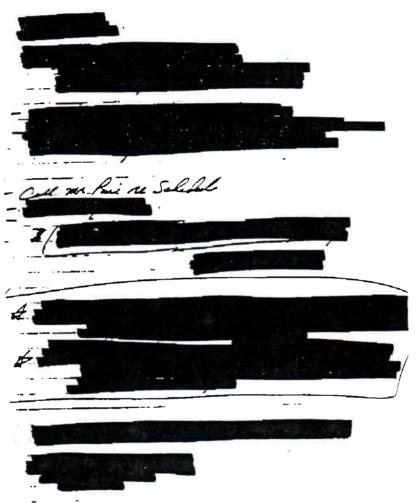


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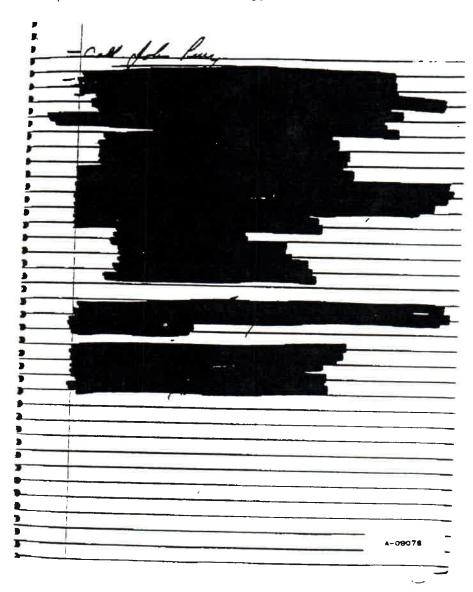
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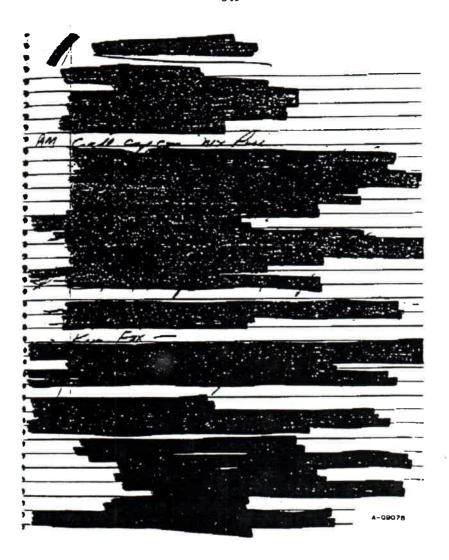
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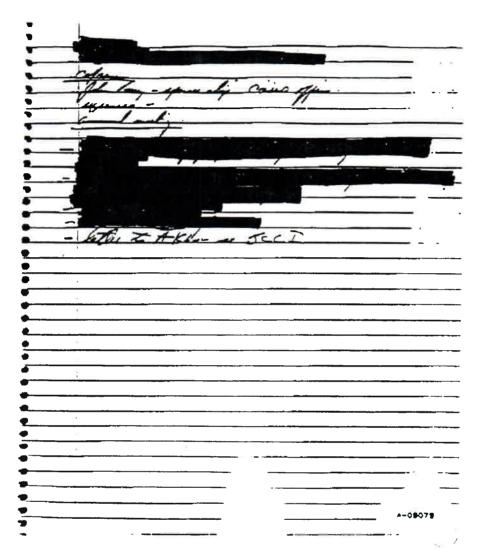
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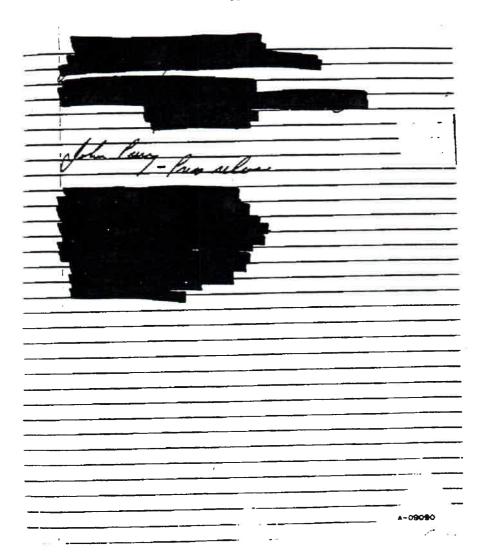
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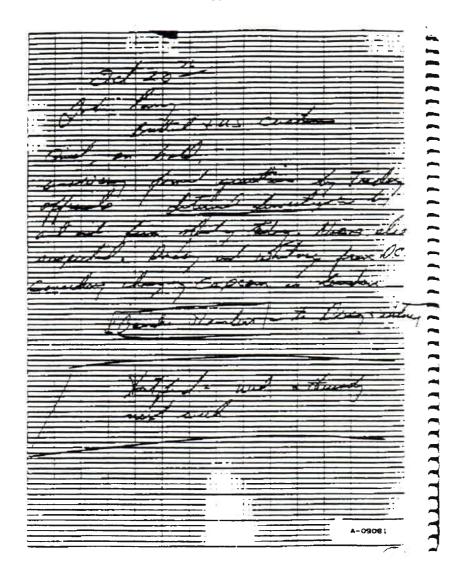
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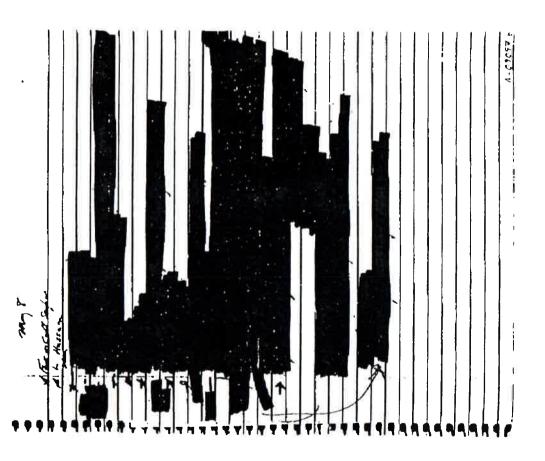


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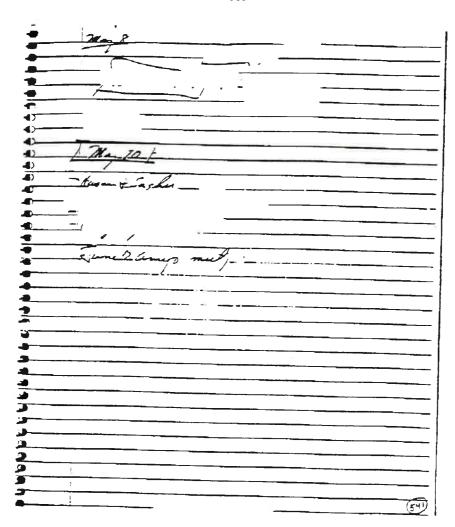
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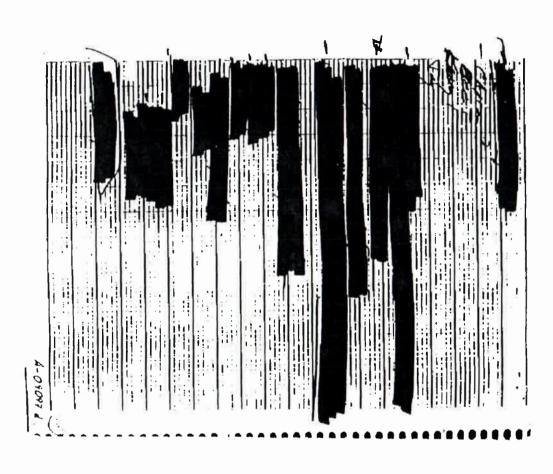
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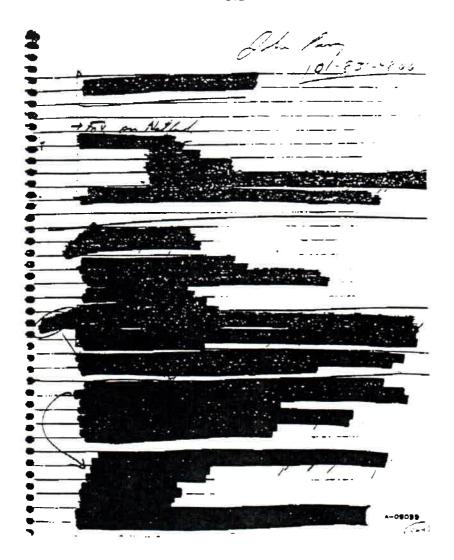
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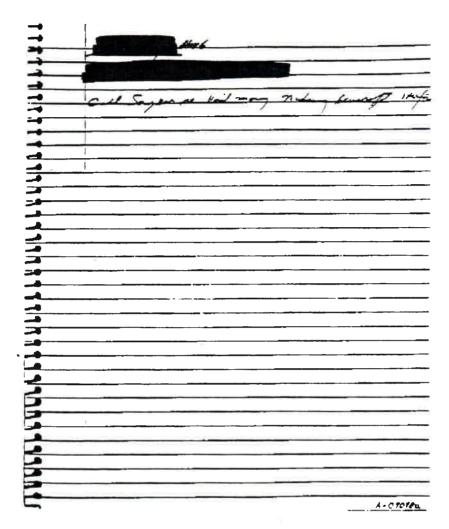
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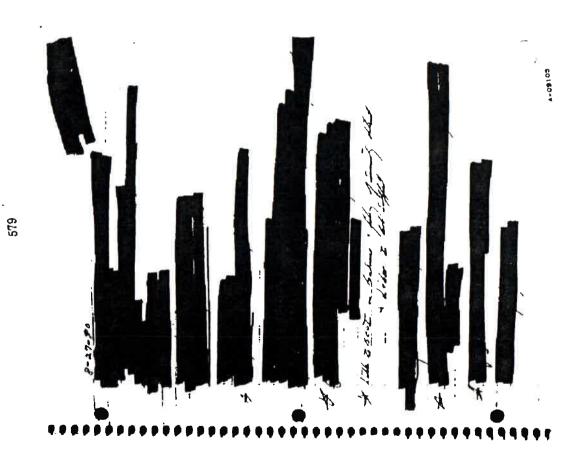


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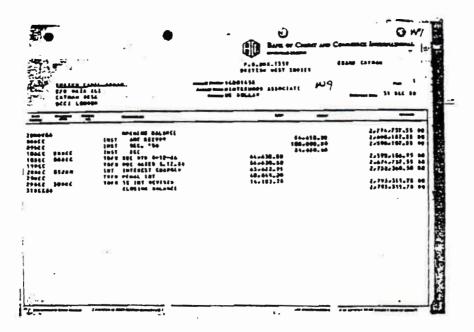


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WINTERWOOD, CHARLES HOWARD GROUP

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- IN ACCOUNT SUMMARIES
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- IV SECURITY POSITION
- V PERSONNEL INVOLVED
- VI SUMMARY OF RECOVERY POSITION
- VIL PROPOSED FURTHER WORK

WINTERWOOD, CHARLES HOWARD GROUP

I HISTORY AND BACKGROUND

The Wittehwood, Cherles Howard bottower, group Excipites three / ecrotions maintained at BCCI (Oversess) - Grand Cayman: 7

The contrivin factor linked these strongs to the montement of Large-Roomest a Cotoredo businessman and Charman of the Board of Capital Control of Capital District Life (CAPCOM). The role he played in each of the common west as follows:

Winterwood Associates (Larry Romrell, Bob Magness, Bob Sallell)

Principal partner in a three partner association developing property in Colorado.

Arrigo Ferms (Larry Romret, Bob Magness, Robert Ehrich) Principal partner in a three partner association speculating on land in Colorado.

Dr Charles Howard

Romret was a partner in the Fox-Romret partnership which built the holiday home in Vall, Calarada bought by Dr Howard.

Moreover, Colliner 1989 almost at correspondence between BCC this two parametrinps and Dr Howard took place through-Larry Romrel who accade as an infermediary, there rarely being any direct communication with the other parametrs or Or Howard.

This arrangement becomes significant when considered in consuction, with the fact that the distribution of all three loans were authorized by onting. Ziangdin Arbar or M. Sagnin, of BCCI Trassury who were key, officials without on CAPCOIL. It is also evident that supported approval procedures were not followed by granting these loans and filler arrangements were not followed by granting these loans and filler arrangements were not followed by granting these loans and filler arrangements. Akber personally monitored the balances in the early period to (1965.4)

There is also evidence from the documentation reviewed that <u>Carty Rottives</u> was in contact with and often personally emercained AR Khali (see Delow for further details).

2

WINTERWOOD, CHARLES HOWARD GROUP

Details available about the other borrowers include:

Dr Charles Howard Medical Director of Houston Northwest

Medical Centre and a prominent personality in s

Houston.

A wealthy Colorado businessman who runs a **Bob Magness**

cable communications empire and in 1987 reportedly had a net worth of \$325 million.

Bob Satiet A successful real estate salesman in Colorado

who is credited with erranging the condominium purchase for Winterwood

Associates.

forder ment of AR Khall

The involvement with Khall is primarily historical, being prior to the granting of the loan to Winterwood. The sequence of events was as follows:

May 1979 AR Khali purchases a residence "Sea Dunes" in

Florida through Maram Trading Co.

Kerry Fox is given power to act on the purchase in Khair's absence. It appears that For knew Khaii in Saudi Arabis during the 1970's when he was involved with construction projects in the region.

It is interesting to note that Fox fived in Windermere, Florida, USA, which is also the trading address for Maram Trading Co and that in certain instances his business address was the same as that of Maram Trading Co.

May/June 1979 -

AR Khall through Khali Investment and Trading Company SA purchases lots 42 - 50 of Lakeside Village, Rockwall County, Taxas from a Mr and Mrs Banks. Although several attempts have since been made to sell this property it appears to still be owned by Khalil Investment and Trading Company, and is being maintained by the Fox-Zinola Partnership (Kerry Fox and a EP Zinoia)

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WINTERWOOD, CHARLES HOWARD GROUP

The property appears to br very unprofitable, not having been let or sold for several years and incurring substantial mariteriance charges, totaling in sicess of \$200,000. These costs have been borne by the benk and not recharged to IQuality Investment and Trading Company.

In May 1980 in a memorandum to Falchir Hussam at Cantral Credit in London Mr Bande Hassam of BCCI (OS) Cayman raised questions regarding why the property had not yet been disposed. The matter appears and to be under research.

CONTRACTOR C

The Fox Ronnel Partnership (Karry Fox and Larry Ronnel) bytan some \$900,000 of BCCI hards to build a house at Barrer Creek Val. (Colorado. F. (Larry Ronnel Subsequently became a partner in both Writerwood Associates and Amgo Farms.)

Upon completion this property was sold to Dr Chanes Howard for \$2,100,000 with BCCI (Overses) United Grand Cayman providing the loss for this argound, o. Or Inoward. Effectively the four for the argound of the control of the original or t

In addition to this historical connection with Khail one other unusual link is a sense of transfers meda out of and back into the Winterwood Associates funding around the year end 1985.

Two amounts of \$1 million were credited to this account from Bank America internetional, New York prior to 31 December 1985. Subsequently, on 2 January 1986, one amount of \$1 million was transferred to First interstate Bank tavouring Larry Romines and another of \$1,018,750 transferred to account number 01024628 of Mr AR Khali with &CCI. Zauddin Akbar and K Muneer were sholved in authorising both transfers.

The 01024528 account has been identified from our investigation into treasury operations as a London treasury 'pool' account,

WINTERWOOD, CHARLES HOWARD GROUP

II. BALANCE ANALYSIS SUMMARY

The balances outstanding on the three accounts of the borrower group, as ${\bf 1}$ at 31 December 1990 were:

,	Winterwood Associates 5000	Amigo Farms S000	Dr Cherles Howard
Balance outstanding interest in suspense Provisions	3,791 - (1,007) (785)	293 (77)	2,460 (748)
	1,999	216	1.714

All exposure being funded.

For a detailed analysis of each account see Section III.

III ACCOUNT SUMMARIES

ACCOUNT SUMMARIES	
Winterwood Associates Inc	
	31 December 1990 5000
Account balance Interest in suspense Provisions held	3,791 (1,007) (7,85)
	1.999

interest has been suspended since 1 January 1988. The original loan for \$2.1 million granted in January 1984 was for the purchase of 14 condominatins in Colorado. We have not seen evidence to support either purchase or the purchase cost.

There have been 5 receipts on the account totaling \$383,000, the last being for \$125,000 in March 1988. The remainder of the balance comprises rolled up interest of \$2,008,000 and charges of \$43,000,

WINTERWOOD, CHARLES HOWARD GROUP

Winterwood has for several years disputed the interest charged to the account and complained of poor statements. The bank have decided that the group has a substantiable claim and have agreed to reverse some \$414,000 of rolled up interest as at 30 June 1990, if the group resume service of the debt.

The provision of \$785,000 was booked at 31 December 1989 in order to bring the red outstanding to the level of personal puzzientees given by the twee pariners in the association, \$2,000,000. However there is some doubt as to the value of these guarantees (see IV Security Position).

1. Nature of lending and use of the account

The initial intention was that the Winterwood partnership would provide a Deed of Trust on the 14 condominum units, to act as security for the bank. This tailed to materialise and as the enforceability of the personal guarantees given is questionable, the lending could be considered to be rean.

Review of account movements indicates that the funding is straight forward and that the current balance is based on the original drawdown, some repayments from the sale of one condominum and interest and service charges.

Two unusual transactions were noted:

- (1) The statement for 30 September 1985 shows a balance owing of \$2,549,000 at the month end. However, the opening balance on the October statement is shown as ref, and is followed by an entry on 10 October, back dated to 30 September, debting the account \$2,554,000. Although not a significant net movement it does raise questions regarding the integrity of the account statement system.
- (2) There appears to have been some attempt to manipulate the account balance at 31 December 1985. On both 16 October 1985 and 29 November 1985 amounts of \$1,000,000 were credited to the account, the transfers being from 8CCI London Foreign Exchange (Treasury) account number 4.85.8050 with Benk America International, New York. The authorities for these transfers were signed by Saghir, Ziauddin Albar and K Muneer.

WINTERWOOD, CHARLES HOWARD GROUP

Subsequently, post the year and, on 21 January 1985, an amount of \$1,000,000 was transferred out to the favour of Larry Romrell, via First Interstate Bank of Denwer account number 8543425 and a further amount of \$1,018,000 was transferred out to account number 01024528 of AR Rhall with ECCL. Again these transfers were authorized by Ziauddin Aliber and K Muneer.

The involvement of Larry Romrell (Cheirmen of CAPCOM), Saghir and Ziauddin Aliber (ECCI Treasury and CAPCOM) raises concern about the nature of these transactions. There is the possibility that the \$2 million involvement through the account served a dual purpose:

- (1) To suggest that the account was operative prior to the year and audit.
- (2) To channel funds through to AR Khall treasury 'pool' accounts. The use of these accounts is discussed more fully in a separate report on AR Khall and the treasury division.

Further investigative work on Treasury operations will be required to ascertain the true nature of these transactions.

2. Interest and charges

Actual interest charged to the account during the seven years since the original drawdown totals \$2,008,000, at an average rate of 10.3%. This is besid on a 1% margin on UBOR as quoted by BCCL. However Bob Safet or the Winterwood partnership was dissassively with the UBOR rate quoted by BCCI as he found this to be substantially different to those quoted by US banks (varying by + 3% to -2%).

After some communication Mr Sharaf Al Hassan of BCCI Grand Cayman wrote to the pannership on 19 September 1990, agreeing to a recalculation of wiverest, for the whose period of the loan, based on MF retay. This would result in a repayment of \$414,000 of interest charges up to 30 June 1990.

The parinership have not however replied accepting this amount or agreeing to the revised outstanding balance.

The account also includes \$43,000 of rolled up service charges during the Me of the loan, after reversal of \$83,000 of charges in October 1988.

WINTERWOOD, CHARLES HOWARD GROUP

3. Picare Bave Coments

Mr.M. Hancock and Mr. Masud Nacvi, both of the Miem office visited Color 500 to filest with Larry Romes and Bob Magness on 5 December 1990 to discuss the landing to both Winterwood Associates and Amigo Ferms. The outcome of this meeting was that:

- (f) The Winterwood partnership would try to self the remaining 13 condominums within 90 days, Le. by 7 March 1991.
- (ii) If a reasonable offer was not obtained within this period, Winterwood would effect Deeds of Trust in fevour of SCCI for each condominum.
- (iii) "All effort" would be made to settle the Arrigo Ferm debt.
- (iv) That the partnership would confirm their agreement to the recalculated outstanding by 31 December 1990.

From recent discussion with the account officer in Grand Cayman, we understand that Winterwood have not abid the condominiums, and further that the bank is still awarting confirmation by the partnership of their acceptance of the receiousted balance outstanding.

4. Authorsations and facility accreves

The tribial drawdown on the account of \$2.1 million was authorised by Ziauddin Akber and Saghir, the amount being credited to Larry Romret, account number 8513425 of First Interstate 8ank of Denver, on 18 January 1884. Evidence has yet to be seen that prior approval was obtained from the Central Credit Committee - the earliest signed approval by the Committee on the is dated October 1986,

With the exception of the flow through of \$2 million in 1985 - 86 noted above, there have been no other drawdowns or authorisations for transfers. The literal Central Credit Committee approval obtained in August 1990 was for a facility renewal of \$4 million to 31 December 1991,

5. STHERMAN BOARD IN

It is apparent from correspondence reviewed that most communication look place between Ziauddin Altoir, and Edity, Romfell. There is no correspondence with either of the other partners, Bob Saffel or Bob Magness. It is conceivable therefore that if the account may have been used for funcious purposes, of which the other partners were not aware,

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WINTERWOOD, CHARLES HOWARD GROUP

From drawdown in Jenuary 1984 to May 1988 the statements were sent to M Saghir in London, and therefore it is possible that the Winterwood paramership did not receive these. This may also have been the case from June 1986 to April 1987, when the statements were addressed to Mr Razi. All at the Cayman desk in London under the name of Shellih Kamal Adham and Gad, although hip connection has been found with these borrowers. Statements subsequent to that date do not have a "send to" address on.

In light of the fact that Bob Saffel did not notice the overcharging of interest unal 1989 and that one of the main reasons given by the partnership for not servicing the debt was the poor record of statement receipt, the handling of statements remains guestionable.

5. Balance confirmations

No recent confirmations of balance on the account were found. It would appear that as a result of the poor receipt of statements and the dispute over interest charges the partnership have been reluctant to agree the amount notified by the bank.

AMIGO FARMS

	31 December 1990 5000
Account balance interest in suspense	293 (T)
	216

A \$300,000 feelity was originally granted to the Amigo Farm partnership in June 1984, with an initial drawdown of \$50,000. This was repaid in Decamber 1984 and a further amount of \$150,000 was drawngown in May 1995.

The facility was granted to anable the partnership of Larry Romréll (Winterwood), 8ob Magness (Winterwood) and 8ob Ehrlich to purchase farmland of 200 acres in Militien, Colorado. Subsequent to the drawdown in May 1985, there have been no other drawdowns or repayments. The present account balance comprises \$150,000 principal, \$140,000 interest rolled up and \$3,000 charges.

9

WINTERWOOD, CHARLES HOWARD GROUP

1. Nature and use of the account

No documentary evidence could be found on the files that the land was ever purchased. In fact, the two amounts drawndown of \$50,000 and \$150,000 would appear to be highly irregular round sum amounts given the interded use of the facility.

The known connection between Larry Romrell, as Charman of CAPCOM and M Saghir and Zieuddin Alber, would suggest that the funds may have been used as payments to Romrell or for other irregular purposes. However, evidence or solinowledgement of such use could not be found. The Treasury everysigation presently underway may provide further insight

The only security the bank would appear to have is a blank guarantee signed by the three partners in June 1984.

2. Interest and charges

The current outstanding includes \$133,000 of rolled up interest which equates to approximately 11% over the period of the loan. As with the loan to Winterwood Associates, the partnership has guestioned the LIBOR rate used in interest calculations by BCCI and as a result the bank have agreed to return \$30,000 of interest, based on the banks at 30,000 of june 1990;

Other account charges amount to \$3,000.

3. Recent developments

Recent correspondence regarding the account has been remarkably sperse, and often takes the form of an after thought in communication concerning the much larger Winterwood Associates debt. As the loan is effectively clean lending, the bank has little leverage. There is no cross len between this debt and the possible security afforced in the case of the Winterwood loan, by way of the condominum properties.

As the meeting which took place between Mr Hancock of BCCI Miams, and partners Larry Romrel and Bob Magness on 5 December 1990, it was agreed that the partners would review the situation and make "all efforts" to a settle the debt in full.

WINTERWOOD, CHARLES HOWARD GROUP

4. Authorisation and approval

Authorisation for the initial drawdown was given by M Saghir, The earliest signed approval is dated October 1999 and suggests a lacility of \$188,000. As the facility is not large there is no formal Central Credit Committee approval.

5. Statement handling and balance confirmation

This mirrors exectly that of Winterwood Associates. All correspondence, except in recent times, took place between Zlauddin Akbar and Larry Romrest. Since less 1989 Faithir Hussain has been the main contact at the bank.

From drawdown to May 1986, statements were sent to M Saghir, and subsequently between June 1986 and April 1987 to Mr Razi Ali at the Cayman desk in London. The statements do not have addresses after this

Customer correspondence again indicates that statement receipt was poor.

Balance confirmations by the partnership were not found during the documentation review.

Charles Howerd

	31 Decamber 1990 5000
Account balance Interest in suspense	2,450 (745)
	-
	1.714

Interest on this lending has been suspended since 1 January 1988.

WINTERWOOD, CHARLES HOWARD GROUP

The original loen made on 8 February 1983 comprised:

	5000
Assumption of Fox-Romrell debt New moneys lent	909 1.091
Amount lent	2.000
Note to Vall Beaver Creek Realty	_100
	2,100 *

The purpose of the loan (\$2 million) was to purchase a property at Vail, Beaver Creek, Colorado.

This included Dr Howard assuming two loans extended to the Fox-Romrett partnership of Kerry Fox and Larry Romrett, who it would appear were the developers of the property. These loans comprised;

	\$000
11002248 Fox Romrell	793
11002931 Fox Romrell	116
	909

(A further Fox Romrell debt \$554,000, account number 11003218, was also paid off two weeks letter, although no connection has yet been found with Howard or Winterwood.)

A total of \$1,288,000 was subsequently received on the account, the last repayment being \$685,000 in. November 1986, Under the original terms of the lending the loan was for a fixed period of 6 months, repayable in August 1983, Full repayment was never obtained, although Howard made a repayment of \$324,000 in September 1983,

It would appear that Dr Howard - who had several property investments - was badly affected by the real estate collapse in the region, following cose-upon the oil problems in neighbouring Texas.

No provision has been booked against the debt to date, the last valuation provided by the bank estimated the property to be worth \$2,590,000,

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WINTERWOOD, CHARLES HOWARD GROUP

1. Nature of lending and use of account

The initial impression obtained from a review of the account is that lending is secured on property, where replayment was satisfactory in the early months but the debtor subsequently defaulted due to personal hardship as a result of meriant conditions.

The account however has certain unusual aspects:

- (1) The level of correspondence with Dr Howard Is surprisingly low for a debt of this magnitude and term. Moreover, up until 1990 communication regarding the loan was made through Larry Romret, a partner of Winterwood Associates and Charmen of CAPCOM.
- (2) In addition to utilising \$909,000 of the initial drawdown to repay Fox Romrel loan accounts in Grand Cayman, the remaining \$1,091,000 was credited to BCCI SA Leadenhall Street, London. The implication is that Leadenhall Street transferred the funds to Bank of Vail Colorado, account number 509183 of Trans America Title Company. This is a slightly unusual routing.
- (3) In its early years the account appears to have been personally looked after by Ziaudoin Alchar of the Treasury Division (as with other loans in this borrower group) rather than a member of the Credit Department.
- (4) There is a poor level of documentation supporting the numerous drawdowns, often for round sums of hundreds of thousands of dollars, totalling \$1,288,000, received in the early months of the account.
- (5) Two credits, one of \$75,000 and another of \$100,000, were received in September 1984. A handwritten letter from Dr Howard indicates that he had remitted the \$75,000 in December 1983 and the \$100,000 in May 1984. Zieuddin Akbar replied suggesting the datay was due to Bank of America. New York not informing BCCI of the beneficiary.

In view of Akbar's close involvement with CAPCOM, and the possibilities of payoffs to Larry Romnell and other individuals shooted with it, the use of this account remains questionable until a clearer picture of the Treasury operation emerges.

WINTERWOOD, CHARLES HOWARD GROUP

A possible scenario may well be that the property was sold to Howard for \$1,091,000 and the remaining \$905,000 was a write-off of Fox Romrell debt or for use by treasury, which Howard consented to include in his debt on a nominee basis. In fact if the repayments received in the early months tousting \$1,288,000 were assumed to be servicing a debt of \$1,091,000 and not \$2,000,00, the resulting balance on the account would be simpst nit.

If this were the case then Dr Howard may consider that he has repaid the debt, and the outstanding may not be recoverable.

3. Recent developments

During 1990 Felihir Hussain was in frequent contact with Dr Howard to obtain repayment of the debt. This culminated in August 1990 with a request from Felihir Hussain that Howard provide evidence that he had been satisfactorily maintening the property, had paid all less and taxes, had obtained proper insurance cover and was genuinely attempting to self the property.

These documents were duly received and after review by T Hancock of BCCI Miams, who had been closely involved with the Winterwood Associates debt, the bank decided to extend the repayment date to 30 September 1991. This decision was primarily based on the improvement in property prices and business in the Beaver Creek, Colorado area last year.

4. Authorisation and approval

Authorisation for both the initial remittance of \$1,091,000 and the adjustment of the two Fox-Romrell accounts totalling \$908,000 was provided by Ziaudon Akbar. The \$1,091,000 transfer was also authorised by K Muneer. There have been no subsequent drawdowns.

The earliest Central Credit Committee approval found was dated 5 February 1982 and sanctions a loan of \$ 2 million up to 28 February 1988. The latest extends a facsity of \$2,250,000 to 31 March 1991.

WINTERWOOD, CHARLES HOWARD GROUP

\$ Statement handling and balance confirmations

From drawdown to May 1986 the statements were sent to Zlauddin Alchar, and se with the other accounts in this borrower group Raza All at the Caymen Desk in London received the statements from June 1986 to April 1997, under the names of Shaikh Kamel Adham and A Gad, athough there does not appear to be any connection with these other borrowers. Given the low level of correspondence with Howard, it is difficult to ascertain whether he actually received the statements.

Confirmations of balances for sudit purposes signed by Howard were not lound in the documentation reviewed, however recent correspondence indicates that he recognises the debt.

IV SECURITY POSITION

The current security available on the three loans is as follows:

Winterwood Associates

A personal guarantee signed by the three partners, Larry Romrel, Bob Magness and Bob Sallel.

There is some doubt over the enforceability of the guarantee given that details have been left blank. However, legal advice sought from external lawyers Hotand and Knight and BCCT's own internal legal department laygest that an internal to construe a guarantee probably could be proved.

When the loan was initially granted the intension appears to have been to obtain Deeds of Trust on each of the 14 condominiums. However due to the urganoy of the financing this was oversoosed.

Recently the bank has been pressing Winterwood to effect Deeds of Trust for each of the remaining 13 condominums, and in December 1990 it was sgreed that if the properties had not been sold by 7 March 1991, Winterwood would commence such a procedure. We understand that the sale has not occurred and that the bank is currently re-evaluating its possion.

Winterwood stated, at the December 1990 meeting, that the best recent offer they had for the property was \$1,7 million. This would imply that a further \$300,000 would need to be written-off the dept.

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WINTERWOOD, CHARLES HOWARD GROUP

Amino Farms

The only security available for this debt is again a blank personal guarantee form singed by the three partners, Larry Romrad, Bob Magness and Robert Elvrich. External legal advice sought by the bank suggests that it is probable that an intersoon to construe a guarantee could be proved.

As Bob Magness appears to be a wealthy businessman, whose connections include Ronald Reagan and Ed Koch (ex mayor or New York), the guarantees could prove of good 'nussance' value at the very least.

Charles Howard

Three forms of security were obtained prior to the granting of the \$2,1 million facility to Dr Howard;

- A mortgage over the property at Beaver Craek, Vail, Colorado, being purchased by Dr Howard.
- (2) A mortgage deed over a second property a duplex at Polato Palch, Vall, Colorado - owned by the Fox-Romrell partnership.
- (3) A personal guarantee of \$2,000,000 from Dr Howard.

The second of these securities, the mortgage over the Fox-Romrel duplex was arranged by BCCI because Howard refused to invest any of his own money in the purchase of the house. However under the terms of this mortgage, the security was to be reseased upon receipt by BCCI of \$400,000 against the lending. As a repayment was made to the account of \$500,000 in September 1983, BCCI were forced after some legal pressure from lawyers representing the Fox-Romrels partnership to release the Montgage Deed over this property in 1990.

With regard to the other securities, legal advice sought from Holland and Knight and BCCI's own legal department concluded that:

(1) The legal language of the mortgage deed over the Bazver Creek property appears to be English Linv and therefore its enforceability may be questionable under Colorado State law. However, the bank its likely to be able to show that there was an intention by Dr Howard to create a security interest in tevour of BCCI.

WINTERWOOD, CHARLES HOWARD GROUP

(2) The personal guarantee does not add significantly to the security provided by the mortgage, although it will have some nuisance value, iii.

Dr Charles Howard's net worth was quoted as \$46.5 million in 1989, and an independent valuation of the property in 1989 placed a price of \$2,59 million.

V | PERSONNEL INVOLVED IN BCCI

Listed below are the BCCI officials involved in authorising and supervising the Winterwood, Charles Howard group of accounts over the period of their axistence and the roles they played:

Zisuddin Akbar - The main official involved with the Winterwood Associates, Arrigo Ferms and Charles Howard lending. Close connections with Larry Romrell (though CAPCOM) and previously with Kerry Fox (of American Teleconstructions Corp) in funding Fox-Romrell construction and Fox-Zinola partnership.

M Saghir - Close contact with Larry Romrell (through CAPCOM) and involvement in the authorisation of initial drawdowns on these borrower group accounts.

 K. Muneer
 Authorising officer, usually as a second signatory, on early lending and transfers. Worked for Ziauddin Akbar in Tressury Division.

Faithir Hussain - Credit Officer for these accounts from 1989 to late 1990, directly corresponding with Larry Romret and Charles Howard to try to obtain repayment or service of debt.

Sande Hassan - Involved in 1980 in reviewing and monitoring recovery of the debts at the Cayman and, where the accounts are located.

Masud Nativi - Credit officer at 8CCI (Oversess) Grand Cayman now responsible for the loans.

Jamil Khan - Involved with Fox-Zinola partnership in the rental of the Lakeside property in Texas, for Khalil Investment and Trading Company.

Saraz Khan/ Involved with Fox-Zinola partnership in rental of Lakeside Sarafaraz Khan property.

WINTERWOOD, CHARLES HOWARD GROUP

VI SUMMARY OF RECOVERY POSITION

The recovery position on the three loans is dependent to a large degree on the connection with Treasury financing and AR Khell accounts.

Considering the accounts individually the Amigo Farms and Charles Howard loans appear to have a greater probability of being Treasury related and therefore recovery on these may be limited or even nit. However, if the Charles Howard loan is bona fide then recovery could be substaneal based upon the property's value and the mortgage in force. In contrast, recovery on the Amigo Farms loan maybe doubtful, although the personal quarantees will have muisance value.

The Winserwood debt appears to look more hopeful. Although the best offer for the property falls short of the outstanding-by \$300,000, utilisation of the initial drawdown for Treasury purposes appears less likely. Given the recent general upturn in the US economy, if Deeds of Trust are effected for the condominums, recovery of the debt may well be possible.

VH PROPOSED FURTHER WORK

- (1) It will be necessary to clearly identify Larry Romrell's connection with the activities of CAPCOM and whather drawdowns from Winterwood went through his own personal account at First Interstate Bank of Denver and on to Treasury at BCCI.
- (2) Obtain independent valuations of both the Winterwood and Charles Howard properties.
- (3) Obtain an update on the success of recent attempts to set the properties by Winterwood and Howard.
- (4) Obtain confirmations from the parties concerned of their liabilities.
- (5) Obtain local Colorado legal advice regarding the enforceability of the personal guarantees (and mortgage in the case of Charles Howard).



12447 # 401

January 29, 1987

FEDERAL EXPRESS AIR

Mr. Zisuddin Akber 22 Basing Hill Golders Green London, England NWIL 6TH

Dest Mr. Akbari

Thank you very much for the time we were able to spend together when I visited London last week. I particularly enjoyed our pleasant evening together the might we had conner with your family.

The discussion we had on the possibility of firsting your company on NASDAQ and the possibility of the assisting you in taking your company public was not employable. There is no question that a company that has not assisted. There is no profit, as you have, would have a very substantial marker valuation. There are fort things that you would have to do to accomplish this and I would be glad to help you when you are ready. There is probably no better time than the present, given the condition of the U.S. and foreign floid tarkets this past month. Perhaps this would have some bearing on your decision as to when this would be most appropriate.

I have taken the liberty of enclosing a dreft of the invoice which Mr. Marshall Swartwood needs from you for the funds that were remitted to you last July. You can either use the form I have attached or have it retyped on your own personal or company stationary. Then sign the invoice and send it directly to Mr. Swartwood in the envelope I have provided.

Mr. Ziauddin Akbar January 29, 1987 Page Two

Trumissory Note for \$250,000 U.S. Dollars and the Warrant for \$0,000 shares of ATC stock, which I showed to you during our last meeting. As soon as you return from Catro, I would appreciate your transferring the \$250,000 to me, in Dallas, for the account of ATC. My secretary. Ettry, will be in touch with you to detail how this may best be accomplished. Once we receive the funds, the completed Note and Warrant will be Federal Enpressed to you at your home address. These will be criginals, not oppies, and should be kept in a safe place. Exite will keep copies of these documents in her dile pers in Dallas, should you ever need them.

I sincerely appreciate your continued interest in American Telecommunications Corporation and your willingness to support us with your loan at this time. I look forward to meeting with you again at the earliest opportunity.

Sincerely.

Retty R. Fox

KRF:kk Inclosures

AMERICAN TELECOMMUNICATIONS FEDERAL EXPRESS

Hr. Ziauddin Akber

Futures: Advisory Services Limited

FAS House

107 Grays Impload

London, England UCIX 872

Deer Hr. Akber:

Confirming our telephone conversation of this morning, both the Promissory Note in the amount of 150,000.00 U.S. Dollars and the "C" Warrant for the 162 Tiest Thousand (50,000) shares of American Cartions Corporation stock at \$1.00 (U.S.)

period of three (3) years, will now be of futures Advisory Services

ed Futures Advisory Services

The revised Fromissory of your question stock at \$1.00 (U.S.)

The revised Fromissory of your question stock at \$1.00 (U.S.) I am enclosing a copy of the revised Promissory
Note which I think will answer all of your questions
regarding the Promissory Note: As I indicated to you earlier, I have shown the Promissory Note to be due and and the second s payable on June 1, 1988 or upon the receipt of proceeds by the Company from any public offering and sale of the Company's securities. This will permit us to carry this Promissety Note in the long termisection of our discount. this Promissety Note in the long term section of our helance sheeth Also note that the Promissery Note shows interest secrued actan annual rate of seven percent (71)

THE MADISON BUILDING . 18861 DALLAS PARIONAY . SUITE 1120 . DALLAR TEXAS 75248

Hr. Ziauddin Akbar
February 5, 1987
Page Two

When you send your sheck in the amount of 1982 10, 000.00 (U.S.: Dellars), made payable to: American Telecommunications Corporation, please send the check to: Kerry Fox, e/e American Telecommunications
Carporation, 315851 Dellas Parkway, Suite 1120, Dellas, Texas, U.S.AT 75248. I will then send both the 1982 completed Premissory Note and Warrant to you by return Federal? Express mail.

I sincerely appreciate your continued interest and support of American Telecommunications Corporation and look forward to talking to you soon.

Sincerely,

Kerry Fox

Kerry Fox

Kerry Fox

THIS NOTE HAS NOT EN REGISTERED UNDER THE SECUR! 'S ACT OF 1933, AS AMENDED, OR THE SALWRITIES LAME OF ANY STATE AND CALMOT BE TRANSFERRED OR SOLD WITHOUT REGISTRATION UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR THE AVAILABILITY OF AN EXEMPTION THEREFRON EATLSFACTORY TO THE COMPANY AND ITS COUNSEL. THE HOLDER OF THIS WARRANT ACKNOWLEDGES THAT THIS MARRANT WAS ACQUIRED SOLELY FOR INVESTMENT AND NOT WITH A VIEW TOWARD THE DISTRIBUTION MEREOF.

AMERICAN TELECOMMUNICATIONS COMPORATION
UNSECURED PROMISSORY NOTE

"COPY"

February ____, 1987

FOR VALUE RECEIVED, the undersigned AMERICAN TELECOMMUNICATIONS CORPORATION, a corporation organized under the laws of the Province of British Columbia, Cameda (the "Company"), hereby promises compy to PUTURES ADVISORY SERVICES LIMITED (the "Payee"), the primatepal lawful maney of the United States of America. The entire principal balance of this Note, with interest accrued at an annual rate of sever percent (7%), shall be due and payable on the earlier of (1) June 1, 1588, or (2) the receipt of proceeds by the Company from any public offering and sale of the Company's securities.

The principal amount of this Note is prepayable, without premium or penalty, at the option of the Company, at any time and from time to time in whole or in part.

All payments by the Company on account of principal of or interest on this Note shall be made by thock at the principal office of the Company, upon presentation of this Note for notation hereon of such payment for if such payment represents the final payment, whether at maturity or otherwise, of this Hote, upon surrender of this Note (for cancellation).

There shall eccur on "Event of Default", if the Conpeny shall default in the payment of any installment of principal or interest on this Note when the same shall become due and payable and such default shall continue for more than 10 business days after the Company has received notice of such default.

If on Event of Default shall occur and shall not be cured, or hegun to be cured, as the same may be, within the applicable grace period set forth above, then the Payse may, at his option, by notice to the Company, declare the entire unpaid principal balance of this Note, and all unpaid attract interest thereon to be due and payable, and upon the receipt of such notice by the Gompany, the same shall become due and payable (orthwith.

All notices and other communications hersunder shall be sufficiently given to the Company if, in writing, sent by first class certified or registered sail, return receipt requested, postage prepaid, to American Telecommunications Corporation, 18851 Dallas Parkway, Suits 120, Dallas, Texas 75248, Attention: Mr. Kerry R. Fox, President, or to such other officer of the Company as it may designate in writing to the Payee, with a copy thereof to messes. Greenberg Irvin & Messinger, P.C., Attn: Stephen Irvin, Esq., 540 Medison Avenue, New York, New York 18022. All notices or other communications hereunder shall be deemed given when received by the addresses thereof or its authorized agent.

IN MITNESS WHIREOF, this Note has been duly executed and delivered by the duly authorized efficers of the Company.

AMERICAN TELECOMMUNICATIONS CORPORATION

•	Kerry	X.	Fox, President
		• 1	COPY"

02/AHTEL4

[Corporate Seal]

ATTEST:

Signature

Same Printed

-2-



June 3, 1987

Ms. Debbie Burden
British Columbia Securities Commission
Province of British Columbia
Superintendent of Brokers
865 Hornby Street
Suite 1100
Vancouver, British Columbia
Canada V6Z 2H4

RI: Mr. Syed Ziauddin Ali Akbar 22 Basing Hill Golders Green London, England WW11 8TH

FILE NO. 065365

Dear Debbie:

Thank you for your time end patience in discussing Mr. Akbar's FORM 4 Application Filing as a Director. I am enclosing a copy of the paperwork Mr. Akbar sent to me for your files.

Fer the Commission's memo dated March 24, 1987, (also enclosed), Mr. Akbar is providing the following information:

(1) FORM 4, Page 1 - Address for Service:

American Telecommunications Corporation 999 West Hastings Street, Suits 900 Vancouver, British Columbia, Canada V6C 2W2

ATTN: Wendy Bottomley

THE MADISON SUILDING + 15851 DALLAS PARKWAY + SUITE 1189 + DALLAS, TEXAS 75246 + PH, (214) 834-9800

Ps. Debbie Burden Superintendent of Brokers Vancouver, British Columbia June 3, 1987 Page Two

(2) FORM 4, Page 2 - Item 7.8)

Mr. Akber has answered "no"

(3) FORM 4, Page 2 - Item 8.8)

Mr. Akbar has answered "no"

(4) FORM 4, Page 3 - 1cem 12.8)

Mr. Akbar has enswered "yes".

EXPLANATION: Mr. Akbar is currently a member of the Board of Directors of American Telecommunications Corporation in Vancouver, British Columbia.

(5) FORM 4, Page 4 - Item 14.A)

Per our telephone conversation you said that your supervisor said that this item did not require an explanation as you could readily see that he had worked for a hank.

Debbie, if any other information is required, please let me know. I enjoyed talking with you today.

Sincerely.

KITEY KESTED FOT SYED ZIAUDDIN ALI AKBAR

KK/

cc: Ziauddin Akbar Karry R. Fox Wendy Bottomley



KEMIT R. FOX

June 15, 1988

"FAX" TRANSMISSION

Ziauddin Akbar Futures Advisory Services Limited F.A.S. House 107 Gray's Inn Road Lendon, England WCIX 872

Dear Mr. Akbar:

Thank you very much for making available the \$100,000 to American Telecommunications Corporation, which we received last week. I particularly appreciate your working with my secretary, Ritty, to find the "lost" monies for us.

As both Marshall Swertwood and I have mentioned to you, we are working with at least three organizations to do a long term financing program which we believe we will be able to arrange within the next three to six weeks. Unfortuately, these things always seem to take substantially more time than you first expect, so I would once again ask you if, at this time, you would be willing and able to advance ATC the additional monies you and I talked about.

Instead of the \$150,000 I had initially forecasted, an additional \$100,000 would be the amount needed as we have been somewhat successful in collecting some of our older past due accounts which makes it possible for ATC to meet its obligations this month.

I fully realize that you only promised to consider a second loan but I am now asking you if this would be possible. As I stated in my earlier letter to you of hay 5, 1988, you would accrue interest on the total obligation at a rate of ten percent (10%) per annum, I

THE MADISON BUILDING + 16861 DALLAS PARKWAY + SUITE 1130 + DALLAS, TEXAS 75248 + PH, (214) 934-8900

Zisuddin Akber June 15, 1988 Page Two

would not ask you for any additional funds in the future and ATC would begin repaying these loans sometime during the latter part of this year. I further assure you that I will not ask that you convert this debt to equity.

For the month of May we will actually show our first operating profit and we expect that June will show a bottom line modest profit as we go out of this fiscal year. Since our fiscal year ends in June, we will most likely write-off a number of items such as obsolete inventory and uncollectable receivables as we go through our annual audit. This will clear the books and start us off on a good, strong, profitable year starting July 1, 1988.

I sincerely appreciate your continued help and support of ATC and I will give you a call within the next few days to see if you will be able to help us with this cash flow shortfall.

Very truly yours,

Kerry R. Fox

EEF: kk

7.5. Incidentally, Ray Cottrell and I set in Toronto to discuss the matter you and he recently discussed. He presently plans to visit London on or about June 30 and would hope to see you at that time.



June 27, 1988

"TAX" TRANSMISSION

Mr. Ziauddin Akbar Futures Advisory Services Limited F.A.S. House 107 Gray's Inn Road Lendon, England WCIX 8TZ

Dear Mr. Akber:

I have been unable to reach you by telephone so hope this "fex" finds you well and back in England safely.

ATC's Board of Directors has granted you another Warrant for 50,000 shares of ATC stock in recognition of the \$100,000 loan you sent to ATC earlier this month. I need to know who leaned ATC the money, i.e. Capcom, FAS or yourself personally, so that I, may type the Promissory Note and the Warrant.

I am going into the hospital Wednesday morning and will be out of the office for several weeks, so I would appreciate getting this information no later than tomorrow so I can get these items typed while I am at home recuperating.

Thank you so much for getting me this information and I will look forward to talking to you again, probably when I get back in September.

Very Eruly yours ,

Kitty Keeley Assistant to Kerry R. Fox

KX/

THE MADISON BUILDING . 1985 DALLAS PARKWAY . SUITE 1120 . DALLAS, TEXAS 75245 . PH. (214) 834-9500



ETMY # FOX

September 30, 1988

"FAX" TRANSMISSION

Mr. Zisuddin Akbar Futures Advisory Services Limited F.A.S. House 107 Grays Inm Road London, England UCIX 872

Dear Mr. Akbard

I am happy to report that ATC has made a proinfor the first time. In the month of July. I am enclosing a copy of a forecast I recently prepared which shows that we expect to achieve approximately \$2 million in profit, before taxes, this year on sales of about \$13.5 million.

While my estimate for July was \$10,000 bortom line profit, we actually achieved \$12,000 profit. Certainly this is not a large profit, but is a substantial improvement over ATC's past performance.

I am also enclosing a copy of the billing records for our new credit card ("0-") service that we initiated earlier this year. As you can see, we are currently billing at a rate of approximately \$80,000 per week which represents an annualized figure of approximately \$6 million.

Our business continues to expand and we have made arrangements to obtain equipment financing through several of our transmission car.

In looking at the enclosed billing analysis you will see that we have billed a total of \$1,685,521.24 since we began the 0+ service. The billing agency that handles this for us is like a Visa or MesterCard clearing house/billing organization. The agency bills our telephone calls back to the home telephone number of the person who makes the call. For example, if I

THE MADISON BUILDING . 15851 DALLAS PERSONAY + SUITE 1130 + DALLAS, TEXAS 78346 + PH, 1214) 834-9600

Mr. Ziauddin Akbar September 30, 1988 Page Two

were to make a call from a hotel in Galifornia, my call would be billed to my home telephone number here in Dallas and I would receive the charge on my telephone bill from Southwestern Bell Telephone Company. This system for collecting the money for the telephone call is almost foolproof because the person making the phone call must pay his phone bill or the local telephone company will terminate his telephone service.

The drawback with this type of service/collection process is the length of time it takes for ATC to receive the monies. As an example of this, ATC has billed \$1,655.521.24 since the 0- service began but only received approximately \$500,000 of this amount. The reason for this is that the billings expand as the business grows but the time lag in the billing/collection process remains the same. In other words we are penalized for growing insofar as cash availability is concerned.

We are talking with several banks about a receivables financing program and I am sure that as soon as we can report a first quarter profit this process will become much easier. In the interim, and with your assistance, I would like to look into the cossibility of arranging a line of receivables financing with one of the companies or banks that you are associated with in London.

We would like to establish a credit line, based on our accounts receivable, and which would be collateralized by the assignment of ATC's total 0-receivables due and payable from the Bell System credit card clearing house. The collateralization of these accounts receivable is accomplished by assigning the total proceeds from this clearing house (which today totals \$1,685,521.24) less the approximate \$300,000 ATC has already received. Of course, this \$1.6+ million is still growing at an approximate rate of \$85,000 per week. We are looking at a credit line that would equal 90% of the outstanding receivables, at any given time, but at no time would it exceed \$1.5 million.

ATC submits billing tapes to its credit card clearing house on a weekly basis and the clearing house then gives us a detailed weekly summary showing all

Mr. Zisuddin Akbar September 30, 1988 Page Three

amounts accepted for billing. This summary plus any other information as to the status of this working capital funding arrangement, would be made evailable on a weekly basis.

I feel certain that ATC can provide any lending organization with full and complete legal rights to these receivables which will assure the repayment of any funds made available, through a legal and binding "Collateral Assignment of Revenues" agreement.

To compensate any lending organization that would finance these receivables, ATC would be willing to pay an interest rate of up to two points over prime on all curstanding belances. Additionally, ATC would propose to grant a substantial number of non-cellable three year warrents for ATC common stock at a price at or alightly below current market price.

While you might think this receivables financing approach unusual, it does have merit and will substantially improve ATC's ability to grow. The profit potential we project for this fistal year makes the warrants offered an upside profit potential.

I will give you a call on Monday to see if you might know of a bank or financial organization in Europe that we could concact to further explore such a financing program. Thank you for your continued support of ATC.

Very truly yours,

Kerry R. Fox

KRF:kk Enclosures (2)

ZERO BILLING ANALYSIS

Date Submitted	Revenue	Himutes	Honth Booked
5/16/88	\$94,292.13	157,932,4	HARCH
5/25/88	\$136,111.33	230.996.4	APRIL
5/20/88	5118,833.19	230.651.0	MAY
3/26/88	\$51,186.32	83.747.1	MAY
6/02/88	\$43,152.03	64,552.8	MAY
6/10/88	561,410.30	91,565.7	JK'NE
6/17/88	\$85,106.27	125,134.8	JUNE
6/24/89	\$82.599.24	124,028.3	JUNE
7/01/88	\$76.363.44	112.325.1	TINE
7/53/83	- \$35,696.81	75,998.5	JULY
777124	\$99,242.64	144,190.9	JULY
	\$87,004.36	126.032.5	3214
7/29/20	583,094.36	127,503.6	JULY
8/03/66	\$75.491.53	115.615.5	AUGUST
1/12/15	\$78.36C.76	116.559.4	AUGUST
8/17/55	\$73.718.95	111.276.6	AUGUST
4/24/S8	193,622.37	1-6.132.8	AUGUST
9/02/03	\$69.733.21	104.026.9	AUGUST
9/09/65	553,494.13	85,077.7	SEFT.
9/15/35	\$81,063.75	124.410.6	
9/11/56	\$\$3,321,72	141.190.7	SEFT.
7/ -2/30	\$33.221.72	141.190.7	SEPT
TOTAL	51.683.321.24	2,662,871.6	

RAP : dak

AMERICAN TELECOMMUNICATIONS CORPORATION

PRELIMINARY PORECAST - FY'89

	SALES	787
July	695K	108
August	748K	36 .
September	817E	638
IST CAMARIER	2,260K	1148
October	AT3K	911
Navember	958E	122#
December	817K	5.7K
2ND QUARTER -	2,668K	: FCM
BED QUARTER	3.500K	53c2
HTH QUARTER	5.000K	: ,00nE
	13,4288	1.9338

11/8/88

Owned By:

Owned By:

ZASK

FAS

ZASK

AKSAT

ZASK (street name)

ZASK (street name) FAS (conversion of debt)

RE: ZIAUDDIN AKBAR

Shares of Stock Owned:

150,000 30,000 177,102

Promissory Notes Due: \$100,000 (6/1/89)

Warrants Held?

50,000 50;020

Warrants (not dissued)

25,000

KRF : kk



TELECOPIER TRANSMITTAL MEMO

	PLEASE DELIVER IMPEDIATELY	
	reares are accepted.	
RE:	I will call you tomorrow morning after you have red a prante to	
	ATC'S Telecopier Number is: 214-680-6884	
FROXI	ROTTY R. POR	_
	al Mariane . The same is a same in the sam	
	, , ,	ς, \$
) Admin 10K 120m	
TO:	Telian Telian	لحد
DATE :	MED.	

Number of pages including this transmittal meso:



June 11, 1990

Putures Advisory Services, Ltd. c/o Fr. Sieuddin Akbar F.A.S. House 107 Gray's Inn Road London, England WCIX STE

Gentlemen:

Please refer to the terms of the certain American Telecommunications Corporation C Redemable Werrant dated February 12, 1587 granting you the right to acquire 50,000 shares of the Common Stock of American Telecommunications Corporation (hereinafter referred to as the "Warrant").

This letter will confirm to you that the above described Warrant is hereby abended to provide that the exercise price for the shares purchasable thereunder shall be \$0.36 per share and the expiration date shall be extended to April 27, 1995. Other than as specifically amended by this letter agreement, all other terms and provisions of the Warrant shall remain in full force and effect.

If the terms of this letter accurately set forth the terms of our agreement with respect to the Warrant, please execute this letter in the space provided and return one copy to the uncertified.

Sincerely,

AMERICAN TELECONOMINICATIONS CORPORATION

ANT REST R. FOX PERSONS

AGREED TO AND ACCEPTED this 1870 day of June, 1990

FUTURES ADVISORT SERVICES, LTD.

271 Sueline Puli

TILLES DIRECTOR

1001 SOUTH SHERMAN STREET + RICHARDSON, TEXAS 75081-4889 + PH, (214) 680-8200



December 2, 1988

"FAX" TRANSMISSION

TO: Mr. Ziauddin Akbar

FR: Kitty Keeley

TO CHANGE THE OWNER OF THE PROMISSORY NOTE:

This is like endorsing a check. I have typed up an example which is attached. First, get the original Promissory Note that I sent to you. Second, on the last page of the Note put the date. Third, write in the name the Mote is 'payable to'. Fourth, sign the Mote on behalf of ZASK. Fifth, you have to put in your 'title', i.e. what is your position with ZASK.

That's all there is to it.

Kerry hope to pay off some of this Note by the end of this year. At that time ATC will formally notify you that we wish to make a partial payment. At that time, you will have to send me the original Note and I will then re-issue a new Note to you for the remaining amount and I will make out the Note to wheever you want.

TO CHANGE THE OWNERSHIP OF REGISTERED STOCK!

Marshall Swartwood's effice is sending this paperwork to you today by DML courier meil. They said the paperwork would be self-emplementery. Any questions you have on this should be directed to Marshall Swartwood.

THE MADISON BUILDING + 1661 DALLAS PARKWAY + SUITE 1120 + DALLAS, TEXAS 76345 + PH, (214) \$34-4900

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES AUT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND CANNOT BE TRANSFERRED OR SOLD WITHHIT REGISTRATION UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR THE AVAILABILITY OF AN EXEMPTION THEREFROM EATISFACTORY TO THE COMPANY AND ITS COUNSEL.

AMERICAN TELECOMMUNICATIONS CORPORATION UNSECURED PROMISSORY NOTE

June 9, 1988

FOR VALUE RECEIVED, the undersigned AMERICAN TELECOMMENSICATIONS CORPORATION, a corporation organized under the laws of the Province of British Columbia, Canada (the "Company"), hereby promises to pay to ZANX INVESTMENT AND TRADING COMPANY (the "Payee"), the principal of ONE HUNDRED THOUSAND DOLLARS (\$100,000 U.S., in lawful money of the United States of America. The entire principal belance of this More, with incerest asserted at an annual rate of ten percent (10%), shall due and payable on the earlier of (11) June 1, 1989, or (2) the raceipt of proceeds by the Company from any public offering and sale of the Company's securities.

The principal amount of this Note is prepayable, without premium or penalty, at the option of the Company, at any time and from time to time in whole or in part.

All peyments by the Company on account of principal of or interest on this Note shall be made by theck at the principal office of the Company, upon presentation of this Note for notation hereon of such payment (or if such payment represents the final payment, whether at maturity or otherwise, of this Note, upon surrender of this Note for cancellation).

There shall occur an "Event of Default", if the Company shall default in the payment of any installment of principal or incerest on this Note when the same shall become due and payable and such default shall sentimus for more than 3D business days after the Company has reserved medice of such default.

If an Event of Default shall occur and shall not be cured, or begun to be cured, as the case may be within the applicable grace period set forth above, then the Payee may, at his option, by notice to the Company, declare the entire unpeid principal balance of this Mote,

EXAMPLE

and all unpaid accrued interest thereon to be due and payable, and upon the receipt of such notice by the Company, the same shall become due and payable forthwith.

All notices and other communications hereunder shall be sufficiently given to the Company if, in writing, sent by first class certified or registered mail, return receipt requested, postage prepaid, the American Telecommunications Corporation, 13851 Ballas Parkwey, Switz 1120, Dellas, Texas 75248, Attention: Mr. Kerry R. Fee, President, or to such other efficer of the Company as it may designate in writing to the Payer, with a copy thereof to Messrs, Greenberg, Irwin & Weisinger, F.C., Attn: Stephen Irwin, Esq., 340 Medison Awanue, New York, New York 10022. All notices or other communications hereunder shall be deemed given when received by the addresses thereof or its authorized agent.

IN WITNESS WHEREOF, this Note has been didy executed and delivered by the duly authorized officers of the Company.

(Cerperate Seal)

ATTEST:

DATE:

PAYABLE TO:

Assistant Secretary

Title

(President)(Owner)(

STATEMENT OF WITHIRS

HANT:

HAME: Larry E. Romrell
ADDRESS: 5823 South Kearney Street
Englewood, Colorado 80111

I currently hold the following offices:

President/Director Director

WestMarc Communications, Inc. United Artists Entertainment

I have been with the parent company, Tele-Communications, Inc. for approximately 30 years.

I met Mr. Ziauddin Akbar in 1981 when he came to Denver representing Shiekh A. R. Khalil to investigate the lease or lease/purchase of a home which a partnership I was involved with had built in Vail, Colorado. At that time, Mr. Akbar was employed by the Bank of Credit & Commerce International in London.

Through this first introduction my partner and I, Kerry Fox, investigated the possibility of construction loans through the bank. Mr. Akbar was instrumental in setting up two separate construction project financings through BCCI for myself and Mr.

During our negotiations and pay-off of these accounts, we found Mr. Akbar to have the utmost integrity, living up in every way to his commitments to us.

At a later date, Mr. Akbar asked if I would be interested in joining him in a new venture which would be involved in the commodities market. He presented a business plan which represented a reasonable return on the required investment and I agreed to invest with him. The business was CAPCOM financial Services in London.

During my business dealings with Hr. Akbar, I found him to be a trustworthy and forthright person. Hr. Akbar was very desirous of following and being in compliance with the applicable laws and policies of the U.K. and the United States.

I believe him to be a very religious person, as well as a good father and husband. Mr. Akbar tends to be a rather shy and introverted person. I find that he does not completely understand the English language when spoken too quickly, and often times during a conversation with him I would have to have him repeat himself because of his native accent.

A-06904

My association with Mr. Akbar over the past several years has been a very were and friendly relationship. I have always found him to be very honorable and I have the utmost trust and faith in his judgement. His business and personal athiom are above consure.

A-06905

THE CAPITAL FUND

FINANCIAL STATEMENTS -- 30 SEPTEMBER 1986

TOGETHER WITH MANAGERS' AND AUDITORS' REPORTS

THE CAPITAL FUND

MANAGERS REPORT

FOR THE PERIOD ENGED TO SEPTEMBER 1984

We are pleased to present the annual report on the affairs of The Capital Fund."
["the Fund"], together with the financial statements and auditors' report, for the period ended 30 September 1986.

RESULTS FOR THE YEAR

As you are all aware, the Capital Fund cambenced trading on 1 January 1986 with an initial ambacription of USS 10,000,000.00.

We are pleased to advise you that the net asset value of the Fund as on 30 September 1986 assed at USS 10.885.920 representing a net increase in its value of 8.89% (II.85% annualised), compared with interest rates over the same period which averaged 5.50%.

Over the past sine menths, the stock, bend and currency markets have all been exceptionally velacile. We feel, however, that we have managed to realize a reasonable rate of growth for the fund even in these extreme conditions. In the future we hope to better post performance without necessarily setracting from our conservative approach.

DIRECTORS OF THE FUND AND THEIR INTERESTS;
The directors who served during the period are as shown below-

R.R. Fox (appeinted 2 July 1985)
H. Davica (appeinted and resigned 2 July 1985)
G.J.E. Stein (appeinted and resigned 2 July 1985)

The directors who held office at 30 September 1986 had no interests in the preference share capital of the Fund.

Directors' remuneracion during the period was hil.

MANAGERS' REPORT (Cantiqued)

AUDITORS:

The directors will re-eppoint Arthur Andersen & Co, as auditors for the ensuing wear-

7.0. Best 1043 Grand Caymon Islands British West Indies

Capital Monagement Services

19 December 1986

To the Sumbers of THE CAPITAL FUND:

We have examined the balance sheet of THE CAPITAL FUND is company incorporated in the Coyman Islands) as of 30 September 1986 and the relates statements of operations and changes in financial position for the period then ended. Our examination was made in accordance with generally accepted auditing standards and occordingly included such tosts and other procedures as we considered necessary in the streamstances.

In our opinion, the financial statements referres to above present fairly the financial position of THE CAPITAL FUND as of 30 September 1986 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

19 December 1986

THE CAPTTAL PUNG

RESOLUTION IN WRITING OF THE SOLE DIRECTOR PURSUANT TO ARTICLE 140 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY.

I, the undersigned, being the duly oppointed Alternate of the sole director of The Capital Fund ("the Company") hereby:-

APPLICATIONS FOR PARTICIPATING REDEDUABLE PREFERENCE SHARES ("SHARES")

 NOTE that pursuant to the Company's Offering Homerandon dated 16th October, 1963, the following applications for Shares had been received by Capital Management Services Limited ("the Managers"):

Ameijesme	No. of theres	Subscription Monies
Mr. S.P. Sethi	90	\$ 90,000
Mr. Sabahuddin Khan	100	\$ 100,000
Mrs. 1. Siddiei	60	3 40,000
Mr. H.A. Basbeed	110	\$ 110,000
Lindar Ltd.	60	\$ 60,000
Consolidated International Securities Inc.	145	3 145,000
Mr. H.L. Theoar	75	\$ 75,000
Hr. Sultan Adhan	170	1 120,000
Nr. Passal Adham	120	1 120,000
Miss Sara Adhan	120	1 120,000
Miss Media Adhen	170	\$ 120,000
N. Z. Sheikh Kamel Adhan	120	\$ 120,000
Hr. I.E. Eljaumary	125	\$ 125,000
Mr. Abbes Eljawhary	123	\$ 125,000
Nr. Hesser Eljaunary	125	1 123,000
Hrs. Node Abdel-Karsm	120	1 120,000
Hr. Hammon Eljauhary	120	1 120,000
Mercan Trading and Investment	600	\$ \$00,000
Zank Investments and Trading	2.345	\$ 2,365,000
Focus Holdings Inc.	1.200	\$ 1,200,000
Hr. Rasuiddin Akbar	4,000	\$ 4,000,000
TOTAL	10,000	\$10,000,000

 NOTE the concerts of a letter dated 15th January, 1986 from Benkamerica Trust and Benking Corporation (Cayman) binited in Grand Cayman confirming that the subscription monies in respect thereof have been received.

J. RESOLVE

- (a) That sil such applications be assepted in full and that Shares be issued to the applicants pursuant thereto; and
- (b) That the Hangers be instructed to arrange for the lasse of the relevant Share Cortificates, by letter in the form annexed hereto.

7.

SHARE CERTIFICATE

 BOTE the form of the Participacing Shere Certificate determined pursuant to Bessiution 18 passed on 14th October, 1985, a copy of which Certificate is amound hereis.

Dated this day of June, 1986, Signed: Mohammad Saghir

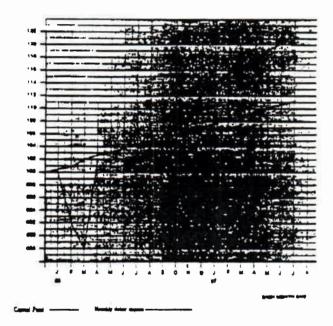
Buly appointed Alternate for Kerry May For



Month End July 1967

Initial Investment on 1 Jan 1986	\$1000
Value per share at close of business month end July 1987	\$1217.50
Cumulative return to date	21,75%
Annualised return to date	14.73%
Return in last 12 months	19.13%

Capital Fund Share Performance Versus Performance of a cumulative monthly dollar deposit



Report on trading activity for July 1987

The market appears to premitte a re-consequence of inflations, with come inclusions being experience of that were as all preses denoted on the security market on \$90 as a money. Us consequence remains to the consequence of

la addition we want of the opisions that bonds ware due in desiline as yreids rues. Dus the First made several quant water spectrag the boods.

Understancisty, most of these successed term experite laboral by remaining story pentions on Storic Lockers. In reality very make terming of this stage makes, all makes and the requirement ments from led to new ladge being reached on the S&P history daily. As a small say to the mass at 15 Squitters Burley the Yang has the mass mass mannerall has found by write programmer in US Equitors Burley the risks and vertical said expense.

Review of future prospects

We still believe that with the marrow beneath to the marryst and the clause ments of the sea of of the build run such as the extrement means, much invessed belying and the very ran of the build rest that the followers make resent deem worth, Therefore the Food will buy long terms done out-of-the out-of-the massey field but spicious teaching for a flagor exercise.

With influences from still appeared we shall remain long of hope and pression metals. We feel the absolute developed on fillers in 640° per on, parametally mang to 1200° per on. On correction the shaller my stage a relly, the week of the sharp strength and emmands

The regard to Boods, we first because in US long ware, institute for yould us race in the last manual to be shown for the will be being for a small corrective race to the local day of may be being for a small corrective race to the local of may duly 01 on dependent taken calling again.

On UT Germaness Olds the pumper leaks the same as bands. The Germaness is a seller is levely put shown 118 and previded there as he weight of livering beying we shall no! Guilles as mily:



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THE CAPITAL FUND

SHOWY

The following information is derived from the full text of the Officery Manuscreams and should be reselve companions thereofy,

Re fund

The Fund is an open-wided investment company established in the County fishers, and empowered grider and subsect to the laws of the County senses to these and redoem its own preference shows.

To provide a means whereby investors may perfection in a managed portfolio consisting. Arpose

FIRE BIG. Of COMPOSITY and Intercell Futures, DECOLE and Other PRESS, Stock, Conds, and

NEXTORS, CUMPICIES and CASH INSIATIONS, and colors on any of the Energying

To provide an estate with all high a capital growth as consider through the propert studing of INVESTMENT ODJECTIVE

SUBJECT OFFICER THEORY CUTTOCOME SECURDISE AND COSTS PREFUTNETS.

Diversification of risk thirough use of a school of investments and use of colours strategies to MARTINET POLY

maximus grows.

The Fund suffers we have there Coymen billings on its investment income and realisations of

capital gars. Withouting the may be imposed by cortain jurisdictions upon dividents and manes received by the fund on securities and debt obligations head by the fund in such

MERCEON

Participating Shares are denominated it U.S. obtains and the minimum initial evaluations will Denomination and Minimum investment

be \$50,000 inclusive of the Manager's inter-charge) is, a hosting of 50 Participancy Shares.

The Participating Shares will be valued moretry as at the cose of business in Oricago ML#001

normally on the last business day of each month.

Participating Shares may be insued as recommed rearmably on the first business day of each SELE and Recempton

it is not anticosted that the fund will say dividends. All profits on predictions hehister Destroy

accords records or capital gains) will be removated in accordance with the fund's arm of

ACTIONNE PROPERTY CASTA STONE.

Corps

A Mile Corps Amount of 471% of funds revised

A Manustration

35 per artism of Net Asset Volus, charged monthly M Par Fee

M Incarded fee charged morety at the rate of 15% of the profits of the Fund create on its insentments as the

proceding month. Any loss from an serior month 6 control briving until quinculand.

\$1750 per contract traded Il Bourse for

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345 4503 85843 Series Arthress Street Character Street

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UPCE FRANK

9 - 13 St. Archae Stratt Lorces (13.14 Atl)

THE SERVES ACENDY BATTY

DIECY CALSING

HER SHIP STEE STEELEN P.O. Box 1045 Grand Caparier. EX. HERRY TOP)

NOTIVITIZINIMON

AZU ADMA GONNO SUMMERS FOR FOR MY ALL DAY 15/00 to SAM road and person remain serial 24/0 to 0 14

OBJECTIVE AND INVESTMENT POLICY

The objective of the fund is to reside it growth rate in net assets our state from investments in futures, colored, metals, currences, bords, stocks and case measurements.

A policy of present risk reduction through the use of options and the spirits of copies the different naturnants will be pursued.

Investments will be principally in Inverse and controckly futures and oppoint, pricticus and other medits procuring medit futures and deposit currencies, cash stacks and other cash securious and spoop and borns.

Where transactions are passed with province authors the Principal Broker's self-country political placement will only be made strongs province or record.

The presented of the fundament of course, subject to review fundaments and to the rest interest in all investments. It should add the noted that have reviewed and to purchasely some results for the price of Participants Shares may go down as well as up.

CHECKS POUCY

In order to afford maximum growth ride in not assess our stars all profes made on investments will be instructed and consequency is well not be the body of the Omestos to incomment that dividence be destined.

FD0059672

57-961 0 - 92 - 21

HARLEMENT ALC ACMICGRATION

The Decay

Kerry Roy Pox of Windermers: Oracido, Ponda, U.S.A. Mr Fox is Chairman. President and Chall Establish Officer of American Telecommunications Carporation and Chairman of Intelligent Business Communication Carporation for Ass a SSEE from the University of Microsoft

The Marie

The force has been established in the Capitan States by Capital Navagethest Services (United (the Manager)) Persons the sale and abbition of Personaumy States the Force is substitutely of the Manager.

Under a Management Agreement between the Fund and the Manager, the Manager is reportable backets to the overall control on the Dividion' for the general menagement, and activities control to Fund, its business and investments. The Manager may accept the mones of the Fund at its decreases as the accusation of such investments in such information for the fund it self-existings, very or someosis the same.

The Manager of employ to cought perform of no bowers and by an Administration Agreement between the Manager and Clystowen Corporate Services Lampagine Manager has accounted the latter to but as its energies in the performance of carrier of the Manager's Autobore and duties in rejection to the generalization of the Fund set out therein, including attention to the generalization of the Fund.

The Manager may act as Manager of other funds in the house, any or which may be investing in the same manets as the Fund

Further detains of the Atlanguagest Agreement and Administration, Agreement are set out in caragraphs 4 fall and (i) respectively on page 13.

The Investment Adviser

Unger an investment Advisory Agreement between the Fund the Managar and Futures Advisory Services Littled (the investment Advisor) the lighter has been appointed to act as investment Advisor to the Fund and the Managar.

Further details of the principal terms of the investment Advestry Agreement are set out in paragraph 4 bit on page [3]

The Arraceal Brown

The first and the Manager nove appointed Capital Commonty Dealers Limited to act as the Fund's Precipal Broad.

The Provided Brother will change a like of \$1750 for each investment transaction hundries outstake or sale) adjuded by it on behalf of the Fund.

CAPITAL HANAGEMENT SERVICES LIMITED

VRITTEN RESOLUTION OF THE DIRECTORS PURSUANT TO REGULATION 77 OF THE NEW ARTICLES OF ASSOCIATION OF THE COMPANY

We, the undersigned, being all the Directors of Canital Henagement Services Limited, ("the Company") pursuant to the seid Regulation 77 hereby:

Post-Incorporation Metters

Previous proseedings

- 1. NOTE the contents of the Himster of:-
 - (a) A Meeting of the Subscribers of the Company held on 27th June 1985 at which D.G. Bird and G.J.R. Stein were appointed the first Directors of the Company.
 - (b) A Heeting of the Directors of the Company at which Cayhaven Corporate Services Limited was appointed Secretary of the Company, Hasses. Stein and Bird resigned as Directors and Paten Holding Inc. and Zask Investments and Trading Company Limited were appointed Directors...
 - (c) A resolution of the Shereholders of the Company dated [
 October 1965 whereby Paten Solding Inc. and Zask Investments and
 Trading Limited were removed as Directors and Dr. Franz Pucher and
 WEGEY

Incorporation

 NOTE that the Company was formed on 15th June 1985 and registered as an exempt Company in the Cayman Islams on 18th June 1985. A copy of the Cartificate of Incorporation is annexed hereto.

ASSISTANT Secretary

3. RESOLVED that Dr. Frank Pucher be and he is hereby appeared Assistant Secretary of the Commany.

Official Seal

4. RESOLVED that the Seal an impression of which opposes opposite this resolution be and it is hereby adopted as the Official Seal of the Company for use in Liechtenstein.

Registered Office

5. NOTE that the Company was incorporated with its registered offics at P.O. Box 1943. George Town, Grand Cayman and RESOLVE TRAT such arrangement be and it is hereby approved.

Bankers

6. RESOLVE that Bankers for the Company: be and shey are hereby appointed

Auditors

 RESOLVE that Arthur Andersen 5 Co., Chartered Assessments, of 1 Serrey Street, London MC2 be and they are hereby appointed Auditors to the Company at remmyneration to be agreed.

Legal Advisers

- 4. AESOLVE that:-
 - (a) Hesers. Coward Chance, Solicitors, of Royar House, Aldermanbury Square, London EC2, be and they are hereby appointed Legal Advisers to the Company in England; and
 - (b) W.S. Walker & Company of Dwiss bank Building, George Town, Grand Cayman, be and they are hereby appointed Legal Advisors to the Company in the Coyman Islands.

And that such Legal Advisors be paid their usual professional charges for services rendered to the Company from time to time.

Directors' Interest

9. NOTE that by virtue of his directorship of The Capital Fund, Nr. Pox was to be regarded as interested in any centract made with The Capital Fund.

The Capital Fund ("the Fund")

Y 42 6 6 But 1

- 10. RESCLVE that the following agreements be executed on behalf of the Company in the form annexed hereto: ${}^{\circ}$
 - (A) A Hanagement Agreement between the Pand and the Company:
 - (b) An Investment Adviser's Agreement between the Company, Pitures Advisory Services Limited and the Fund:
 - (c) An Administration Agreement between the Company, Caybewen Corporate Services Limited and the Pund:

Investment Adviser's Agreement ("Adviser's Agreement")

11. Mote that by Clause 5 of the Advisor's Agraement, Petures Advisory Services Limited shall comply with all resonable instructions of the Company in earrying out its duties under the Advisor's Agraement, such instructions to be given on behalf of the Company by any person duly authorised and <u>MINOLIVE</u> that Dr. Franz Pucher be and is hereby authorised to give instructions on behalf of the Company to Putures Advisory Services Limited.

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Offering Hemorandum .d Verification Hotes

12. NOTE the form of Offering Homorandum proposed to be put out by the Fund and the Verification Notes relating to the statements of fact and opinion therein contained and NOTE in particular that certain of such statements ero ampressed to be verified by the Company.

13. RESULVE that, the Directors being satisfied with the sesuracy of such statements, Hr. Fox be and he is hereby authorised to sign a latter in the foreannessed bereto confirming such accuracy to the Director of the Fund.

Fees of the Fund's Director

14. NOTE that the Articles of Association of the Fund provide for the fees of the Director of the Fund to be determined by the members of the company and RESOLVE that Kerry Roy Fox be and is hereby authorized to sign on behalf of the Company a support resolution in the form annexed hereto fixing such fees at U.S.S.

Dated the

day of October 1985

Dr. Franz Pucher

Kerry Roy Fox

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3.

PREDECANTIZATION SUBSCRIPTION ACREPMENT

WHEREAS, it is proposed to organize under The Illinois Business Corporation Act of 1983 a corporation to be known as CAPITAL COMMODITY DEALERS (USA) INC.; and

WHEREAS, the aggregate number of shares which the comporation shall be authorized to issue is 1,500,000, with only one class. The designation of each class, the number of shares of each class, and the par value, if any, of the shares of each class, or a statement that the shares of any class are without par value, are as follows:

Class Series Number of Sharas Par value/share

Common None 1,500,000 NPV

. Whereas it is proposed that the said corporation shall be organized for the purpose of any and all acts permitted under The Illinois Business Corporation Act of 1983 and for such other purposes as the incorporators may determine:

NOW, THEREFORE, we, the underxigned, severally subscribe for the number of shares of said proposed corporation set opposite my name, and agree to pay therefor \$10.00 per share.

All subscriptions hereto shall be payable at such time or times as the director or directors say determine; and shall be paid in cash, except as hereinafter indicated,

Any one or more of the subscribers or their attorney may act as incorporators of said corporation and may execute and file articles of incorporation containing such provisions not inconsistent herewith as shall be deemed advisable by them,

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Separate copies of this agreement may be signed with the same force and affect as though all signatures were appended to one original instrument.

Deced the Hey 17, 1985.

Name and Address	Number of Shares Subscribed For	Amount Subscribed
Capital Commodity Daslers, Limited	\$410,000	\$4,100,000
ZASK Trading and Investments, Ltd.	45,000	450,000
Hohamad Saghir	45,000	450,000

To be paid for in cash.

CAPITAL COMMODITY DEALERS, LIMITED

Ayay Puri.

ZASK TRADING AND INVESTMENTS, LTD.

BY PENLY

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Mohammad Saghtr

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A-0046;



LARRY ROMPELL

June 8, 1984

Mr. Ajay Puri International Investments of Securities Ltd. 77 So. Audley Street Landon W1Y STA UK

Dear Mr. Puri

I am enclosing herewith the Capital Commodity Dealers Limited Share Application Forms which are fully executed by Mr. Magness and myself. I am also enclosing, at your request, a brochure on Western Tele-Communications, Inc. which, as you know, has recently been dividend out to the TCI shareholders as a separate company.

In addition, I am sending you some information on a company named Beehive International. The purpose of this transmittal is that they are, as you can tell from the June 7 letter to me, interested in selling their building to an investor. They would then lease the building back on a ten year lesse agreement with options. I believe, if we were interested, we could structure a lesseock which guaranteed no additional cost to the investors over the lease term from maintenance, capital improvements and possibly even increased interest rates based on LIBOR or prime. As you can see from the letter, their Corporate Secretary and General Counsel is my brother. I believe with his inside information, we could make a reasonably attractive deal on this building. As you can tell from the enciosed literature, it is in a very-nice industrial park located next to the airport in Salt Lake City. It occurs to me that with your increasing investments in the United States, you may need tax shelters like this building in order to shelter your U.S. profits. If you have an interest, please let me know.

We have researched alternate voice and data carriers to the U.S. from London. It appears that MCI is not yet in service to Europe as they had earlier announced. They intend to provide service to Europe later this year. We find that a company named Americall is providing alternative service to British Telecoom at rates they say are 30% - 50% lower than the British Telecom/Bell combined service. In order to get specific information on their services, please call Mr. Guy Stackpull at 836-2449 in London. He will quote you specific rates which will include a one time installation charge and monthly service. After receiving his quote, please compare it with your current services to be sure that he in fact has a 30% - 50% discount. If you would like to have me analyze his charges, please send me a copy of his quote and your current charges for communications use and I will give you my ideas on the matter. If I can give you any further information, please let me know.

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DENERAL DIFFORM SA DENNER TED-HOLDSTON, CENTER PLA BOX 25006 | WELLE-HIE STATON DENNER COLDINADO BORRE (1903) 77% 8000

Mr. Ajay Puri Juna 8, 1984 Paga 2

Note that I have enclosed an address change card for WTCI. We will be moving to a building very near to TCTs offices effective July 1. Our telephone number is on the enclosed card as well as our address. We will have a telex and telecopier facility and I will forward these numbers to you as soon as we obtain them. We will, of course, be collecting mail from both addresses for a period of time. If you have any questions on any of the enclosed information, feel free to contact me.

Best personal regards,

Larry Romrell

/te

Englosures

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Senator KERRY. Each of your agencies became aware of this entity, Capcom, at some point in time. But I take it you really only got a sense of urgency about it after the indictment. Is that accurate?

Dr. GRAMM. That is correct.

Mr. EARLY. I would say, on behalf of the Board of Trade, as I said we had questions, serious questions, about some rule violations prior to that. But certainly once we found out about the indictment, that intensified all reviews and concerns.

Senator KERRY. Now Capcom U.S. was incorporated and came on the scene in 1985, which means that for 8 years prior to the indict-

ment they were doing routine business on the exchange, correct?
Mr. BEYER. They did become members in 1985, and we had conducted audits between 1985 and 1988. However, there was no instances of any type of money laundering or any other type of illegal activities that we could find.

Senator KERRY. Well you had conducted audits in 1985, 1986, 1987, 1988, and so forth, but Mr. Early says that in 1988 when they started to scrutinize this they did not have adequate records and were not able to substantiate their deals. How could you have had an adequate audit in those prior years?

Mr. EARLY. Can I respond just with respect to the reference that I had made to inadequate documentation. You have, I think, and you may have just introduced some of it, independent auditor's reports from London, from Coopers & Lybrand, from Arthur Anderson, and from Peat, Marwick, and McLintock, which is the London

affiliate of Peat, Marwick and Mitchell here.

Those were the independent audit reports which came in in 1988, in the fall of 1988 and in early 1989, which for the first time confirmed to us the disarray of records. I think that our experience with Capcom was that they did a very good job of cloaking the disarray and the background ownership nominees who may have been truly accountable for accounts prior to that date. And when we audited, we audited for specific violations of exchange rules. I believe that the Peat Marwick report may have been the first that was a true fraud audit that was sought to be conducted with respect to

Capcom.
Senator KERRY. What is the worst thing that the Mercantile Ex-

change can do to somebody who violates the rules or process?

Mr. BEYER. We can expel them from membership of our exchange and fine them almost an unlimited amount of money, in that we can fine up to \$250,000 per offense and you can certainly, in a case like this, come up with just about as many offenses as the firm would have had money.

Senator KERRY. Were they so fined?

Mr. BEYER. No. Actually, what we did was that in this particular case we fined them \$500,000 and effectively they were expelled from membership.

Senator KERRY. Did you make a criminal referral?

Mr. BEYER. We had been in contact with the CFTC at all times during this particular matter, and actually we found no instances ourselves, as I said, that we could prove of money laundering or drug trafficking. All of those instances and allegations had been made against its affiliated entity, Capcom U.K. We were aware

that the CFTC, however, was having discussions with other entities and would have relied upon that contact.

Senator KEREY. Ms. Gramm, what would you now say about this entity called Capcom? Given what we now know about it and what

you have been able to discern, how would you describe it?

Dr. GRAMM. Immediately upon hearing of the indictments we did look at all the trading activity of Capcom U.S. during that time frame. It was a relatively small, smaller than average company, with not many customer accounts, and unremarkable in its trading activity during that time period.

As a result of our extensive review, however, we did identify some cash transactions in one of their accounts that was not supported by futures trading activity, and passed that information on or made that information available to other law enforcement offi-

cials.

In terms of finding trading violations or Commodity Exchange Act violations that perhaps could support money laundering, we did not find any discernible pattern except for these cash transactions which we did make available to other law enforcement activities. So I would say that in hindsight it still looks like a company that, during that time period, had a certain amount of activity, and a certain amount of customer accounts. But no one has been able to—at least other law enforcement officials have not been able to find money laundering in Capcom U.S., to our knowledge, as of now.

Senator Kerry. Well let me ask you a few questions leading up to that, and explore that a little bit. In an undercover taped conversation, the president of Capcom, Mr. Akbar, told customs agent Robert Mazur the following, "We don't want to know how, what the customer's doing, what is his business, what is not his business. That's not my responsibility."

Now banks are supposed to operate on the know your customer principle. Is there a similar principle on which the commodity mar-

kets operate?

Dr. GRAMM. Yes.

Senator Kerry. So that would have been totally contrary. That kind of open disavowal of knowing where the money was coming from or anything would have raised suspicions immediately, would it not?

Dr. Gramm. If that were true yes it would, if they were knowledgeable.

Senator Kerry. If that were the operating procedure. Dr. Gramm. That is right. If we had knowledge of that.

Senator Kerry. How to you ensure that commodities firms know their customer? What is the process by which that happens?

Dr. Gramm. The futures broker, the futures commission merchant, does have responsibilities with regard to its customer accounts, including knowing its customers. The self-regulatory organizations have an obligation to ensure that they are meeting those responsibilities, and we also do audits concerning brokers' activities

with regard to their customers.

Senator Kerry. But, obviously, until they were indicted, this entity was able to go about this kind of business that I just described with the undercover agent for a period of 3 years.

Dr. Gramm. Mr. Chairman, when we were aware of that testimony, when it became public, we did discuss and visit with that undercover agent.

Senator Kerry. Oh, I am sure you did. I have no doubt.

Dr. Gramm. I think it was discussing what was potentially a way to conduct business at the time.

Senator KERRY. Does that suggest to you-I do not mean to interrupt you, but does that suggest to you that they were not doing any

of that kind of business up until that point in time?
Dr. Gramm. We do not have any evidence that would suggest that they had really effectuated that kind of a program. But, again, what he was describing was very sophisticated, with shell organizations, et cetera. It might not have gotten off the ground, but then again, you know, given what we were seeing in our piece of the pie. it would have been very very hard to discover something as sophis-

ticated as I believe was being described.

Senator Kerry. But would that be true in general? This is what I am getting at. For instance, at another point in the tape Mr. Akbar says to Mr. Mazur: You're not actually trading in the futures markets by yourself-referring to Mr. Mazur. He said: "Basically, you want to use this company as a bank for the transfer, to receive the

funds, payment of funds.

Is it possible for a commodities futures account to serve as a sur-

reptitious means of moving money?

Dr. Gramm. I would like to say that nothing is impossible. Senator KERRY. But how do the regulators detect that?

Dr. Gramm. There are several things that we can do—if we see, for example, cash transactions that might be unexplained by trading behavior, that might raise some questions and could cause other criminal authorities who have the authority to look for drug

laundering, money laundering cases, to look further.

The other thing that we might do is to look at trading activity on the floors of the exchange to see if there are certain kinds of patterns that might suggest that there are money passes being made. We are, as a matter of fact, part of a money laundering task force headed by Treasury, and also an international working group which is looking at methods of money laundering and their detection. Though this is not necessarily our specific area, we have certainly studied various ways that markets might be used for laundering.

Senator Kerry. Is mirror trading one of those ways?

Dr. Gramm. I think what he is referring to are perhaps wash trades. And that is one of the things that we look for; wash trading is illegal under the Commodity Exchange Act. We have brought many wash trading cases.

Senator KERRY. Do you distinguish wash trade from mirror

trade? Is that the same thing?

Dr. GRAMM. I believe that that is what he was referring to.

Senator KERRY. In other words, you take a position on the futures and you cover the same position on the other side, so you have got both sides covered.

Dr. GRAMM. Basically you are on both sides, that is right.

Sengtor KERRY. So it is simply moving money.

Dr. GRAMM. That is correct.

Senator KERRY. And you can detect that in all instances, or some?

Dr. Gram. Wash trading, again, is a violation of the Commodity Exchange Act. And what we look for are patterns that might suggest that these are trades where people are on both sides of an account. Though if you have a large firm, for example, they might be on both sides of the account but they might represent two unrelated customer's positions. So on acting on behalf of customers, you might have different customers, you have offsetting positions, which is all right. Offsetting positions by themselves do not necessarily mean wash trading, but they require further investigation. Senator Kerry. Well have you specifically referred, or have any

of the exchanges ever made a criminal referral from money laun-

Dr. GRAMM. We have raised concerns.

Senator KERRY. Have you made a criminal referral from money

laundering?

Dr. GRAMM. No, I do not-not specifically in that regard. I mean we did-we did raise these concerns to the criminal authorities, who are the experts in money laundering, about some of these un-explained cash transactions in and out of the one Capcom account.

Senator KERRY. But suppose you do not have a cash transaction. It seems to me very easy for somebody to come in, particularly through an entity like Capcom U.K., dealing with Capcom U.S., take a couple of positions that mirror each other and move very significant amounts of money that way.

Dr. GRAMM. I think that what we did-

Senator KERRY. I mean is it not hard to detect?

Dr. Gramm. If they actually had a scheme like that, one regulator looking at one side of the market would have a hard time de-tecting it. This is why we share information and, indeed responded to requests from U.K. authorities. Our staff spent quite a bit of time and effort with the Securities Investment Board, for example, in the U.K., and made all of our files available to the Tampa U.S. Attorney's Office so that they, with their broader picture of what they were trying to look for in money laundering, would have all the information on our side of the markets.

Senator KERRY. Now the original capitalization of Capcom U.K.

was \$1 million. Ms. Corcoran, are you familiar with that?

Ms. CORCORAN. I do not have here the original capitalization of Capcom U.K. Capcom U.S. was capitalized at about \$12 or \$13 million.

Senator KERRY. And where does that fit in terms of capitalization of companies?

Dr. Gramm. Based on their trading activities, it was a smaller

than average company in the U.S.

Senator Kreer. Now turning to the trading activities just for a minute, Mr. Mazur said to this committee that Akbar told him Capcom had a gross transaction rate during an 8 month period of \$90 billion. Is that possible?

Dr. Gramm. It is possible.

Ms. Corcoran. Well it is a question of measurement. It is not clear what they meant, because there is a nominal value to a futures contract and then there is the

Senator KERRY. Well he is talking gross. I imagine gross transaction rate, he would simply be taking whatever the value of the contracts were.

Ms. CORCORAN. OK, which would be fairly misleading because that would not represent the money moving through the system at all. The money that would move through the system is the settlement of differences in price on the contract.

Senator KERRY. Understood, I understand

Ms. CORCORAN. And they did about 650,000 trades in—Senator Kerry. That is what I thought.

Dr. GRAMM. In 1989.

Senator KERRY. So the volume in 1989 was 600,000 plus contracts?

Dt. GRAMM. Yes.

Senator Krray. And you would characterize that as large or small?

Dr. GRAMM. Smaller than average.

Senator Kerry. Smaller than average?

Dr. GRAMM. Yes.

Senator KERRY. Is it possible to artificially create massive

volume like the \$90 billion through no risk trading methods?

Dr. Gramm. If they were doing a large amount of wash trades, for example, or some no risk trading on our markets, we regularly scan and monitor our markets for wash trading. We would probably find that type of activity, especially since we have our audit trail capabilities.

Senator KERRY. Well do you know now whether or not they did

that kind of volume?

Dr. Gramm. We have looked at the trading activity that they did during the time period that they were trading on our markets, and they are relatively small.

Senator KERRY. I understand that. But could they-did they? Can you now tell us whether or not they did create a massive volume, i.e. \$90 billion or so, during that 8 month period in a no risk fashion?

Dr. Gramm. Based on the information that we have right now, on what we see, we cannot say that. We have provided that information to the U.S. Attorney's Office, which probably had a broader picture. There were some subsequent indictments after they had our information, and they did not mention drug money laundering at the U.S. firm.

Senator KERRY. Now Refco is the largest commodities brokerage

firm. Is that right?

Dr. GRAMM. I am not sure. Is it the largest?

Ms. Corcoran. I am not sure that it is the largest.

Senator KERRY. One of them.

Ms. CORCORAN. It is one of the larger firms.

Dr. GRAMM. It is large.

Ms. CORCORAN. It has about \$1 billion in customer funds.

Senator KERRY. And Refco had a relationship with Capcom U.S. or Capcom U.K.?

Ms. Corcoran. Not with Capcom U.S. Senator KERRY. With Capcom U.K.

Ms. Corcoran, It cleared for Capcom U.K.

Senator Kerry. Do you know what the nature and extent of that

relationship was?

Dr. Gramm. Capcom U.K. cleared through Refco, as well as several other clearing firms. Every customer account has to be cleared through a clearing member firm, and Refco was one. What were some of the others?

Ms. CORCORAN. It was one of nine firms that Capcom U.K.

cleared through.

Senator KERRY. OK. Now I understand that Capcom U.K. account realized a net loss on futures of \$76,206,064 to Refco. Is that correct?

Ms. Corcoran. How do you mean, through Refco did you say?

Yes.

Senator KERRY. That is correct.

Ms. CORCORAN. Yes, they did, over a period of time.

Senator KERRY. Over a period of time. And is it not true that the relationship between Capcom U.K. and Capcom U.S., with this passthrough, through Refco or others, would create an oversight gap? Does that not create a difficulty, by having the Capcom U.K.?

Dr. Gramm. I do not believe there is a pass through, and Andrea can expand on this. But every customer must clear through a clearing member firm. Capcom U.K. was not a clearing member of any U.S. exchange, so they cleared through Capcom U.S. as well as a number of other clearing firms. It could be any firm. It does not necessarily imply any kind of a relationship. But they are still under oversight of our regulations, and the exchange's regulations as well.

Andrea, do you want to expand on that a little?

Ms. CORCORAN. Yes. I think that the period that Capcom U.K. cleared through Refco was the years before 1988 when the U.K. adopted new financial services legislation which regulated the financial services markets in the U.K. The way trading was accomplished in the U.K. through the U.S. is on a back-to-back basis, which is so that—and this is the way all U.K. trading was done, on a principal basis between the broker and its customer with a backto-back trade in the U.S. exchange market.

And we would see fully what was going on in the U.S. exchange market. We would not be able to necessarily see what the transactions were between the firm in the U.K. and its U.K. customer. And I am informed that it would have been possible to do those transactions potentially on a net basis; that there was no rule at the time in the U.K. that would have preciuded that, although sub-

sequently-

Senator KERRY. But you acknowledge that they engaged in this back-to-back trading?

Ms. CORCORAN. All U.K. contracts are done back to back even

Senator KERRY. Explain for people what that means. What does back-to-back mean

Ms. CORCORAN. What this means is that the broker in the U.K. is selling a contract to its customer in the U.K. which it is effectively buying from the U.S. exchange. So the U.K. customer is buying from its broker, and the U.K. broker is buying from the U.S. exchange.

Now technically that is the way it is done in the U.K.. We would say that was an agency transaction in the U.S., and the U.K. transaction is a customer transaction in the U.S. In the U.K., prior to 1988, that would have been a principal transaction and you would not necessarily have had to identify it as a customer transaction.

Senator Kerry. Which is precisely how BCCI was laundering its

money. I mean that was the gaping hole in oversight that I refer

Dr. GRAMM. But that is on the U.K. markets.

Senator KERRY. Correct, I understand.

Dr. Gramm. We do not know that. I am not sure.

Senator KERRY. But that is how they used-you see, Capcom became sort of the entity that sat there allowing the purchase, and then they did the principal sale.

Dr. GRAMM. Excuse me.

Senator KERRY. No. go ahead.

Dr. GRAMM. It was my understanding that the U.K. futures markets were not implicated in the money laundering of Capcom U.K. Now I could be wrong on that. But, again, that is out of our

Senator KERRY. I think they were indicted for that. That is what they were indicted for. But you see that was the oversight gap that I refer to in terms of what allowed them to escape, because they had the relationship with their principal that they could keep a secret in country while nevertheless playing on the U.S. Commodities Exchange, and having it one step removed.

Dr. GRAMM. No, in the U.S. they would have to identify the customers. That is we have to know the beneficial owner of accounts

in the U.S. So the U.S. The U.K. law is different.

Senator KERRY. For the U.S. side, I understand. But not on the

Dr. Gramm. Including the foreign brokers. As a matter of fact, when that law came into effect in the U.K. it created some confusion for-

Senator KERRY. When did that come into effect?

Dr. GRAMM. In 1988.

Senator KERRY. In 1988, right.

Dr. GRAMM. It created some confusion because in the U.S. we would expect, of course, our U.S. law to apply, and have always expected it to apply, which meant having those customer accounts treated as separate customer accounts.

Senator KERRY. That came in postindictment, did it not?

Ms. CORCORAN. Not our rule.

Dr. Gramm. Our rule has always been in existence.

Senator Kerry. No, their rule. OK, I think we are on the same wavelength. \$76 million: how does that fit in terms of a loss?

Dr. Gramm. I would have to defer. Is that a large loss?

Ms. Corcoran. I would say it was a loss of significance, but there are other situations where there have been losses of substantial size in accounts for multiple customers.

Senator Kerry. Now generally commodities futures trading transfers are done in writing, are they not?

Dr. GRAMM. Yes.

Senator KERRY. But in Capcom the 1989 investigation revealed that generally oral instructions were received from a lot of customers. Is that not accurate? And the files showed no confirmation in writing. Mr. Early or Ms. Gramm.

Dr. Gramm. Let me defer.

Senator Kerry. Mr. Early, were you aware of that?

Mr. EARLY. The confirmation aspect was a matter of some disci-plinary action later. The principal focus of the disciplinary actions that we took prior to indictment were on the subject you were just discussing, though, which is the principal/agent, what I referred to

as the selling out of inventory question.

And, yes, in the course of that investigation we also noticed that there were many improper customer confirmation procedures being used by Capcom. They assured us through various means, again in response to the 1987 audit, that those were corrected. What was transpiring in London, we did not see.

Ms. Corcoran. Excuse me.

Senator Kerry. Yes, Ms. Gramm—sorry, Ms. Corcoran.
Ms. Corcoran. Akbar had control of some of these accounts under a power of attorney. If you had a power of attorney you would not necessarily need separate written instructions if it was an effective power of attorney, and if he were really in fact the account controller, you would not necessarily need separate written instructions from your customer.

I mean these are some of the issues that, of course, caused, you know, concern about these various accounts, both in the U.S. and in the U.K., especially those that he handled. But as soon as he was indicted, he was removed from the handling of customer ac-

count business.

Senator KERRY. When a firm applies for membership on the exchanges, does the exchange itself or does the CFTC examine the board members and officers at all? Is there any kind of analysis?

Dr. GRAMM. If they were to register with the NFA, there would be a fitness check, including fingerprint as well as information about the structure of the company. Is that right, Andrea?

Ms. Corcoran. Yes.

Mr. EARLY. With respect to the exchange application, we require personal appearances and background information on principal officers; not necessarily in all cases, though, of directors and shareholders, unless they exercise a significant control over the compa-

Senator KERRY. In the case of Capcom U.K. where there were several prominent Saudis and prominent Americans, were any of

them or all of them reviewed?

Mr. EARLY. I believe that the people who were reviewed for Capcom U.K. were the managing officers. And, yes, they were reviewed.

Dr. Gramm. Capcom U.K. was not a commission registrant, and

therefore was not ever registered with NFA.
Senator KERRY. OK. Now what about on the U.S. board of

Capcom?

Mr. BEYER. We did a background check of Capcom U.S. I cannot tell you here whether we would have done it on every director of it. but we would have done it on either the major shareholders or the

officers. For example, we certainly would have done it on Mr. Mohammad Saghir, who is the president.

Senator KERRY. Would you have done it on Mr. Romrell, Mag-

ness, or Powell?

Mr. BEYER. I do not believe that Powell or Magness were original officers of Capcom U.S. And I would have to go back to check to see whether we did it will Romrell.

Senator KERRY, Mr. Magness was,

Mr. Beyer. He was an original officer of Capcom U.S., or a director?

Senator KERRY. One of the members of the board, a director?

Mr. BEYER. OK. In the case of the directors, I do not think we would have checked each director. But we would have certainly

checked the major officers of it.

Mr. EARLY. Again, Mr. Chairman, the Board of Trade and the Merc. I think, are similar in this regard. What we require is the active officers, the management of the committee, be subject to personal appearance and investigation; and directors and shareholders only if they have a significant control over the corporation.

Whatever those records are, we have them and would be happy

to produce them to the committee if you would like.

Mr. BEYER. Mr. Chairman, as I had indicated, when we did the credit investigative background when they applied, there was nothing that turned up. Subsequently after the indictment, as I had indicated, we engaged Interpass, who we thought might be able to provide us with information that we could not have obtained ourselves, and they also found no derogatory information about these individuals.

Senator KERRY. Do you know what the holdings of Messrs. Rom-

rell, Magness, and Powell were in terms of stock in Capcom?

Mr. Early, Senator, I think, on behalf of the Board of Trade, the information that we had with respect to that ownership is attached as exhibits A-1 through A-6 to our written testimony.

Senator KERRY. And what is the amount?

Mr. EARLY, As of what date, Senator?

Senator KERRY. At the outset.

Mr. EARLY, At the outset.

Senator KERRY, In percentage terms.

Mr. EARLY. I am sorry, if you could give me the names again. Senator KERRY. Romrell, Magness, and Powell.

Mr. EARLY. As of February of 1987, our records show that Romrell had 16 percent of the stock, Powell had 10 percent. Magness had 4 percent at that point, Senator.

Senator KERRY. Now would it have been illegal for one of those

American citizens to act as a nominee for Capcom?

Mr. EARLY. I am not clear what you mean by acting as a nominee.

Senator KERRY. If they were simply holding the stock, you know, as a nominee for somebody else. They were fronting, in other words.

Mr. EARLY. If they were fronting for someone else, then the member firm had certainly committed a violation of exchange rules, yes.

Senator KERRY. Would it have been illegal for them to knowingly

do that, by your rules?

Mr. Early. Senator, I do not know that I can comment, even though I am a lawyer, on that. There is a difference between what is a violation administratively of our rules, and what is technical illegal, that is what is a criminal offense. I am not clear whether that would be a criminal offense or not. It certainly is a violation of our rules to not fully disclose ownership of member firms.

Senator KERRY. Ms. Corcoran, did you want to add to that? I am sorry, you do not have to. I just thought you were moving to

answer.

Ms. Corcoran. In order to be registered with the Commission, you have to identify the principals of the firm, which would be any shareholder holding in excess of 10 percent. And the officers and

directors, they would all be fingerprinted.

The representations you make to the Government must be true representations. I think that—where they did not pay for their shares—where the funding of the shares was not supplied by the shareholders, that was an issue. I do not know that it is a direct violation of the Commodity Exchange Act, but it raises a question about the information that was provided in 1987 when the shares were sold from Capcom U.K. to the U.S. shareholders.

Senator KERRY. Is that something that is of concern to you as regulators, this capacity for somebody to be acting as a nominee? Is it something you cannot do anything about until there is evidence to the contrary, or is it something that you can set up a proc-

Dr. Gramm. It would be hard right at the very beginning to look——

Senator KERRY. To look behind-

Dr. Gramm. At every director of every company, looking for something. Generally, it is easier if, like in this case, you have a problem in a company that is affiliated or some other law enforcement official has some information. It provides a target; something to look for and explore in greater detail. Otherwise it is almost like stumbling upon a needle in a haystack, as opposed to identifying that you are looking for a needle as opposed to something else.

Mr. EARLY. Senator, on behalf of the exchanges, I would say, yes, it is a concern. But I agree with Chairman Gramm; it is a concern that is difficult for us to deal with. We employ independent investigators, for example, to assist us in investigating the background of member applicants. But obviously if someone has fraud and larceny in their heart, they generally also have the means to deceive even professional investigators.

Senator Kerry. Has the intelligence community of the United States, particularly the CIA, ever been in contact with any of your agencies to suggest that certain transactions or individuals should

be permitted to trade or transact?

Mr. EARLY. Speaking on behalf of the Board of Trade, we have had contacts with the CIA. That specific request was never made, to my knowledge.

Dr. Gramm. That request was never made, to my knowledge.

Mr. Bryer. And I do not believe we have ever heard from them either.

Senator KERRY. Did Capcom U.S. launder money for General

Noriega?

Dr. Gramm. Based on the information that we have, we do not see the evidence of that occurring. But, again, we provided all the information that we had to those authorities who were looking

very carefully there. Andrea, do you have something?

Ms. Corcoran. Yes. There is one thing. Finley International, Limited, who is cited as involved in some of the Noriega payments with Capcom U.K., engaged in one \$2 million transaction with the IXORA account at Capcom U.S., which was identified. But we had no knowledge that that is, in any way involved with the other transaction or anything about the other transaction, other than-

Senator KERRY. And you have no knowledge at this point in time

of that?

Ms. Corcoran. Absolutely none.

Senator KERRY. Now Ambrose is a giant commodities firm, correct? Ambrose, a German firm that was involved in a major ponzi scheme.

Dr. GRAMM. That is right. That firm was—as I understand it, after some of this information became available sometime in 1989, indicted in Germany for a ponzi scheme.

Senator KERRY. And they used Capcom in some way, did they

not?

Dr. Gramm. They were a customer of Capcom, to my understanding

Senator Kerry. In a ponzi scheme.

Ms. CORCORAN. The ponzi scheme occurred in Germany and it would not necessarily be reflected.

Senator KERRY. Was there a connection between the problems

that Capcom had and what happened with Ambrose?

Ms. Corcoran, I do not really know the answer to that, sorry. Dr. Gramm. Not that we are aware of, is what our division of enforcement has said. The Commission's Division of Enforcement has good relationships with the law enforcement authorities, particularly in Germany and the U.K.

Senator KERRY. So you are aware of no connection on that, in

terms of the demise of that firm.

Ms. Corcoran. It is reputed that one of the principals of Ambrose was related to BCCI. We do not know that for a fact.

Dr. Gramm. We do not have any indication that these markets were used as part of that ponzi scheme. We just do not have that information.

Senator KERRY. Ms. Corcoran, what about—am I pronouncing it correct, Carchee Trading?

Ms. Corcoran. That is a company that is mentioned in the U.K. documents, and we have no knowledge of it.

Senator KERRY. You have no knowledge of that?

Ma. CORCORAN. No.

Senator KERRY. You do not know whether or not they used

Capcom for any purpose, U.K. or U.S.?

Ms. CORCORAN. We did not see any transactions with that company at Capcom U.S., and I do not know other than what has been

provided to us by the U.K. authorities, anything about its transactions.

Senator Krray. Let me ask you also, and let me ask you, Mr. Beyer, what was the Zahser account?

Mr. BEYER. I believe that Zaheer was a relative of Mr. Saghir. In fact, if I recall correctly but I would have——

Senator KERRY, Mr. Saghir was the U.S. CEO of Capcom.

Mr. Beyer. Yes, sir, he was. And I believe that Zaheer was his brother. We know he carried an account on Capcom's books. We also asked Interpass to find out any information about him, and we found no——

Senator KERRY. When did you try to find that out?

Mr. Bryre. I think that we began in—the first contact we had with Interpass was in October of 1988. And I think the last contact we had with Interpass was probably that June or July of the next year. We kept going back to them as we began to find out more and more information. And, again, with respect to him, we did not uncover any negative information either.

Senator KERRY. Well, Mr. Saghir, Mohammad Saghir, was the

CEO of Capcom U.S., correct?

Mr. BEYER. Yes, sir.

Senator Kerry. And the Zaheer account was an account in his brother's name in Capcom, correct?

Mr. BEYER. I believe so.

Senator KERRY. And \$5 million passed in and \$5 million passed out of that account, correct?

Mr. BEYER. I think that is correct.

Senator Kerry. And you investigated Mr. Zaheer, did you not? Mr. Beyer. Yes.

Senator Kerry. His brother, and his occupation was what?

Mr. BEYER. You know I am not sure. He actually had several relatives. There was one in London.

Senator Kerry. The one that I am referring to worked in a gas station in Karachi, did he not?

Mr. BEYER. Yes. Senator KERRY, OK.

Mr. Beyer. Well I will say at that time we did not relate those two instances to interpass. We simply were looking at Mr. Zaheer in terms of information that had come to our attention that he may have been involved with the firm. It was subsequently when the CFTC provided us with this detailed information, that we took action against the firm.

Senator Kerry. Well now at the point that you learned that a gas station owner/attendant, whatever you want to call it, was passing \$5 million bucks in and \$5 million bucks out, and he was related to the CEO of this company, and there is no real explanation for that kind of transaction, did you not suspect money laundering?

Mr. BEYER. Yes, we did. And, in fact, it was after that CFTC report that was furnished us in July, that we went into the firm and we asked them to explain various transactions that did not make sense to us. They had no good explanations for many of those transactions. They furnished a report to us in July. We charged

them in August, and within the next 2 months we arrived at a settled.

Senator KERRY. You are familiar with the IXORA account?

Mr. BEYER. You know, it has been several years since I have looked at it. I do not have exact familiarity with what went it and what came out.

Senator KERRY. If I were to refresh your recollection by saying that you discovered in 1989 that \$9 million had come into the IXORA account and there were 12 transfers, and approximately the same amount of money was transferred out in 25 disbursements without any trading activity, what would you have concluded about that account?

Mr. Bever. On a personal level, when I was involved in this investigation, I was certain that it involved drug money and laundering of money. But there was no way that we could prove that. We discussed that in our committee; we discussed that among ourselves.

Senator KERRY. Was there ever a grand jury called to investigate

this? Did you refer it to the U.S. Attorney of that district?

Mr. Beyer. Well, as I had indicated previously, during this entire matter we were in communications with the CFTC, our regulator. And we believed that they were—

Senator KERRY. Let me let them pipe in here, then, since they

are here.

Dr. Gramm. Mr. Chairman, let me just briefly say this, the IXORA account and those cash transfers were the suspicious transfers that we found, because we felt that they were not being supported by any trading activities. And that information was provided to the law enforcement authorities, particularly in Tampa.

Senator KERRY. In Tampa. But nothing in Chicago.

Dr. GRAMM. Pardon me?

Senator KERRY. Nothing in Chicago.

Dr. GRAMM. Andres.

Ms. CORCORAN. Well, the Tampa authorities were conducting the investigation of Capcom U.K., and it was our thought that they were in the position to have the fuller view of this entire incident. They had indicted Capcom U.K. and S.Z.A. Akbar, and they had also

Senator Kerry. I guess the curiosity here, from my perspective, is just this: Here you have this entity that registers in 1985. It is doing millions of dollars of trading, or billions of dollars of contracts, 600 and some thousand contracts. It is on the Chicago Mercantile Exchange, Chicago Board of Trade, under the jurisdiction of the CFTC. But this entity is just told cease and desist, and so they cease and desist. When the audit looks like the trail is getting hot, they go away. But there is no criminal followup.

Dr. GRAMM. Well, you have to understand that we do not have

criminal authority.

Senator KERRY. I totally understand that.

Dr. GRAMM. That is right.

Senator KERRY. Are you surprised? I mean I am only saying that

I am surprised.

Mr. EARLY. Senator, if I could speak on behalf of the Board of Trade for just a moment, we were in touch with the FBI from the

moment we knew that they were involved. We felt that our best efforts were served by cooperating with the Federal Bureau of Investigation, who was investigating this matter, and cooperating fully, which we did from the moment we knew they were involved.

Prior to that time, as I said, we had evidence that they were conducting business contrary to our rules and regulations, but we did

not have evidence that-

Senator KERRY. But that is what I am getting at. You have gotin 1988 you have got Noriega laundering money down in Tampa. Here you have got this entity called Capcom. You have got a Capcom U.K. You have got huge amounts of money going back and forth. You have got very questionable practices.

You learn that somebody's gas station brother is moving \$5 million bucks through it, you learn that someone else is wash trading in it, and you have got some of the same principals who are involved in BCCI—in fact BCCI basically owning Capcom U.K., Cor-

rect? Significant, through same ownership, same people. Ms. Corcoran. No, we did not know that.

Senator KERRY. You did not know that?

Dr. GRAMM. We did not know. Mr. Chairman, if I could bring us back to what we were doing at the time. In fact, we did investigate, we did find something suspicious in terms of those transactions.

Senator KERRY. I agree. I think you did a good job, and I am not

suggesting that-

Dr. GRAMM. What we did, though, was make that information and those records available. The records continued to exist for-

Senator KERRY. I agree. It is 1992 now.

Dr. Gramm. From the perspective of when we were looking at Capcom U.S. back in 1988, it was a relatively small company in these markets. It had customer accounts and was not large in any sense of creating, for example, a surveillance or a market integrity problem for us. Our investigation really began with the information of the indictments.

Senator Kerry. But let me tell you what disturbs me a little bit, and I am not sure where the responsibility lies on this. But here is the situation in 1988. You say to the committee, well, we could not prove this or that. And I concur, which seems to underscore to me a gap in the regulatory process. Given the amount of information we had, if we could not prove it at that point, then maybe we were missing some capacity of oversight that we ought to be thinking about, No. 1.

No. 2, given the level of activity that Mr. Early has described that they found, they issued how many directives? Those were pretty strong statements that were issued by the Board of Trade. Mr. EARLY. Yes, they were.

Senator KERRY. And they are impressive. For that series of statements about cease and desist doing this, and do this and do that, et cetera, given what had happened down in Tampa, I am finding it hard to understand why the documents and the records were not seized in order to understand this Capcom better. We are left in 1992 trying to understand Capcom, and we cannot even find the records. Do you know where the records are?

Ms. CORCORAN. We have all the records of-Senator KERRY. All the records of Capcom?

Ms. Corcoran. Absolutely. In fact, we have subpoensed record that would not have to be maintained beyond the statutory date in order to preserve those records for further investigation by the criminal authorities.

Senator KERRY. OK. Now that is the first we had heard of that. I am not sure whether that is just a gap in communication or what

has happened.

Dr. GRAMM. And you are aware that our activities that we have been discussing so far involved ensuring that these markets, if they were being used for illegal purposes, could no longer be used for such purposes? We had at that time not identified significant, trade violations that, for example, might be associated with laundering money. They are out of the business.

We do have an investigation that continues regarding Capcom

U.S.

Senator KERRY. Let me ask you this. Do you think that as a consequence of this you have a stronger capacity now to identify money laundering at the outset, or to notice these kinds of transac-

tions in a better way?

Dr. Gramm. We have, over the years. Always having an experience looking for money laundering provides us with good experience. But the fact of the matter is, over the years we have been working with a number of other task forces, and learning more about laundering money. I think this is something that is of interest not only domestically but in the international community as well.

We routinely, for example, on a request from international regulators, to check on whether or not trades were actually made on the Chicago exchanges that were alleged to have been made in their countries. Generally, money laundering has not been the

issue. It has been for other fraud issues.

But I think the fact of the matter is that, with regard to this particular company and the individuals involved here, they are not in our markets now. I do not know about the other agencies, our investigation is still proceeding. It could well be that uncovering the kind of scheme that might have been suggested may take longer.

But what we see from our part so far has not indicated a specific use of these futures markets for money laundering purposes, though we had some questions and suspicions and looked for it.

Mr. Early. Senator, if I could just briefly make a comment. The discussion here has highlighted one problem that we have come across in recent years, and that is the disparity of regulation in different countries.

As we talked about earlier, this kind of trading that Capcom was involved in, which we disciplined them for in 1987, was legitimate in London. And indeed, that was the way they defended at the Board of Trade. They said, how can you condemn us for something that is legitimate in the country where we are principally transacting business. And our answer was, because you are transacting business here and you are a member here and you are going to abide by our rules as long as you are.

But it does point out a problem. And that is when you do have different regulatory structures in different nations, and somebody is doing business across international boundaries, it greatly compli-

cates the regulatory structure. Because what is permissible in one country is not another, and vice-versa.

Senator KERRY. Well, that is part of what I was talking about. It

is a sidebar of what I was talking about at the beginning.

But let me ask you, with respect to the records that you have, do you have the records of the trades only, or do you also have all their internal memoranda, correspondence and documents?

Dr. GRAMM. I do not know that we have all the internal memo-

randa and correspondence.

Andrea, can you address that?

Ms. CORCORAN. I could not address all that we have. We have certainly all the records that we have been reviewing. We should have all of the trading records that are in the exchange database that relate to the trading that occurred on the exchanges.

Senator KERRY. I am sure you have those, but I am concerned

about their-

Ms. CORCORAN. Well, we have—I believe maybe——

Senator KERRY. Are you allowed to execute a seizure of documents or a subpoena?

Dr. GRAMM. Well, we did subpoens. Senstor KERRY. And you did subpoens.

Dr. GRAMM. One, a principal, asserted the fifth, and one is—Akbar.

Senator KERRY. With respect to documents, was there-

Ms. Corcoran. With respect to documents, as I understand it, there was a subpoena issued to preserve documents because of the timeframe, and that they have offered to comply. They are required to keep—a regulatee is required to keep all of their business records.

Senator KERRY. And since they lived up to all the other stand-

ards, you are confident they did that, right?

Dr. Gramm. Mr. Chairman, our Director of the Commission's Division Enforcement not only indicated they are in a warehouse, but we have also notified the U.S. Attorney as to their availability.

Senator KERRY. That is helpful.

Capcom is obviously still somewhat of a mystery. And I think you can tell from our questions. I think it is a mystery to you still. It is a mystery to us to a certain degree. There were huge losses incurred. Clearly, the commissions were a significant motivation for their setting this up. But there is also reason to believe that there were some large movement of money in other ways that obviously profited a few people. And that seems to have been one of the mechanisms by which they did it.

They obviously were not trading intelligently or competently. So, beyond the commissions and the movement of money, it was not a

venture that could have worked that effectively for them.

Dr. Gramm. I would think that if you were going to be laundering money that huge trading losses may occur, at some point, and maybe another company would have trading gains. And so the pass could be made. I think what this points out is that looking at one piece is not necessarily sufficient. It really just further strengthens the notion that law enforcement and other authorities do need to share information.

Senator KERRY. Understood,

Has this sent you any message with respect to the investigative process or your capacity for oversight? Are there any recommendations you would make to this committee with respect to that process?

Dr. Gramm. In reviewing that and looking at it with 20/20 hindsight, what I would say is that actually, I am quite pleased with the results. In fact, these suspicious companies were dealt with expeditiously, well before BCCI fell and well before other information was made available about all those activities.

It does point out how complicated attempting to find drug money laundering can be. That is something that I believe is being recognized around the world, as well as in this country. It also makes me realize the importance of the audit trail and some of those requirements that have been in effect only since the late 1980's. But that certainly helps us identify, for example, trade practice violations that might facilitate laundering. We have not been able to identify any yet, as of this time.

Mr. Early. Senator, if I could respond from the exchange standpoint. One rule that we implemented approximately 18 months ago now, approved by the CFTC, gives us authority to investigate books and records of nonmember firms that are affiliated with member

firms. We did not have that authority previously.

I think that things like we have experienced with Capcom and other firms in different situations have shown us an awareness that we need to have that authority. And I think that authority will go a great deal toward helping us investigate these kinds of matters in the future.

Senator Kerry. Well, I appreciate that. I think that the Board of Trade did a good job of investigating here. And I think the same at the CFTC. I mean there clearly was movement on this prior to the larger picture coming out. I think the concern the committee has, or the concern that I have, is that four years later so little is still known about Capcom, and that so much of this documentation and so many of the personalities dispersed.

I mean there are a number of people from Romrell to Saghir to Akbar and so forth that were not spoken to by the FBI or by others at that point in time. And it seems to have been a characteristic of

this overall investigation from the criminal side.

Dr. GRAMM. Mr. Chairman.

Senator KERRY. Yes.

Dr. Gramm. Mr. Chairman, it does raise an issue. Our CFTC reauthorization, which is in conference committee right now, does give us further authorities and, frankly, gives foreign regulators, comfort with regard to protecting the confidentiality of information they share with us. I think, while we shared, in this case, a lot of information with the UK regulators, that there is still some concern about being able to protect the confidentiality. Our pending reauthorization provides, legislatively, that kind of comfort that they are seeking.

So, I think if there is anything that might be done it is reauthorization, which would indeed enhance our ability to share information internationally, and likewise, obtain information so the broad-

er picture can be seen.

Senator KERRY. Yes. Well, that probably is one thing that would

be helpful.

I wonder if we do not also need some sort of automatic referral process, with a tickier on it to name Justice or something in these kinds of situations, or the financial crime center at Justice, where there is a capacity to check these entities against each other and bring information together a little more effectively, rather than have what is happening in Chicago kind of sent down to Tampa.

Dr. GRAMM. Well, we are part of that whole Treasury database, as well as a part of the task force. And the information was made

available.

Senator KERRY. We are going to take a look at it.

Dr. Gramm. How they are proceeding with it is I guess for you to determine.

Senator KERRY. Just a quick question on the CIA contacts that you had. Do you want to share with us what those contacts were about?

Mr. EARLY. The only contacts to which I had a referral were requests by the CIA to cooperate with them in their investigations. If I recollect correctly, those were internationally. They were what I would consider to be normal requests. The same kind of requests we might get from the FBI or the U.S. Attorney.

Senator KEERY. OK.

I want to leave the record open. There are some detailed questions that we want to ask on a number of different accounts and on the Peat-Marwick report.

But they are not critical in terms of the larger picture here. And

I want to get Mr. Bilgrami and Mr. Amjad Awan on.

So, I appreciate your sharing with us the early picture of what happened with Capcom and how you approached it, what was done. And I think it helps the committee to understand the regulatory process as to that entity, and to create a record about it. And then we will proceed to expand that a little bit with the testimony of some of the BCCI insiders, and also some of the documents that we have. And I think it will help give a bigger picture here.

So thank you all, each of you, for your testimony. We appreciate

it.

Mr. Early. Thank you, Mr. Chairman.

Mr. BEYER. Thank you.

Senator Kerry. If we can get Mr. Bilgrami up here I would appreciate it.

Let us just recess for a moment while I go vote and then bring Mr. Bilgrami in and get him settled, and I will be right back.

[A brief recess was taken.]
Senator KERRY. The committee will come to order. Mr. Bilgrami, could I ask you, please, if you would stand so I can swear you in?

Would you raise your right hand, please?

Do you swear to tell the truth, the whole truth and nothing but the truth, so help you God?

Mr. BILGRAMI. Yes.

TESTIMONY OF AKBAR BILGRAMI; ACCOMPANIED BY JOHN HUME

Senator KERRY. Would you state your name, please, for the record?

Mr. BILGRAMI. My name is Akbar Bilgrami. Senator KERRY. And your current status?

Mr. BILGRAMI. I'm a Federal prisoner.

Senator KERRY. Could you bring that microphone a little closer to you? You are a Federal prisoner serving time where?

Mr. Bilgrami. In Pennsylvania.

Senator KERRY. And you are currently serving what sentence?

Mr. BILGRAMI. I'm serving sentence for money laundering, conspiracy.

Senator KERRY. How much time are you serving?

Mr. Bilgrami. About 61/2 years.

Senstor KERRY. And the money laundering that you are currently serving time for is with reference to BCCI money laundering. Is that correct?

Mr. Bilgrami. That's correct. That's correct, sir.

Senator KERRY. At the time of your arrest in October of 1988, you were employed by BCCI?

Mr. BILGRAMI. That is correct.

Senator KERRY. And your position there was what?

Mr. Bilgrami. I was in charge for marketing for Latin America, with specific responsibility in Colombia, Brazil, Venezuela, and Ecuador.

Senator KERRY. Would you share with the committee, please, a little bit of your background prior to assuming those responsibilities for BCCI? Where were you educated and where did you grow up?

Mr. Bilgrami. Most of my primary and secondary education was in Pakistan.

Senator Kerry, Pull the microphone a little closer. Thank you. Mr. Bilgrami. In Lahore, Pakistan, and subsequently, I did my A-levels, which is equivalent to high school, in Spain.

Senator Kerry. And you are currently how old? Mr. BILGRAMI. I was at that time about 16.

Senator KERRY. No, how old are you now?

Mr. BILGRAMI. 39.

Senator KERRY. 39, all right.

Mr. Bilgrami. And thereafter I studied in Sussex, England and California, in San Diego. I got my B.S.—B.S. degree in finance.

Senator KERRY. You got a bachelor of science in business at the International University of California?

Mr. Bilgrami. That's right. Senator Kerry. In 1972?

Mr. BILGRAMI. 1975 I graduated.

Senator KERRY. 1975, and then you briefly set up a trading company. Is that correct?

Mr. BILGRAMI. Yes, I set up a trading company in Madrid, Spain,

and subsequently worked in a Spanish bank.

Senator Krrry. And you—at that time, you learned Spanish, that was partly why you did that?

Mr. BILGRAMI. That's right.

Senator KERRY. Now, how did you come to work at BCCI?

Mr. Bugrami. Well, I came across an ad in the Economist, initially, under which I applied and I was interviewed by Mr. Rizvi and Mr. Ziauddin, and then subsequently I got a telex from Mr. Abedi who hired me directly. I was in Pakistan at that time.

Senator Kerry. And in September of 1976, you began as a train-

ing officer in London?

Mr. BILGRAMI. That's correct.

Senator KERRY. You were transferred subsequently to the International Business Division/Funds Management. Is that correct?

Mr. BILGRAMI. That's correct.

Senator KERRY. You worked for a Mr. Rizvi and a Mr. Al-Kha-

Mr. Bilgrami. That is correct.

Senator KERRY, And what were your responsibilities at the Inter-

national Business Division/Funds Management in 1976?

Mr. Bilgrami. Well, I was under Mr. Al-Khalani. I was working as his assistant for marketing in Latin America and specifically Spain. We were trying to purchase a bank there, or set up a operation in that country and immediately, at that time, I was put in charge of looking after Sheikh Zayed's investments in Spain, and then later on, his accounts in Europe

Senator KERRY. Had you ever met Sheikh Zayed at that time?

Mr. BILGRAMI. At that time I had not met him.

Senator Kerry. Did BCCI have many accounts from the Middle East?

Mr. Bilgrami. Yes, in London, primarily most of the accounts

were from the Middle East.

Senator KERRY. What kind of clients did BCCI serve, by and large?

Mr. BILGRAMI. At that particular time? At that time

Senator KERRY. We are talking 1976 now, correct?

Mr. BILGRAMI. That's right. Yes. At that time, most of our clients in London were wealthy Middle Easterners from Arab-United Arab Emirates, some from Saudi Arabia, and essentially we had also a clientele from the immigrant communities there, India and Pakistan.

Senator KERRY. Did BCCI spend a certain amount of money on lavish entertaining and expenses in London and eisewhere? Mr. Bilgrami. Yes, we did.

Senator KERRY. And you were one of those who helped to manage the visits of some of these wealthy Middle Easterners. Is that correct?

Mr. BILGRAMI, The visits I did not handle directly. There was a different department to do that, but I was involved in the banking side of the situation

Senator KERRY. What did you become aware of on the banking

Mr. Bilgrami. I was directly—and subsequently in London I was in a branch myself in Parklane. I worked there for 1 year, but in this particular period, I was just looking after Sheikh Zayed's accounts only.

Senator Kerry. So you became sort of a Sheikh Zayed specialist. Is that correct?

Mr. Bilgrami. I became like-yes, you could say that.

Senator Kerry. I mean, that was your area of responsibility?
Mr. BRIGRAMI. Because I spoke Spanish, I was to look after all

his dealings in Spain. Senator KERRY. In Spain, all right. Were you still at that time

based in Spain? Mr. BILGRAMI, No. I was based always in London. I took-

Senator KERRY. Would you travel to Spain? Mr. BILCRAMI. That is correct.

Senator KERRY. And you would travel to Spain at the same time

Sheikh Zayed would be there sometimes?

Mr. Bilgrami. Uh-huh. In fact, I used to travel more often on my own, but in-a couple of occasions when he visited Spain, I was with him all the time.

Senator KERRY. OK. So you were his personal banker through

his financier. Is that correct?

Mr. BILGRAMI. Yes, I used to coordinate all his activities or his accounts with his-the president of his department, whose name at that time was Mr. Abdullah Darwaish.

Senator KERRY. Darwaish? Mr. BILGRAMI. That's right.

Senator KERRY. All right. Now, in terms of the way in which Sheikh Zayed handled his personal finances, at least in Spain, that

which you saw, would you have called it sophisticated?

Mr. Bilgrami. Sheikh Zayed directly never dealt with me on those issues. He gave instructions through Mr. Darwaish. He was simple in his mannerism as far as dealing with his finances. I thought so.

Senator KERRY. What do you mean by that?

Mr. BILGRAMI. Well, considering his wealth, he didn't have sophistication of making investment decisions on his own. He took advice mostly from his advisers. That was my opinion.

Senator KERRY. Now, during the course of a 2-week visit to Spain, for instance, was there an occasion where he would spend

\$15 or \$20 million?

Mr. BILGRAMI. Yes. I was with him in one particular visit which was a private visit of his to Spain and he spent about that much. Senator KERRY. That is apart from investments that he made. Is

that accurate?

Mr. BILGRAMI. That's right.

Senator KERRY. And you know this because you actually carried

a briefcase of money?

Mr. BILGRAMI. Yes. I was like a mobile bank for him. I did everything which was required. I was asked by that-by Mr. Naqvi and Mr. Abedi to-

Senator KERRY. How much money would you carry in your mobile bank?

Mr. BILGRAMI. I would carry about \$3 to \$5 million at one time, and it used to be replenished as it went and finished.

Senator KERRY. Was this in a suitcase or something? Mr. BILGRAMI. This was—there were two briefcases. Senator KERRY. Two briefcases?

Mr. BILGRAMI. Yes, briefcases.

Senator KERRY. And what was all this money going to?

Mr. Bilgrami. Well, he traveled with an entourage of about 150 people—consist—and we used to land in any particular location, and there were two planes, so we had to take care of all the expenses connected with his visit, all the people with him, the gas for the planes, everything.

Senator Kerry. What was Progressive Investments Company?

Mr. Bilgrami. That was the vehicle we used to invest or to make his investments in Spain. That was a company based in Liechtenstein.

Senator KERRY. And through that company you bought villas,

tracts of land, property investments, is that correct?
Mr. Bilgrami. That's correct.

Senator KERRY, OK, Did you ever have occasion to use nominees

on behalf of the sheikh when he purchased something?

Mr. Bugrami. Yes, because of the fact that whenever the sheikh's name came into picture, the prices used to go up, so the bank had this custom of being a front, so to speak and saying that the bank was buying this on behalf of a client without mentioning the name of the client. Once the transaction was more or less completed, then later on the seller would be told who the buyer was actually.

Senator KERRY. Was the sheikh aware that nominees were being used in those instances?

Mr. BILGRAMI. I couldn't say.

Senator KERRY. You do not know?

Mr. BILGRAMI, No.

Senator Kerry. Now, when the sheikh bought property or—excuse me. When you engaged in a property transaction on behalf of the sheikh, did BCCI offer incentives to both sides so that they would use BCCI?

Mr. BILGRAMI. Well, we—I had been given instructions always to try to get the other end of the business, which was get the buyer to bank with us and the transactions were so devised so that he was induced to also place the funds with us, which would have been got from Sheikh Zayed's account.

Senator KERRY. Well, give us an example of that, could you?

Mr. BILGRAMI. Well, the example would be that in some instances in most instances in Europe—well, specifically there in Spain, at that time that there were exchange control regulations in force and Spaniards were not allowed to keep or have funds abroad. So essentially if there is a transaction of \$5 million and you just declare \$3 million as a foreign investment, the \$2 million tax-free placed outside without knowledge of the local authorities.

Senator Kerry. And BCCI would assist in making that happen.

Is that correct?

Mr. BILGEAMI. BCCI would devise that, yes.

Senator KERRY. You helped do that?

Mr. Bilgrami. Yes.

Senator Kerry. So BCCI would help a customer avoid the tax, declare an artificial price on the property and make a separate payment through a different route, disguising it. Is that accurate?

Mr. Bilgrami. It wasn't disguised in a sense, it just made outside so the local authorities wouldn't have any idea of what was paid. Senator KERRY. Outside?

Mr. BILGRAMI. Outside.

Senator KERRY. Did this happen more than once?

Mr. BILGRAMI. When I was involved in Spain that happened and that happened on the instructions—I think they came from Mr. Abedi or Mr. Naqvi, and then, I subsequently confirmed what had happened in memo to them.

Senator KERRY. Did you become aware that Sheikh Zayed had in-

vestments in other places too?

Mr. BILGRAMI. Yes.

Senator KERRY. Investments in Austria. France?

Mr. Bugrami. In France, in Switzerland and in England.

Senator KERRY. And in the United States?

Mr. Brigrami. At that time, I was not aware. I became aware subsequently.

Senator KERRY. OK. Now, who was Abdullah Darwaish, you men-

tioned earlier?

Mr. Brigrami. Mr. Abdullah Darwaish was the chairman of the department of personal affairs of Sheikh Zayed. This is a whole big department in Abu Dhabi which looks after all the investments of Sheikh Zayed, and all the properties and all the charities, every-

Senator Kerry. He was one of the principal financial advisers to

Sheikh Zaved?

Mr. BILGRAMI. Yes.

Senator KERRY. And you knew him for some period of time. Is that accurate?

Mr. BILGRAMI. That's right. I knew him-Senator KERRY. Over what period of time?

Mr. Bugrami, I knew him from 1977 to 1981, I think, around that time.

Senator KERRY. And what kind of services did he handle for the sheikh?

Mr. Bilgrami. Everything, as far as whatever related to finances, and all the coordination with BCCI was done through him.

Senator KERRY. Did he have power of attorney for Sheikh Zayed, for his accounts?

Mr. BILGRAMI. I understand he did, yes. In fact he did; on accounts, he signed.

Senator KERRY. You know that first-hand?

Mr. Bilgrami. Yes.

Senator KERRY. What was the size of the portfolio of the sheikh's

investments that Darwaish controlled?

Mr. Bugram. I do not know that first-hand. I was just told on a couple of occasions by his assistants that the amount which was under the department was around \$2 billion at that time.

Senator KERRY. \$2 billion?

Mr. BILGRAMI. Yes.

Senator KERRY. OK. Now, did BCCI ever send documents to Darwaish concerning the purchase of a U.S. bank? Mr. BEGRAMI. Yes.

Senator KERRY. When did that occur?

Mr. BILGRAMI. I can't be very certain of the exact date, but I think, I am not sure again, it was in 1977 or 1978, around that time.

Senator KERRY. Late 1977 or early 1978 somewhere?

Mr. Bugrami. It's been sometime. I was just—I was in Spain. Marbella, at that time with Mr. Darwaish.

Senator KERRY. What were the circumstances of your involve-

ment with those documents?

Mr. Bilgrami. While I was in Spain with him. I got a call from Mr. Rizvi in London and he told me that there were some important documents being DHL'ed to me for Mr. Darwaish, which were to be signed by him and returned back to Mr. Naqvi, in fact.

Senator KERRY. At that time you were in Marbella, the resort?

Mr. Bilgrami. I was in Marbella with Mr. Darwaish.

Senator Kerry. And Mr. Naqvi gave you these instructions? Mr. BILGRAMI. No, they came initially first through Mr. Rizvi.

Senator KERRY. Yes.

Mr. Bilgrami. Once I received the documents and I gave them to Mr. Darwaish, he initially did not sign them, he was not in a hurry. So I got a subsequent call from Mr. Naqvi's office, one of his assistants called me—that Mr. Naqvi wanted me to ensure that they were signed quickly and returned to him.

Senator Kerry. Now, do you recall what those documents were? Mr. Bilgrams. Those documents at that time had to deal with the purchase of Financial General, as it was called, and they were loan documents. They were elaborate documents. I did not understand them fully at that time.

Senator KERRY. But you did read the documents?

Mr. Bilgrami. I read them. Mr. Darwaish asked me to just briefly tell him what they were about.

Senator KERRY. And they were in English?

Mr. BILGRAMI. They were in English.

Senator KERRY. And it was a series of blank documents that he was to sign?

Mr. Bilgrami. They were pretty thick documents and they had a lot of blanks in them.

Senator KERRY. OK. And the document was to go where after he signed it?

Mr. Bilgrami. I was to send them back to Mr. Naqvi immediately.

Senator KERRY. Did he sign those blank documents?

Mr. Bilgrami. He signed the documents and also initialed in the blank spaces.

Senator KERRY. And he initialed in the blank spaces because he

had been instructed to do so?

Mr. Bilgrami. Well, I was told to get him to sign it in that manner and when I gave him the documents, he gave me the impression that he knew what they were about.

Senator KERRY. Did he know what was going to go into the blank

spaces?

Mr. BILGRAMI. I do not know that.

Senator KERRY. Did he ask you any questions about the blank spaces?

Mr. BILGRAMI. No, he did not.

Senstor Kerry. Did he indicate any concern about the blank

spaces?

Mr. BILGRAMI. No, he did not, but just to add on that, a couple of-a lot of instances, he used to sign documents and blanks for Spain, the transactions and we used to fill them in later on and send him a copy of what he had signed.

Senator KERRY. Now, he asked you to explain these documents to

him on the basis of what you read, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. What did you explain to him?

Mr. BILGRAMI. Well, I myself didn't understand them much because I—there were a lot of legal terms in that. All I mentioned it-all I told him was that it had to do with the purchase of First Financial General, a bank acquisition. And he told me, oh yes, that's Mr. Abedi's project.

Senator Kerry. Now, there was language in there regarding buy-

back, that you recall?

Mr. Bilgrami. I can recall—I'm not 100 percent sure, but I remember there were loans, there were proxies, there were voting rights, things of that nature. Buy-backs, I can't be 100 percent sure. It was some time ago.

Senator KERRY. But you are sure, are you not, that you understood the transaction was a loan from BCCI to Mr. Darwaish to

Mr. Bilgrami. I'm sorry. I'm not sure whether it was a loan to him or not. It was documents which he was signing. I didn't know if he was signing it in his personal capacity, or as chairman of Sheikh Zayed's department.

Senator KERRY. Do you recall whether or not it was a loan to purchase stock on behalf of Sheikh Zayed through a third corpora-

tion?

Mr. Bugrami. There was a name of another corporation there,

Senator Kerry. And there was, in fact, documentation about a loan?

Mr. BILGRAMI. It was a loan, yes.

Senator KERRY. And it was a loan for the purchase. Is that correct?

Mr. BILGRAMI. It had to do with Financial General and it was indirect. It was as I said, it was through another corporation.

Senator Kerry. And you understood Financial General to be a bank in the United States?

Mr. BILGRAMI. That's right.

Senator Kerry. And you understood that also-he said at that time, Mr. Darwaish said that this was Abedi's project?

Mr. Bilgrami. This was one of Mr. Abedi's projects, yes.

Senator KERRY. That's what he said? Mr. BILGRAMI. That's right.

Senator KERRY. Did you understand at that time that this was a

loan from BCCI for purchase of this bank?

Mr. BRIGRAMI. I understood it to be a loan. I did not know the exact implications of it or its magnitude, or what it was about at that time. No.

Senator KERRY. Did you understand that BCCI was lending

money to Sheikh Zayed or his representatives?

Mr. BILGRAMI. I wasn't sure how they were handling it. All I knew was that it was a transaction which involved either Sheikh Zayed or Mr. Darwaish, and it was a loan to start off with. I don't know what happened afterward, but this was definitely a loan.

Senator KERRY. Did you understand that BCCI was agreeing to

buy back shares?

Mr. BILGRAMI. At that time, my knowledge of these things was very limited. I really did not understand that. All I felt was-my opinion at that time was that it was something which BCCI controlled.

Senator KERRY. It was my understanding that in a discussion with the staff, you indicated that you did interpret this as a buy-

back of shares.

Mr. BILGRAMI. That was my personal opinion, yes. Senator KERRY. That was your opinion at that time? Mr. BILGRAMI. That's right.

Senator KERRY. Is that correct? Mr. BILGRAMI. That's right.

Senator KERRY. So you interpreted what you read to indicate

that there would be a buy-back of the shares, correct?

Mr. Bilgrami. As far as I can recollect that's how it looked like. Senator Kerry, And you also understood, I believe, that this was a loan for the purchase of this Financial General Bankshares. Is that correct?

Mr. BILGRAMI. Well, it had to do with the purchase. There were a lot of other steps involved according to the documents. I did not understand them, but I just gave him a gist of what I thought I understood.

Senator KERRY. What was the gist?
Mr. BILGRAMI. The gist was that this was a loan to purchase the bank in the United States.

Senator KERRY. Now how did you reach those conclusions?

Mr. Bilgrami. From a very brief review of about 25 pages of documents.

Senator KERRY. Now, at first, did not Mr. Darwaish say that he was reluctant to sign the documents because they were in blank?

Mr. Bilgrami. Not-it wasn't that. I think he was just being lazy about it. It was then when I was told to have it signed that I insisted, then he said, OK, you know, why don't you have a look at it. I don't know whether he was being reluctant or he didn't want to sign it because of blanks, but for some reason he was not very much in a hurry about it.

Senator KERRY. Based on your knowledge of the relationship then between Mr. Darwaish and Sheikh Zayed, do you believe that Mr. Darwaish would have tried to deceive Mr. Zayed—Sheikh

Zaved?

Mr. Bilgrami. My-no, I don't think so. I-my personal feeling at that time was it was something that had been discussed between Mr. Abedi and Mr.—and the sheikh, and it was something which Mr. Darwaish was implementing.

Senator KERRY. But in point of fact, you cannot really say what

the sheikh knew and what he did not know?

Mr. BILGRAMI. No, I cannot.

Senator KERRY. OK. Did Abu Dhabi on other occasions make investments of a similar nature with documents that were in blank? Mr. BILGRAMI. A lot of properties initially which were purchased

were purchased in that manner and then documented properly afterward.

Senator KERRY. How long did you have to review these documents?

Mr. BILGRAMI. I think it was a short time. I can't tell you, but it waan't very long, no.

Senator KERRY. But they interested you, did they not?

Mr. Bilgrami. Yes, they did. I was interested and I had heard about the rumors of the purchase of the bank and it interested me. Senator KERRY. And you spent some time with them?

Mr. BILGRAMI. I did.

Senator KERRY. You also made a copy of those documents, or at least

Mr. Bilgrami. I was—yes, I did.

Senator KERRY. You kept them with your personal papers?
Mr. BILGRAMI. Well, I was going to—since I had to DHL these documents, I just kept a copy in case something happened and when I went back, no one asked for the copy and I had them with my files in the office, and subsequently, when I was moved I had them with me.

Senator KERRY. Do you know where they are now?

Mr. BILGRAMI. No, I have no idea.

Senator KERRY. After Mr. Darwaish signed these documents re-

garding a U.S. bank, did you tell the senior officers at BCCI?

Mr. Bugram. I immediately phoned them and said that I had convinced him to sign the papers as they requested and also the blanks, initialed them and Mr. Rizvi said, that's great, and please send them urgently back.

Senator KERRY. What else? Didn't he say something more to you

at that time?

Mr. Bugrami. Much later on, when—when I came back, I just asked him how it was going and he said that it was going well, but to keep them very confidential.

Senator KERRY. He told you to keep it totally confidential, Mr. BLORAM. That's right.

Senator KERRY. Correct?

Mr. BILGRAMI. Yes.

Senator Kerry. And he told you also that it was very sensitive?

Mr. BILGRAMI. That's right.

Senator Kerry. And this took place from late October of 1977 to early April of 1978?

Mr. Bugram. I-it's the dates-it's been sometime. I can't be

very specific whether it was around that period.

Senator KERRY. At some time later, did you come to hear of regulatory problems in the United States regarding this transaction? Mr. BILGRAMI. Yes.

Senator KERRY. What did you hear?

Mr. Bilgrami. Well, I was in a marketing call to Venezuela with one of my superiors and he told me that—that the bank had run into problems with this investment.

Senator Kerry. And did Mr. Darwaish tell you that he had to

give depositions?

Mr. BILCRAMI. Later on, when Mr. Darwaish went to the States, he came back, he told me he had given depositions on this matter. Senator KERRY. And did he say something about a gentleman named Mr. Fulaii?

Mr. BILGRAMI. That's right.

Senator KERRY. What did he say?

Mr. BILGRAMI. He said he'd done pretty badly and he had done very well.

Senator Kerry. What was the mess that Fulaij had created?

What did you understand he had done?

Mr. BILGRAMI. I believe he had—there were some hearings and he had performed not as was expected of him because of his lack of knowledge of English, and because of that he created some misunderstandings which were cleared up by Mr. Darwaish.

Senator KERRY. And at this point, you understood that the bank that was involved was Financial General Bankshares, known today

as First American. Is that correct?

Mr. Bilgrami. Yes.

Senator KERRY. You understood that BCCI was buying the bank. Is that correct?

Mr. Bugram. That is what I understood then. Internally, that was how it was known to be.

Senator Kerry. It was not your impression that Sheikh Zayed

was buying the bank?

Mr. BILGRAMI. No. That was my personal impression.

Senator KERRY. Correct, based on the documents you saw and the type of transaction that took place. Is that correct?

Mr. Bilgrami, And the subsequent discussions internally gave

me to believe.

Senator Kerry. What was the subsequent discussion?
Mr. BILGRAMI. Well, over a period of time there were a lot of discussions internally amongst ourselves.

Senator KERRY. What were those discussions?

Mr. BILGRAMI. Well, whether the bank was independent, or whether it was part of the same group and it was always thought of as being a part of BCCI. We never went into detail about who owned it because BCCI was owned, supposedly owned-majority was ICIC, which was supposed to be a trust for the employees, so we never discussed whether Sheikh Zayed owned it or not. It was just part of the same group.

Senator KERRY. Well, what were the indicators? What made all

of you believe that this was part of the same group?

Mr. BILGRAMI. Well, it's—it—this is over a period of time, so I can just relate to you how it happened. First, my personal involvement when I was with Mr. Darwaish. Second, afterward, the way the discussions used to take place internally about the projections of the Americas. And third, how BCC personnel were going into First American National Bank of Georgia. A lot of us were trying to get ourselves transferred and we knew that Mr. Abedi and Mr. Naqvi were making those decisions.

Afterwards, we were doing joint marketing and we had people from First American Bank of Georgia coming to our internal con-

ferences, being called sister banks. Take all those factors, these are the ones I can remember now-there might be many more, which made me to believe we were one and the same group.

Senator KERRY. Now, was there a problem that developed with a

copper market investment made by Darwaish?
Mr. Видами. Yes, around 1980 or 1981, I think. I was working in Parklane at that time. The department of Sheikh Zayed was heavily involved in bonds and also copper investments. I—they were being done through Credit Suisse—and I think they were investing or trying to make some huge profits in copper, and in fact, turned out to be losses.

Senator Krrry. So they lost about \$500 million?
Mr. Bilgramt. This was the rumor. I was—you know, I was told that it was about that amount.

Senator KERRY. And the impact of the copper losses on Darwaish

were what?

Mr. BILGRAMI. I believe—well, he was blamed for those losses and there was some people who alleged that he had personally benefitted from those transactions and there was an investigation and he was removed from that position and placed in-in-in country arrest.

Senator KERRY. Now, around 1981-82, you had been transferred

to Colombia, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. So you were in Latin America. You came back

briefly to London. Is that right?

Mr. BILGRAMI. I was still called back because they were of a firm of litigators, lawyers who were investigating the whole issue, all the accounts which I had managed for Sheikh Zayed and for that I was called back.

Senator Kerry, What happened to Darwaish at that time?

Mr. BILGRAMI, Initially, he was placed in country arrest, subsequently under house

Senator KERRY, In Abu Dhabi?

Mr. BILGRAMI. In Abu Dhabi, then he was placed under house arrest and then there was an extensive investigation conducted by a firm of lawyers, litigators, and they investigated all the accounts which I had managed on behalf of the bank for this client.

Senator KERRY. Have you ever seen him again?

Mr. BILGRAMI. I was—in 1985, his brother came to see me asking me to give an affidavit regarding Spain, whether I knew of any transaction where he had personally benefitted. I had seen none of the sort. I was willing to give that affidavit, but I was told by Mr. Nagyi not to do that.

Senator KERRY. So you did not do it?

Mr. BILGRAMI. I couldn't do it.

Senator Kerry. And you have not seen him since 1980? Mr. BILGRAMI. I have not seen him since 1981 actually.

Senator KERRY. Now, later you were in Venezuela, correct?

Mr. Bilgrami. I-

Senator Kerry. You were transferred back. You went to Colom-

bia and then Venezuela?

Mr. BILGRAMI. No. I was—I was in London until 1981, and I was in different branches, also went to Spain. We tried to buy a bank

in Spain there, and I was also visiting Venezuela, Ecuador for mar-

keting. I was still based in London.

Senator KERRY. OK. At that point in time, did you begin to hear of problems with the purchase of the National Bank of Georgia or First American from a Mr. Al-Khalany?

Mr. BILGRAMI. That's right.

Senator Kerry. What problems did you hear about? Mr. Bugram. Well, the first time they came up with the situation was in Venezuela. We were giving a loan to the country of Venezuela. We did give a loan of \$180 million. It was a private placement, and as a part of that loan, the understanding was that the Central Bank of Venezuela would approve us to place funds with BCCI.

We did give the loan, but then the Central Bank didn't approve us to be-to be able to receive the deposits, and one of the reasons cited was to do with Bert Lance and the investigations of that, to do with Financial General—the SEC investigations into the bank, and because of that they had deferred the decision on putting us on

the approved list for deposits.

Senator KERRY. The operating understanding within BCCI then, for yourself and others, was that all of the banks, BCCI, First American, National Bank of Georgia, would eventually be operating openly as one bank, correct?
Mr. Bugrami. That's right.

Senator KERRY. And you were told on a number of occasions that

that had to be kept a secret. Is that correct?

Mr. Bilgrami. Yes, because some of us, at times marketing openly mentioned to potential clients that we were one and the same group and I was told on one particular occasion not to do that because that would create some problems.

Senator KERRY. Regulatory problems? Mr. Bugram. That's right.

Senator Kerry. Specifically, correct? Mr. BILGRAMI. Yes, that's the word used. Yes.

Senator KERRY. Did you ever have any discussions with anybody at that point about the real relationship between First American and BCCI?

Mr. Bilgrami. Well, I discussed it with Mr. Al-Khalany in the late seventies, and he mentioned, you know, that actually, it was part of the same.

Senator KERRY. What about Imram Iman? Mr. BILGRAMI. That was much later. Senator KERRY. That was later?

Mr. BILGRAMI. That's right.

Senator KERRY. But you did have a discussion with him about First American being your bank, belonging to BCCI?

Mr. BILGRAMI. That's right, being the same group.

Senator KERRY. And what did he tell you, anything else?

Mr. Bilgrami. Well, he just more or less confirmed that under-

standing of mine.

Senator KERRY. Did you come to learn that a BCCI affiliate called Credit and Finance Corporation had loaned money to another bank in order to make it look like that other bank, BAII, was lending money for the purchase of First American?

Mr. BILGRAMI. Yes.

Senator KERRY. You did? Mr. BILGRAMI. Right.

Senator KERRY. And what were the circumstances of that?

Mr. Bugrami. Well. I was in London-I can't remember the exact date, it was in the eighties. It could have been 1984 or 1985, or around that time, and I was about—I had to meet Mr. Naqvi. In the meantime, I was with a friend of mine, a colleague of mine, who was working in CFC, Mr. Ahmed, and he told me about that loan and he showed me the file.

Senator KERRY. Let me just ask, apparently there is a bag, hangup bag hanging in the corner of the hearing room over here somewhere which belongs to someone. Is there anybody here who knows

who owns that? Is there anybody here who owns it?

OK. We are just going to take—there is no owner here? All right, we are going to take a brief recess for a moment, if we can folks. while we just check this bag out.

[A brief recess was taken.] Senator KERRY. We are all set. Be seated and relax. Now, on this occasion that you heard about this other bank having loaned the money to make it look like the purchase, could you explain the cir-

cumstances of that, please?

Mr. Buckam. Well, as I explained to you earlier, I was waiting on the desk of Mr. Ahmed and he was on the phone, I think, talking to BAII when he stopped and I asked him, what's going on. And he told me what he was doing, and he said, why don't you have a look at the file, and I looked at the file and it showed exact-

ly how the transaction was being conducted. It was pretty thick.

Senstor KERRY. Now, what did it show? It showed that BCCI——
Mr. BILGRAMI. It showed that BCCI was placing \$50 million with BAII and under that understanding, it was like a lien. The funds would remain with BAII until the loan was repaid, and BAII would then give that—would give that company a loan with the underlying security being the \$50 million deposit from BCCI.

Senator KERRY. Is there anything unusual about that?

Mr. Bugrami. In BCCI we-a lot of transactions were done like that, but it was unusual in the sense that it-another bank was being used. Usually, it was always internally done, but in this instance, another bank was being used, and I was given to understand by Mr. Ahmed that that was being done so as to go around the regulatory situation.

Senator KERRY. And the money was matched by a corresponding

deposit by BCCI into BAII?

Mr. BILGRAMI. That's correct. Senator KERRY. To cover it? Mr. BILGRAMI. That's right.

Senator KERRY, OK. And the purpose, therefore, was to go around the regulators, to distance the transaction or the connection between BCCI and First American. Is that accurate?

Mr. BILGRAMI. That's right.

Senator KERRY. OK.

Mr. Bilgrami. Excuse me, and the company which was receiving the loan, to distance BCCI from the company. It was a holding com-

Senator KERRY. Was there a relationship between BCCI and BAII?

Mr. Bilgrami. Well, the only relationship was that Mr. Lamarche, who was the chairman of BAII, was also a board member of BCCI. That's the only relationship I understood to exist.

Senator KERRY. Did there come a time when you were, in fact.

told to think of BCCI and First American as one bank?

Mr. BILGRAMI. Much later, in 1987 or 1988, we were making plan, a master plan for the 1990's, 1990 up to 1995, and I was on that committee in Miami and in my discussions with Mr. Shafi. who was my general manager, he gave me that understanding that we should make those plans and projections based on that premise.

Senator KERRY. And you were at a meeting, were you not, where

you were working on this plan?

Mr. Bilgrami. Yes.

Senator KERRY. What year was this, in 1986?

Mr. BILGRAMI. It would be 1987 or 1988, I think, around that time.

Senator Kerry. And you asked specifically, what about First American in making up this plan, correct?

Mr. BILGRAMI. That's right.

Senator Kerry. What were you told?

Mr. Bilgrami. That that will be taken into—into the plan. Take the figures into the plan.

Senator KERRY. Were you not told specifically the words, think of

it as one?

Mr. BILGRAMI. That's right.

Senator KERRY. Those are the words that were used?

Mr. Bilgrami. Yes.

Senator KERRY. Who used those words?

Mr. Bugrami. If I remember correctly, it was Mr. Shafi.

Senator KERRY. Mr. who? Mr. BILGRAMI. Mr. Shafi.

Senator KERRY. Shafi. Did you ever learn that BCCI was directing First American to buy the Bank of Georgia-National Bank of Georgia?

Mr. BILGRAMI. Yes.

Senator Kerry. When did you learn that?

Mr. BILGRAMI. It has to-1986, around that time, I think it was 1986. I can't be 100 percent sure, but it was around that time.

Senator KERRY. How did you learn it?

Mr. BILGRAMI. Well, I had-Mr. Tariq Jamil was at that time in National Bank of Georgia and he was just coming on back to BCC, and he told me about it, and also, subsequently later, Mr. Lodhi, he told me about it.

Senator KERRY. Jamil, Tariq Jamil, at that time, discussed the First American situation with you, correct?

Mr. BILGRAMI. The National Bank of Georgia purchase by First

American, yes.
Senator KERRY. He told you that that was going to happen and he called it a logical progression?

Mr. BILGRAMI. That's correct.

Senator KERRY. Now, within BCCI, was it generally understood as part of the bank's culture that BCCI would make payments, or loans, or bribes to political or governmental figures?

Mr. BILGRAMI. I don't know whether it was part of the culture,

but it was a normal practice.

Senator KERRY. Normal practice? Mr. BILGRAMI Normal practice:

Senator KERRY, I do not mean culture in terms of ethnicity or anything, I just mean culture, normal practice. I do not mean-

Mr. Bilgram. But if I may add, Senator, in my brief experience in banking with BCC, I also found other institutions to be doing exactly the same thing.

Senator KERRY. Other banking institutions?

Mr. BILGRAMI. Other banking institutions. Senator Kerry. OK. Now, although—you knew of this because

people talked about it within the bank?

Mr. BILGRAMI. Well, I was first exposed to it in London myself and that was the only time I didn't perform very well, and that was the only time I was directly involved in one instance. But then I came to know of other instances indirectly.

Senator KERRY. Did you personally become involved in handling

any of these so-called bribes or special loans?

Mr. Bilgrami. In one instance I was directly involved.

Senator Kerry. In one instance.

Mr. BILGRAMI. One, and two others, but indirectly.

Senator KERRY. What was that? What was that instance?

Mr. Bilgrami. Well, this was a situation where a senior official from the Central Bank of Sudan had come over to London and I was called over by my superiors and told that I was take care of him. And he asked me to take 100,000 pounds in-

Senator Kerry. That is all right, go ahead. Mr. Bilgrami. Well, he asked me to take 100,000 pounds in cash and accompany him to purchase anything he wanted, which I did. But at that time, I was not familiar with how these things were done, so I was taking receipts for each purchase he was making and he was somewhat uncomfortable with that situation and he told me that other banks didn't do that. So-but he did go ahead and buy whatever he wanted to.

Senator Kerry. That is the only instance where you personally

or directly were involved?

Mr. BILGRAMI. Directly involved in this instance.

Senator Kerry. Do you know--do you have first-hand information of any other instances of special favors being done or bribes? Mr. BILGRAMI. There was another instance, when I was in Parklane branch where we were approached by a gentleman from Nigeria, connected with Nigeria, that there were deposits involved to the extent of \$1 billion and if you were willing to pay commissions or bribes, those deposits would come through. Myself and my manager, we referred it to Mr. Naqvi's office and it was handled, and subsequently that person told me that the deposits did come through and the payments were made. But to whom they were made. I don't know

Senator KERRY. You do not know how much?

Mr. BILGRAMI. But they had to do with the Central Bank. I believe the figures were in excess of \$5 million.

Senator KERRY. And what about this person, the Sudanese official that you talked about, how much did he spend or charge?

Mr. BILGRAML Well, I was—I was given 100,000 pounds. He spent I think about 78,000, something like that.

Senator KERRY. In what, one afternoon? Mr. BILGRAMI. I think in two shopping trips.

Senator KERRY. Do you know of any other payments to political

figures or Central Bank figures, or foreign officials?

Mr. BILCEAMI. There was one in-another instance in England. Again. I was involved, but indirectly, where they payments were being made to the-Rhodesian delegation at that time, Zimbabwe. There were negotiations going on and there were payments made in that connection also.

Senator Kerry. Did you know of any payments that Mr. Sakhia

made, or Mr. Abedi personally made for anyone?

Mr. Bilgrami. Personally? I am not aware of any personal. I am only aware of presents which Mr. Abedi used to give and-and watches, expensive watches and things of that sort.

Senator Kerry. What about Mr. Sakhia?
Mr. Bilgrami. There were rumors within the branch. I had no first-hand knowledge. No.

Senator Kerry. All right. In Zimbabwe?

Mr. Bugrami. That's the one I mentioned early on.

Senator KERRY. That's the one you mentioned, in Nigeria. What

about China?

Mr. BILGRAMI. Well, in China, I don't know whether-what that was. It was expenses paid on the-where there was a delegation, a Chinese delegation which visited Latin America. About eight countries were either present and on instructions of Mr. Abedi and Mr. Naqvi, we paid for their whole trip.

Senator KERRY. Now, is there anything unusual about that? Don't businesses court people all the time, entertain them, hope to get business? I mean, that seems to me to be fairly standard proce-

dure

Mr. BILGRAMI. Yes, this kind of situation, it used to be. For ex-

Senator KERRY. I mean, that really does not strike me as fitting into the category of bribe that you talked about earlier.

Mr. BILGRAMI. No, this would be different. This was just paying

Senator KERRY. But were there occasions—there were occasions like Nigeria and others where you specifically did a bribe where

Mr. BILGRAMI. That's right.

Senator KERRY [continuing.] There were kickbacks, there was an arrangement.

Mr. BILGRAMI. That's right. Senator KERRY, Is that correct? Mr. BILGRAMI. That's correct.

Senator KERRY. What about in Peru, were there any of those kinds of special relationships?

Mr. Bilgrami. In Peru, I was told that there was—we got the Central Bank account, where the bank deposited about \$300 million, and that was based on a kickback.

Senator KERRY. And you agreed to keep a certain amount of

money hidden for Peru. Is that correct?

Mr. Bilgrami. Well, it was supposed to be kept in Panama very confidentially so that—that some U.S. banks or European banks wouldn't get their hands on it.

Senator KERRY. Do you know of any officials in Latin America

who received money in exchange for using BCCI?

Mr. Bilgrami. Umm—well, we had this Peru situation where I was given to believe that officials did receive money to place those funds with us.

Senator KERRY. You say you were given to believe. Who told you

that?

Mr. BILGRAMI. Well, I was told by my boss at that time. Mr. Shafi, that that account had been obtained by giving—commissions is the word he used.

Senator KERRY. And who were the people who met at that time,

Mr. Shafi, Mr. Tariq Jan?

Mr. BILGRAMI. Well, there—there were two points where there were two different—two different times they were—There were many discussions, but the initial relationship was initiated by Mr. Brian Jensen. He started the relationship. Subsequently—

Senator KERRY. When you say started the relationship, the rela-

tionship with whom?

Mr. BILGRAMI. With the Central Bank of Peru.

Senator KERRY. OK. And who—what officials did they deal with

directly?

Mr. Bilgrami. He was dealing with the two main senior officials of the Central Bank. I can't remember the names. I remember that he spent about a week in Panama where they had lengthy negotiations and there were expenses relating to that which were paid by our office in Miami.

Subsequently, Mr. Shafi went down to Peru where, he told me later on, that he met Mr. Alan Garcia, the president, who had con-

firmed that their deposits would be transferred to BCCI.

Senator Kerry. Now, I have a document here which is a letter that you signed and you sent it to Mr. Shafi, your boss, and I am going to put this letter in the record at this point in time, regarding Mr. Mishkin's dinner. Now, this was a dinner concerning a political fundraiser for President Carlos Andres Perez of Venezueia, from you to another BCCI official.

[The information referred to follows:]

SEN 000525



LATIK AMERICA & CARRIEGAN REGIONAL OFFICE MENINGHAL OFFICE WAS SHOULD BE A THE RESIDENCE OF

MATE ... AMPUSE 28, 1987

10KT/ 4210

Akber Silgrami SCCI-LAR-Ceribbees Hr. S.M. Shefi SCCI-LAR-Caribbean

magor Mr. Mishkin's dinner

Perther to our conversation about the dinner that is ergumined by Mr. Leon Mishkin is Caracas for the candidate of "Accion Democratics" Ex-President, Mr. Carlos Andres Pares, following are the features of the event for your tousiderations

- The dimmer is for twenty five parsons with a contribution of \$8200,000.00 (approx. US\$6,666.00) (at the actual foreign exchange, a total of \$83,000,000,00 (approx. US\$170,000.00)
- The dinner will be at Mr. Mishkin's house on January or February 1986.
- We have to deliver right now the shock but dated January 88 in the some of Mr. Garine Andres Peret,
- The disner will take piece on January 88 only if Mr. Carlos Andres Percy is elected anadidate impide of this party on October 1987. If he is not, the check will be returned to the issuers by Mr. Mishkin.

Would approved to if you would kindly approve the issuance of the eheck by the Res. Office for Ba200,000.00, and I so sure that the ampense, if incurred, will be beneficial to BCC in the long run.

Best reserva

Akbar Bilgrami

C 0002102

Senator KERRY. Is that correct?

Mr. BILGRAMI. That's right.

Senator KERRY. And you asked for a contribution by BCCI to a dinner for Perez for about \$6,600?

Mr. BILGRAMI. That's right.

Senator KERRY. And the check was to be postdated 4 months. and it was to be returned if Perez were not elected president. Is that correct?

Mr. Bilgrami. I don't remember. Can I have a look at this docu-

ment?

Senator KERRY. Yes. [Pause.]

Mr. Bilgrami. It says here, if he's not elected candidate, not president, a candidate for the—the party there, Acion Democratica. Senator KERRY. So it was a contribution to be contingent only on his candidacy as the party's candidate?

Mr. Bilgrami. That's right.

Senator Kerry. The theory being what?

Mr. Bilgrami. The theory being that there's no point making a

contribution if he's not going to be a candidate.

Senator Kerry. Why?
Mr. Bilgrami. Because if there are any favors to be taken subsequently, it could be only obtained if he was president.

Senator KERRY. OK. So in other words, the theory-was there al-

ready a relationship with him?

Mr. Bilgrami. I was given to believe that there was, but from London, not from our office.

Senator KERRY. And who ordered you to pay this money?

Mr. BILGRAMI. Mr. Shafi approved this.

Senator KERRY. How was the amount of money arrived at?

Mr. Bilgrami. This was actually a dinner, open public dinner where people who wanted to sit with him would pay this contribution.

Senator KERRY. Was this viewed as out of the ordinary, or was

this standard practice?

Mr. Bilgrami. This was standard practice. I believe it was also done in the States on a number of occasions by Mr. Sakhia.

Senator KERRY. By Mr. Sakhia?

Mr. Bilgrami. That's right.
Senator Kerry. To what, to American politicians?
Mr. Bilgrami. That's right, dinners where, you know, you have to pay a contribution of-

Senator KERRY. So you make a contribution?

Mr. BILGRAMI. That's right.

Senator KERRY. Through individuals or through the corporate entity?

Mr. BEGRAMI. Sometimes through individuals, sometimes through the corporate entity directly. [Discussion off the record.]

Senator KERRY. Now, when you were in Colombia, did BCCI tell you to cook the books in order to inflate profits?

Mr. BILGRAMI. Yes.

Senator Kerry. Can you explain that? Mr. Bilgram. Well, we purchased the bank in 1983. When we purchased the bank, we knew it was a sick bank. We had injected some capital, \$5 million into the bank, but once we took over the

bank, we realized that it was sicker than we had thought and it was projected that by the year-end, the bank would make a loss of about a million dollars, and I went to London and had discussions

in London, and I told them of the situation.

And I was told that we couldn't—the bank couldn't afford to show a loss in Colombia since it was the first purchase in Latin America, and we were going to buy subsequent banks in other countries, so it was important to show how BCC could quickly turn around the bank. So I was told to—and there was a meeting held in which I was told how to go about fixing the figures.

Senator Kerry. And in that meeting, you sold—you depreciated an old asset and then proceeded to sell that asset to a nominee for

an inflated sum of money?

Mr. Bilgrami. For the market value. We had it on our books—I'd say, I can't remember the exact figure, but let's say———

Senator KERRY. You made—and made an in-house loan, right?

Mr. BILGRAMI. That's right.

Senator KERRY. And the nominee did not pay the loan and at some time down the road, the bank would just get the asset back?

Mr. Bugrami. That's right.

Senator KERRY. So you increased the value of the books by the amount of the phony loan?

Mr. BILGRAMI. That's right.

Senator KERRY. That was standard practice?

Mr. Bilgrami. The person who explained to me, it seemed that

he had done it a lot of times.

Senator KERRY. Now, did you also get shown how to generate funds using nominees by selling phony feasibility studies to Colombia?

Mr. BILGRAMI. Well, the same instance, since this asset was only—we take care of only \$300,000, there was a shortfall of \$700,000 to \$800,000. So then I was told to prepare three feasibility reports under which payments would be made into the bank for that amount.

Senator KERRY. And you sold those for \$350,000 each, each feasi-

bility study?

Mr. BILGRAMI. It was \$300,000 or \$350,000, yes. Senator KERRY. And who did you sell them to?

Mr. Bilgrami. Well, I was told to make receipts in the name of three clients, all shareholders of the bank.

Senator Kerry. Mr. Pharoan? Mr. Bilgrami. That's right. Senator Kerry. Mr. Adham? Mr. Bilgrami. That's right. Senator Kerry. And Mr. Fulaij.

Mr. Bilgrami. I think that was the last name. It was either Mr. Hammoud or Mr. Falaij, I'm not sure.

Senator KERRY. Now, why would they buy these studies? They did not really buy these studies did they?

Mr. BILGRAMI. No.

Senator KERRY. And they did not ever come and look at the proposed investments, did they?

Mr. Bilgrami, No.

Senator KERRY, And what did they get for their \$350,000 or \$300,000 each?

Mr. BILGRAMI. Very nice feasibility studies.

Senator KERRY. And they never really paid a penny of the

money, did they, because BCCI just loaned it to them?

Mr. BILGRAMI. The payments came from Grand Cayman and I was subsequently told that they came by there from loans. I don't really know how they came, but they came in their names

Senator Kerry. But you know that it was a phony transaction

creating phony profits?

Mr. BILGRAMI. Yes, I was told that.

Senator Kerry. And in that way, you generated the \$1.1 million

needed to cover for the bank.

Mr. BILGRAMI. Well, the and the bank, the funds came in physically, so as far as the Colombian entity was concerned, those \$750,000 were clear funds as if a profit on the book, which was funds coming in, but within the BCCI group, yes. it was phony.

Senator KERRY. Was this a typical way of BCCI doing business

with nominees?

Mr. Bilgrami. As I explained to you, when I was in London and these transactions were explained how it should be done, I was told this was done very frequently in other countries.

Senator KERRY. BCCI also created duplicate sets of books, cor-

Mr. BILGRAMI. In what sense, sir?

Senator KERRY. In the Grand Caymans?

Mr. Bilgrami. That's right. Well, the books for-for the Grand

Cayman operation was run out of London.
Senstor Kerry. Why did they create a second set of books for the

Grand Caymans?

Mr. BILGRAMI. I think at some time the British regulatory authorities objected to that, so that's why they were done. I'm not 100 percent sure, but I was given to believe that was the reason.

Senator KERRY. Did you send flight capital to the United States

from Colombia?

Mr. Bilgrami. We used to market flight capital like all the other

banks in Colombia, yes.

Senator KERRY. All of that money is questionable money, is it not?

Mr. Bilgrami. Well, the term, flight capital, it's all questionable money. It essentially consisted of people who are not-who don't want to pay taxes, drug money, corrupt money in the sense of kickbacks. I understand, according to the World Bank, that market is worth \$1 trillion.

Senator Kerry. Well, according to you, you were small because you were only able to take in \$100 million yearly. Is that right?

Mr. BILGRAMI. We were small compared to our competitors, the European and American banks, yes.

Senator KERRY. Other banks were taking in \$1 billion each?

Mr. Bilgrami. Well, according—I can't say the exact figure, but I can only say that I read a report from the IMF, the World Bank, the flight capital market was in the region of \$1 trillion.

Senator KERRY. So you were losing out on the flight capital market?

Mr. BILGRAMI. We were trying to catch up to our competitors, so to speak, and that was the major thrust of Mr. Abedi and Mr. Naqvi, that we weren't doing the job as good as the others were doing.

Senator KERRY. Now, let me repeat this. Flight capital money is

tax evasion money?

Mr. Bilgrami. Tax evasion money.

Senator KERRY. Drug money? Mr. BILGRAMI. Gun running.

Senator Kerry. Arms transactions, illegal arms transaction money, pure political corruption money, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. Did you have occasion to come to understand the

relationship of Mr. Clifford and Mr. Altman to BCCI?

Mr. Bilgrami. Well, the internal classification amongst ourselves was that they were BCCI's people in the United States. I did not—I was not privy to any of their private conversations which took place between Mr. Abedi, or Mr. Clifford, or between themselves, but this was what was the

Senator KERRY. Did you see them at meetings?

Mr. BILGRAMI. Yes.

Senator KERRY. In London?

Mr. Bugrami. In London, in conferences, and in Miami.

Senator KERRY. Did you have occasion to learn of document alteration or document destruction?

Mr. BILGRAMI. Yes.

Senator KERRY. What were those occasions?

Mr. BILGRAMI. There's one situation observed in 1988, around August when we received subpoenas from this committee, and around that time, I was asked to prepare and alter documents.

Senator Kerry. Who asked you to prepare them?
Mr. BILGRAMI. I was told by Mr. Shafi that he had got instructions from London that we should create a document—rather minutes of the meeting which was—which took place in 1987.
Senstor Kerry. What meeting?
Mr. Bilgrami. There was a meeting which Mr. Abedi had—when

he had come to Miami, there was a large conference which took place in Miami. Prior to that conference, a small meeting took piace in which supposedly he had given certain instructions. Mr. Shafi didn't realize that I was not in that meeting, so I told him that I was not there, so I couldn't really create something which I didn't know what happened. So then he told me that he would leave that work to someone else to do. Subsequently, I found-

Senator KERRY. Do you know who did it?

Mr. BILGRAMI. I—he instructed Mr. Bande Hasan to make those

Senator KERRY. And these were to make minutes of the meeting that did not happen, or make minutes of a meeting that had happened?

Mr. Bilgrami. This is to make minutes of a meeting—this is to make minutes in 1988 of a meeting which supposedly took place in

1987, where certain things were said to-which I know were not said, because I would have known about it.

Senator Kerry. OK. And what were the certain things supposed

to be, do you know?

Mr. Brigrami. Those were that Mr. Abedi had given instructions to all the staff that we were not to target flight capital, that we were not to break any exchange control regulations, that we were not to take any drug money or any suspicious money, and essentially not to break any laws of any country.

Senator KERRY. What was the subsequent incident?

Mr. Bugrami. Around the same time I was also requested to reduce our figures, EMP figures, which were funds coming in from Latin America and placed in other branches of BCC. I was asked to reduce that by around \$100 million, specifically from Panama and Colombia. This was in response to the subpoena.

Senator KERRY. Did you ever backdate documents?

Mr. BILGRAMI. Well, these figures had to be more or less backdat-

ed, so that was the only one which I had to do. [Pause.]

Senator KERRY. There was a third occasion where there was document alteration, which was the reduction of the deposits. Was that not true?

Mr. Bilgrami. That's the one I mentioned earlier on, Senstor.

Senator KERRY. Oh, I am sorry. All right, that is my mistake. Thank you. Now, after you were arrested in the Tampa case, were you—was there a time when you wanted to cooperate with the prosecutors?

Mr. Bilgrami. Well, at a certain time, we did-I did contemplate

doing that, yes.

Senator KERRY. And the bank told you not to?

Mr. BILGRAMI. The bank-I got direct messages from the bank that not to do that, that they would find a global—a global agreement with the-with the prosecution team.

Senator Kerry. And what happened subsequently?

Mr. BILGRAMI. Well, right at the end, we were more or less

dropped out and the bank left us to go ahead.

Senator KERRY. Let us be more graphic about this. Is it not accurate that you were told by the bank they were going to take care of you and protect you in this process?

Mr. BILGRAMI. That's—that's it exactly.

Senator Kerry. And they did not want you to talk to the prosecutors, correct?

Mr. BILGRAMI. Preferred not to, no.

Senator KERRY. They did not want you to cut a deal for yourself. right?

Mr. BILGRAMI. That's right.

Senator KERRY. So they said, no, we are going to get a whole global agreement here for all of us, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. But at the very end, almost the eve of the trial, they dropped you, did they not, and they did a plea for themselves?

Mr. BILGRAMI. That's correct. Senator KERRY. Is that correct? Mr. BILGRAMI. That's correct.

Senator Krrry. And they left you folks out there hanging on your own, right?

Mr. BILGRAMI. Yes.

Senator KERRY. Were you surprised at that plea agreement?

Mr. Brigrami. Well, our lawyers had advised us that it was possible that it was going to happen, but unfortunately, we tended to believe the direct messages coming out of London, and we were totally shocked.

Senator Kerry. And why were you shocked?

Mr. Bilgrami. We were given clear understandings that this would not happen in the past, also when BCCI had got into trouble they had-also, because of the culture of which you spoke, which was supposed to be a family and the philosophy that Mr. Abedi had instilled in us was that it was just one big family.

And earlier on where there had been situations where employees had—where employees had been infringed and employees had been

put in prison, the bank had bailed them out, so to speak.

Senator KERRY. Were you surprised about the fact that the bank seemed to get off and you did not?

Mr. BILGRAMI. Very surprised.

Senator KERRY. Why did that surprise you?

Mr. BILGRAMI, Well-

Senator Kerry. Did the plea bargain seem to make sense to you? Mr. Bilgrami. Well, now, later on it didn't, because at that time, I couldn't understand what was happening, but subsequently, after-when-when-when one has learned then it didn't surprise me how come the bank was let off, so-you know, but I don't know all the details, so I really can't say, but this is in hindsight. [Pause.]

Senator Kerry. Was there a point in time where you were going to leave BCCI and go work for Capcom?

Mr. Bilgrami. Yes. There was a point in time when I was going to leave the bank, yes.
Senator Kerry. When was that?
Mr. Bilgrami. Well, I started thinking of leaving the bank in

March of 1988.

Senator KERRY. Hold on, excuse me for one second. [Discussion

off the record.

Let me go back here for just a minute and just ask you a question. When you-when you were under indictment before the trial, who was representing you? Who was the principal lawyer repre-

senting you in the Tampa case?
Mr. Bilgrami. Well, I had—I had two lawyers. They were all the bank hired all our lawyers. We had-I had one from Tampa,

lawyer that was

Mr. BILGRAMI. Mr. Carl Rauh. Senator KERRY. Carl Rauh.

Mr. BILGRAMI. And Mr. Benny Lazaro.

Senator KERRY. Now, did there come a time later where he asked you to permit him to represent some of the other people with respect to BCCI?

Mr. BEGEAM. Much after I was found guilty in 1990, he requested that, you know, I allow him to—to represent other people.

Senator KERRY. And did you?

Mr. Bilgrami. Yes, I signed a document releasing him.

Senator KERRY. And have you found out who he is representing, subsequent to defending you?

Mr. Bugrami. It's Mr. Clark Clifford and Mr. Altman.

Senator KERRY. And you say that your defense was run out of

the larger team that was presented you from the-

Mr. Bilorami. Maybe I said that incorrectly. What was happening was that since it was one joint team effort initially, until the bank petered out, so they were—the payments and all that was coming out of Mr. Clifford's office. More or less he was—

Senator KERRY. From the bank?

Mr. Bilgram. From the bank, yes, and since they were paying for all their lawyers fees also, it was coming from the same source, Mr. Clifford. But I was meeting with my lawyers separately, but there was a sense of a joint kind of a strategy, until the time that the bank——

Senator KERRY. Well, that is a separate issue. Let me let that sit then. With respect to Capcom, what was Capcom in your view?

Mr. Bilgrami, Capcom was a brokerage house based out of Eng-

land and Chicago.

Senator KERRY. And why did BCCI get into a brokerage process? Mr. BILGRAMI. I did not know the details of Chicago—of Capcom until I had my first discussion with Mr. Ziauddin Akbar, when he suggested that I join him to set up a Capcom operation in Miami and that's the first time I got the full details of the Capcom—on Capcom.

He informed me that Capcom was set up initially in 1985, I think, that's when he mentioned. The idea was that BCC would have a brokerage house also and so that the commissions being paid out to others would be minimized and also, you know, they could be kept confidential, the transactions, so in-house so to speak.

Senator Kerry. Now, let me try to make this a little easier. Mr. Akbar, who ran Capcom originally during the early 1980's, he was BCCI's treasury department head, correct?

Mr. Bugrami. That's right.

Senator KERRY. And he was at the center of a lot of BCCI's transactions, correct?

Mr. BILGRAMI. That's correct.

Senator Kerry. Now, Mr. Akbar had used the treasury department of BCCI to show inflated profits, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. And those profits had to be inflated in order to cover up losses, correct?

Mr. BILGRAMI. That's right.

Senator KERRY. So a certain number of banks—Africa, the Far East, et cetera, were making money, correct? But the money could not be converted into dollars, could not be reconverted into dollars, is that accurate?

Mr. BRORAMI. Well, I think I was asked to explain why this could have happened, why the bank started inflating profits, and the fact was that the bank, in the eighties, was making profits in

certain areas and making heavy losses in other areas. The losses would be made in hard currency areas, dollar areas like U.K., United States, and the profits would be made in Third World countries where they could not be repatriated.

So the need and expenses were very heavy in the dollar areas, the loans for the purchase of banks, inside loans would be made in dollars. So there was a lack of funds, and that's why profits were

being created.

Senator KERRY. Now, why was Capcom established?

Mr. Briggami. Capcom was—I was told that Capcom was initially established to reduce the commission leakage, was the word used. because when the bank was buying bonds or Treasury bills a lot of commissions had to be paid to the Merrill Lynchs and other brokerage houses. That was one reason. And the other reason was to keep these transactions hidden from outsiders, in house.

Senator KERRY. So there were two purposes? Mr. Bugrami. That's right.

Senator KERRY. One was to recapture commissions that were going to Merrill Lynch or E.F. Hutton or somebody and keep it inside the family, right?

Mr. BILGRAMI. Right.

Senator KERRY. And the second was just to hide transactions?

Mr. BILGRAMI. That's right.

Senator KERRY. To have everything internal, so you would not have to deal with these other people?

Mr. BILGRAMI. That's right.

Senator KERRY. Now, Akbar left BCCI, is that correct?

Mr. Bugrami. That's right.

Senator KERRY. He was fired, or what happened?

Mr. Bugrami. He was blamed officially for the loss which came out in 1985-86, and under that cloud, he left.

Senator Kerry. Now, he was a scapegoat, was he not? Mr. Bugrami. That's what I understood.

Senator KERRY. Because in fact, the losses were not incurredthey were incurred from the beginning of the bank, through its operations.

Mr. BILGRAMI. Well, the losses and also the inflation of profits, there were two things there, so-and they were done on other people's instructions. That's what my understanding was.

Senator KERRY. And they tried to pretend that all of these losses

were incurred in commodities losses in 1985?

Mr. BILGRAMI. That was the official version given. This is how he explained it to me.

Senator KERRY. Were there, in fact, real commodities losses at BCCI in addition to the phoney ones?

Mr. BILGRAMI. I understand there were some real ones also.

Senator Kerry. Do you know how those came about?

Mr. BILGRAMI. They came about in foreign exchange transactions.

Senator Kerry. Speculation in currency?

Mr. BILGRAMI. That's correct.

Senator KERRY. Did Abedi, himself, engage in that?

Mr. Bilgrami. In one meeting, he gave me the impression that he was personally engaged in some of them.

Senator KERRY. Now, when you considered leaving BCCI to go to Capcom, did Akbar tell you something about BCCI's condition?

Mr. Buckami. He felt that the condition of the bank was very bad and that it was the appropriate time to leave.

Senator KERRY. And did he tell you at that time anything about

Capcom U.S.?

Mr. BILGRAMI. Well, he felt that Capcom was in a good condition and was a logical place to go to. He explained a little bit of the background of both the companies.

Senator Kerry. Was Capcom used to launder money?

Mr. BILGRAMI. I don't think so.

Senator Kerry. What about in the Tampa case?
Mr. Bugrami. They had—U.S. Treasury funds were deposited there, but no drug funds.

Senator Kerry. So you know of no money laundering that went through there?

Mr. Bilgrami. It was initially discussed, but never took place.

Senator KERRY. What was the reason for hiding the transactions

through Capcom, if there was not money laundering?

Mr. BILGRAMI. Well, actually, the term money laundering has so many facets, I was more—I was thinking more in lines of the fact that hiding the losses from being known to other companies. When you do purchases with Merrill Lynch in the name of the bank itself and there are losses, the brokerages more or less can find out how an institution is doing on their transactions. But if you have a middle entity, then really, it's Capcom which is making the losses and maybe the clients, but you don't know who exactly is behind. So like that, you could cover from the public if there were losses

And second, if you are doing those in-house transactions where

you're trying to inflate profits, then that is also hidden.

Senator KERRY. So Capcom served a purpose to hide losses and also to inflate profits?

Mr. Bilgrami. That was my understanding.

Senator KERRY. But not to actually launder money? I thought

some of the money from Tampa had passed through there?

Mr. Bilgrami. Well, in the Tampa case there were discussions directly between Agent Mazur and Mr. Akbar, and I was involved also in some of the discussions where an idea was discussed and in more detail with Mr. Akbar. And some funds were placed, \$500,000, but they were supposed to be for portfolio management. And then subsequently, \$25,000 was sent down, which I was not aware of. But that was supposed to be laundered in that manner, according to the plan discussed in London. But I understood that you asked me before that, and I don't think before that anything was laundered.

Senator Kerry. Let me ask you, Mr. Bilgrami, did you ever learn of BCCI providing loans or benefits to its outside auditors?
Mr. Bugrami. Yes, sir.

Senator Kerry. Can you describe those circumstances to us? Mr. Bilgrami. Well, on one occasion, sometime in 1988, I was having a discussion with the manager for Grand Cayman branch, and I was asking him-you know, I was troubled with the financial health of the bank and asked him what was happening with all

these bad loans and how we were dealing with the auditors, and he told me the auditors had been taken care of, and he mentioned to me one instance where a loan had been given in Grand Cayman for a villa to be constructed for one of the outside auditors.

Senator KERRY. For a villa?

Mr. BILGRAMI. For a country house—yeah, for a summer house. Senator KERRY. And that was specifically a way of taking care of

the auditor so that problems would not surface?

Mr. Bilgrami. Well, he gave me this one particular instance. I am not aware of other instances, but he just gave me this one particular instance.

Senator KERRY. Mmm-hmm. Were some of Capcom's sharehold-

ers nominees?

Mr. BILGRAMI. I don't know that. I was just told that we had the same—that the same shareholders of BCCI, we had common shareholders in Capcom and BCCI.

Senstor KERRY. So beyond that, you do not know? You do not know if Mr. Magness or Mr. Romrell were local nominees?

Mr. BILGRAMI. I was just told in one instance by Mr. Akbar that Mr. Kamul Adhem had introduced those gentlemen to him.

Senator KERRY. Were they given loans by BCCI? Mr. Bugrami. I was not aware of it until recently.

Senator KERRY. OK. So in your experience, you did not know?

Mr. Bilgrami. I did not know.

Senator Kerry. You did not have any personal knowledge of that?

Mr. Bilgrami. No.

Senator KERRY. All right. Let me ask you this: What year did you—when did you start serving your sentence? Mr. Bilgrami. In 1990, July 1990.

Senator KERRY. Up until 1990, in the experience you had within the banks and the banking community, was it your experience that

this money laundering capital flight is just pervasive?

Mr. BILGRAMI. Yes, sir. It was, from my experience I had in Colombia and my trips I took to various countries, I bumped into bankers from other institutions and we were essentially competing for the same funds. Some banks were doing it in a more sophisticated manner, some were less interested in it, but most were targeting it. It was a market to be attacked, so to speak.

Senator Kerry. What do you mean by more sophisticated? What

is a more sophisticated manner?

Mr. Bugrami. For example, when I reached Colombia in 1981, I found that there were about 120 rep offices there of foreign banks, European, American, all over. And their target was deposits. They were not lending money to Colombia. Colombia was not in a very good financial situation. And then afterward, I found out that Co-iombia, itself, the Central Bank of Colombia, had a sinister window-it was called the sinister window-where funds were taken in without any questions asked and all the foreign banks used to try to compete for that account because that meant a very big float.

The Central Bank had to send the cash or the checks back for clearing, and banks were competing to get that account so that you could have a float. Everyone knew what that sinister window

meant. The word, itself, is very clear. And all banks used to compete with that. In Colombia, all the people who were marketing for the Colombian—and the Colombian clients—all the money in Colombia is mixed up. There are people who are not dealing with these kind of funds, but because they want to get their money out, invariably, they buy drug funds from the U.S. where the cash is

deposited.
So this is just Colombia. In Venezuela, the same instance. Venezuelans are not allowed to have money abroad, and if they do they are supposed to pay taxes on it, but yet all the banks market that.

Argentina, Brazil, the same.

Senator KERRY. So what do we do about this? I mean, here we are—is there any way to restrain that? Or are we swimming up-

stream eternally on this whole subject?

Mr. Bugrami. Well, my personal opinion is that the indictment against the bank went a long way to at least putting emphasis on this area. I know for a fact that-for example, I was not aware of the exact liabilities involved with the law, personal liability of going to prison, for example. None of the bankers were very familiar with this until the indictment. We never had any conferences. nor from the regulators nor from the auditors nor internally.

However, after the indictments, in Miami itself there were about 40 conferences within 3 months. So most of the employees of the banks became aware of the personal liability involved in a situation like that. So that went a long way of educating bankers.

But until the drug problem is solved where the cash is generated. it's generated in the States, I think your committee yourself said this, \$100 billion, and it's the cash which is generated in the States which goes into the banks. Those banks which have a lot of branches are the ones who are involved in the money laundering. But it is an international problem that goes hand-in-hand with the drug trafficking.

Senator KERRY. Senator Brown.

Senator Brown. I am intrigued with your comment. That is a very shrewd observation that goes to the core of our society. I would be interested also in your views on how big an advantage you feel it is for a bank to be willing to engage in the practices BCCI did. Would you say it is an enormous competitive advantage? Slight? How would you gauge that in terms of attracting business and developing profits?

Mr. BILGRAMI. The difference between BCCI and other international banks is that BCC did not have a home base. Most international banks have a home base where they can try to tap into retail deposits. With BCCI it was different because not having a home base, BCCI exclusively devoted energies toward flight capital, the term, if I may use, and that is why there is more emphasis

within BCCI toward this area than other banks.

Is that what you were asking? I'm sorry, I was not-I didn't un-

derstand the question.

Senator Brown. No, I think that is a good observation because you have helped us understand the focus that BCCI had in developing their philosophy. But would you say the perception is that catering to flight capital is significantly more profitable than the standard banking business?

Mr. Bilgrami. Oh, yes. Definitely so. For all international banks, flight capital is very profitable because people don't tend to bother with their money once it's out. So you can generally tend to do what you feel like with it and give less interest or charge more fees because the fact that they shy away from communication, they generally don't tend to come into contact with their bankers that often than, say, a U.S. citizen living in the United States with his bank in New York.

Senator Brown. Obviously, the whole banking system BCCI put together through the chain of banks has collapsed, causing billions in losses. Are the losses that resulted the result of theft, the result of losing operations from the banking side, banks not being well run, or are they simply the result of the illegal activities and the loss of confidence? What would you describe as the source of BCCI's significant losses.

Mr. BILGRAMI. From the information that I have come across subsequently, after the arrests and indictments and my prison term and all the news, and during the time that I was in the bank. I was under the clear opinion that the losses which were incurred were really because of four reasons.

One was the grandiose designs of Mr. Abedi, that he was so interested in expansion all the time. That incurred a lot of expenses which could not be really generated through profits.

The second area was that that expansionist idea of his meant creating a lot of insider loans which would not be funded because the interest was not being paid and there was not enough profit coming in in the later years to pay up that interest.

And last, the bank initially started from the Middle East, where it was very profitable. Most of the Arabs there at that time were not very sophisticated investors. So a lot of funds were left interest-free in accounts. So initially, the bank had a very good base. That dried up by the 1980's, because the Arabs themselves became much more sophisticated and they started using other institutions.

So that market dried up for BCC. And BCC was left with a market in the Third World which was very profitable, but BCC could not convert those profits into hard currency because most of these countries had exchanged controls. Plus if you did that, there was withholding taxes about 50, 60 percent. So BCC had a lot of expenses in Europe, where there was not any profit being made, and the United States, and it was just shrinking. And that is why all these profits had to be created.

Another reason was that Mr. Abedi didn't want money from the shareholders because that would dilute his power and he had to create all these fictitious loans. This is my personal opinion.

Senator Brown. Were the restrictions on the export of capital from Third World countries where they had made profits a significant factor?

Mr. BILGRAMI. I can only give you one example. In Colombia, for example, we did make profits but we could never repatriate them because it would mean 50 percent withholding tax, first, and when you repatriate them because of the devaluation, they were not really worth anything.

Senator Brown. There is a touch of irony here, a banking scam that is able to repatriate illegal funds from all over the world but

unable to repatriate their legitimate profits.

You mentioned the drug trade and the source of flight capital as a core cause when the chairman had asked on thoughts about how to control a banking scam like BCCI. Are there controls with regard to the U.S. banking system that you think would be helpful in controlling drug money laundering and other criminal uses of the banking system?

Mr. Bilgrami. Sir, I think it has to do with morality more than anything else, because unfortunately, money doesn't have many morals, and that is why you have flight capital. It started from the French Revolution, and subsequently it has mushroomed into a

huge amount of money.

So here you are asking is whether a banker asks a client where he got his money from. Although I understand the regulations say that, that all bankers should do that, but from my personal experience, at least in 1988 and from my exposure with other bankers, most of us tended not to ask that because it meant, in most instances, it was obtained through means which were not totally clear. And when you are talking about obtaining a deposit of \$20 million, you tend not to ask too many questions.

A classic example would be Mr. Marcos when he had money in Morgan, \$60 million, I don't think Morgan Guarantee asked where he was getting the money from. So from that instance, I think

that's the main problem, whether money has any morality.

Senator Brown. You, I am sure, have heard rumors that have abounded of late of the circulation of large amounts of forged currency overseas, forged U.S. currency being circulated internationally, particularly in the Third World, rumors that it could well come from a country in the Middle East. When BCCI received large deposits of cash, were you concerned that these deposits might contain forgeries? How did you protect against forgery when you received large cash deposits?

Mr. BILGRAMI. I personally was not involved in receipt of cash very often, but in most instances when cash was received, for example, in Panama or in Miami to a limited extent, we had these counting machines and detectors which can detect forgeries. That

is the only way a precaution was taken.

Senator Brown. To your knowledge, counterfeiting was not a major problem, at least at that time?

Mr. BILGRAMI. No, we never came across that.

Senator Brown. Thank you.

Senator KERRY. Thank you very much, Senator Brown. I think what we are going to do is take a 40-minute recess and pick up with Mr. Awan after the recess. He should not take more than 45 minutes or so. I think it will be a fairly brief testimony, So we will recess until 2:30.

[Whereupon, the hearing was recessed, to reconvene at 2:30 p.m.,

the same day.]

Senator KERRY. The hearing will come to order. Mr. Awan, if I could ask you please to rise so I can swear you in. Thank you. Would you raise your right hand.

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God.

Mr. Awan. I do.

Senator KERRY. Thank you. If you would identify yourself, please, your full name.

STATEMENT OF AMJAD AWAN, FORMER MANAGER, WASHINGTON REPRESENTATIVE OFFICE, INTERNATIONAL BANK OF CREDIT AND COMMERCE, FEDERAL PRISONER: ACCOMPANIED BY JOHN P. HUME, ESQ., PERKINS COIE, WASHINGTON, DC

Mr. Awan. My name is Amjad Awan, A-w-a-n.

Senator Kerry, Mr. Awan, what is your status currently?

Mr. Awan. Currently I am a Federal prisoner.

Senator KERRY, I am sorry, could you speak up a little bit. Bring the microphone a little closer and thank you.

Mr. Awan. I am a Federal prisoner at this time.

Senator KERRY. Where are you currently a Federal prisoner?

Mr. Awan. At the Federal prison in Myland, MI.

Senator Kreny. And you are serving a sentence for what?

Mr. Awan. For money laundering.

Senator KERRY. Is that money laundering in association with BCCI?

Mr. Awan. Yes, sir. Senator Kerry. When were you sentenced?

Mr. Awan. In July-in November, 1990.

Senator KERRY. And how long is your sentence?

Mr. Awan. 12 years.

Senator KERRY. Now if you could just give us little bit of your background, Mr. Awan, we would appreciate it. You were born where?

Mr. Awan. I was born in Pakistan, sir, in 1947. I was educated there and I started my profession of banking in Pakistan. Subsequently I worked for several banks. The last bank I worked for was BCCI.

Senator Kerry. Now at some time did you become a political refugee and leave Pakistan?

Mr. Awan. No, sir, not exactly. But I did leave Pakistan. I was not exactly a political refugee, but I did leave Pakistan.

Senator KERRY. And did you become a British citizen?

Mr. Awan. Yes, I did.

Senator KERRY. When did you become a British citizen?

Mr. Awan. I believe it was 1976.

Senator KERRY. At that time were you working for a bank.

Mr. Awan. Yes, sir.

Senator KERRY. And what bank were you working for?

Mr. Awan. At that time, I believe I was working for the International Resources and Finance Bank out of Luxembourg, but based in London.

Senator KERRY. And would you share with us what your educational background is.

Mr. Awan. I have a degree in economics from the Punjab University in Pakistan.

Senator Kerry, Your father was a Pakistani Ambassador. Is that correct?

Mr. Awan. No, sir, he was not.

Senator KERRY. I am sorry, I thought he was,

Mr. Awan. No, sir. He was a government official but he was not in the foreign service.

Senator KERRY. Now how did you first meet Mr. Agha Hassan

Abedi?

Mr. Awan. I joined a bank called the United Bank in Pakistan.

Senator KERRY. The what?

Mr. Awan, I joined a bank called United Bank, of which Mr. Abedi was the president. And sometime after I joined the bank I had the occasion to meet with him.

Senator KERRY. You had occasion to?

Mr. Awan. To meet with him.

Senator KERRY. OK. And at some point did Mr. Abedi leave the United Bank?

Mr. Awan. Yes, sir. United Bank was nationalized by the Government of Pakistan.

Senator KERRY. So he decided to go out and start his own bank?

Mr. Awan. Yes, sir.

Senstor KERRY. At that time did you join BCCI?

Mr. Awan. No. I did not.

Senator KERRY. When did you join BCCI? Mr. AWAN. I joined BCCI in December 1978.

Senator KERRY. And at that time you ran the main branch in London, correct?

Mr. Awan. I was the marketing manager at the main branch. Senator KERRY. BCCI was known as the immigrant's bank?

Mr. Awan. It was not really known as that, Senator, but it was—it did business mainly with the immigrant community in England.

Senator KERRY. While you were in London, did you have occasion to be introduced to Manuel Noriega?

Mr. Awan. Yes, sir.

Senator KERRY. And did Mr. Noriega provide assistance to the bank in obtaining a license in Panama?

Mr. Awan. Yes, I believe he did.

Senator KERRY. Did you have occasion, when you were associated with BCCI in London, to become aware of special services that BCCI would provide for people?

Mr. Awan. Yes, sir.

Senator KERRY. Such as what?

Mr. Awan. Apart from normal banking services, there were services provided to overseas customers of the bank who visited the U.K. which included buying and selling of property, hospitalization, schooling for their children, various things like that.

Senator KERRY. Now after a number of years in London you wanted to have more opportunity and freedom to operate on your own. Is that correct?

Mr. Awan. I did apply for a transfer, yes, sir.

Senator KERRY. And was there any other reason that you applied for the transfer?

Mr. Awan. I'd been in London for several years and I did want a change.

Senator KERRY. So were you transferred?

Mr. Awan. Yes, sir.

Senator KERRY. To where?

Mr. Awan. I was transferred to Panama.

Senator KERRY. What was your responsibility in Panama?

Mr. Awan. I was the country manager for the bank in Panama. Senator Krrry. Did you solicit business from Middle Eastern businessmen when you were in Panama?

Mr. Awan. Yes, people of Middle East extraction who were

living in Panama.

Senator Kerry. Where you successful in obtaining business in that way?

Mr. Awan. Yes, sir.

Senator KERRY. Did you engage in a considerable amount of lending at that bank, or were you primarily focused on deposits?

Mr. Awan. The primary focus was on the deposits, but there was

some lending activity as well.

Senator KERRY. But it is fair to say there was very little lending, that the branch was mostly deposit-oriented?

Mr. Awan. Yes, sir.

Senator KERRY. The goal of the Panama branch was really to generate deposits, not so much to lend. Is that not accurate?

Mr. Awan. I would say that was the goal of most-most BCCI

branches.

Senator KERRY. And you had no authority to make loans over \$50,000, correct?

Mr. Awan. That is correct.

Senator Kerry. Did you understand your job to be to try to generate deposits in order to assist London with resources it needed for other BCCI needs?

Mr. Awan. That would be correct, yes.

Senator KERRY. Now what did you do to obtain the business of General Noriega?

Mr. Awan. Over a period of time I contacted him on several occasions requesting him to do some business with our bank. Senator Kerry. What did you know of General Noriega then?

Mr. Awan. I knew that he was the head of the intelligence services of Panama at that time.

Senator Kerry. Is that all you know?

Mr. Awan. I also knew he was a powerful figure in the country. Senator Kerry. Did you know anything about any of his activities on the side?

Mr. Awan. No, sir.

Senator KERRY. Now did you succeed in getting an account from him?

Mr. Awan, In due course I did. Senator KERRY. In what year?

Mr. Awan. I think it was 1982.

Senator KERRY. And in whose name did he open that account with BCCI?

Mr. Awan. The account was opened in his personal name.

Senator Krzzy. Did he use the account for business or for personal matters?

Mr. Awan. For both.

Senator KERRY. Did he tell you that he wanted this account held secret?

Mr. Awan. Yes, sir.

Senator KERRY. Did you insist on any kind of recordkeeping with respect to this account?

Mr. Awan. Yes, I certainly did. Senator Kerry. In what way?

Mr. Awan. Well initially when he gave me the account, he asked—he told me that he would be giving me some funds which should be available to him whenever he required.

Senator Kerry. How much money did he deposit with you? Mr. Awan. As I recollect, the initial deposit was \$100,000.

Senator KERRY. And what did that go up to, what amount of money?

Mr. Awan. Ultimately it was in excess of \$20 million.

Senator Kerry. Did you have any idea where a general in the army in Panama was getting \$20 million?

Mr. Awan. No, sir.

Senator KERRY. Did you think about it?

Mr. Awan. No, I had no reason to think or ask him about it.

Senator KERRY. Well what did your banking knowledge tell you? Mr. Awan. I assumed these to be intelligence funds, which is what he had told me when he opened the account.

Senator Kerry. We are going to have to—we are on the back end of a vote here, so we will have to recess momentarily for this vote. And I can assure you we will get back here as fast as the trains will carry us. We will be right back and we stand in recess.

[A brief recess was taken.]

Senator Kerry. The hearing will come to order. Mr. Awan, you continue under oath as sworn before and I apologize for the interruption.

Mr. Awan. Yes, sir.

Senator Kerry. We were asking you questions before we had to go and vote about the cash deposits that you held for Manuel Noriega. You said he kept about \$22 million in this account.

Mr. Awan. Yes, sir. It was in excess of \$20 million. Senator KERRY. What year would that have been?

Mr. Awan, Up to 1988.

Senator KERRY. So between what period of time did you serve as Manuel Noriega's banker, so to speak?

Mr. Awan. Between 1982 and 1988.

Senator KERRY. 1982 to 1988.

Mr. Awan. Yes, sir.

Senator KERRY. And were you constantly putting money in and taking it out on his behalf?

Mr. Awan. Yes, sir.

Senator KERRY. Were deposits in cash? Mr. Awan. They were largely cash.

Senator KERRY. Most of the deposits were cash. Mr. Awan. Yes, sir. There were also some checks.

Senator KERRY. And in what sort of denominations were these deposits made?

Mr. Awan. They were normally large amounts. Senator KERRY. Give us an idea. How much money?

Mr. Awan. \$.5 million, \$1 million, \$2 million, \$100,000.

Senator KERRY. And they were all in dollars.

Mr. Awan. Yes, sir.

Senator KERRY. And in what size notes? \$100 bills, \$20, \$1?

Mr. Awan. I think they were usually \$100 bills, large denominations.

Senator KERRY. And how would he bring these to you? How

would you get this delivered to you?

Mr. Awan. There were two ways, normally. Either he would ask me to come down to his office and deliver money to me, or somebody from his office, somebody from the defense forces, would come to the bank and make a deposit.

Senator KERRY. Now when you—and when you say they would come to the bank, what would they bring the money in? How were

they carrying it?

Mr. Awan. In a briefcase or a bag or in some sort of a container. Senator KERRY. Now were you called on to make disbursements on behalf of General Noriega?

Mr. Awan. Yes, sir.

Senator Kerry. What kind of disbursements did you make?

Mr. Awan. They were—I paid the expenses for several government delegations which were travelling. I paid for airline tickets, hotels. Also personal expenses, credit card expenses, travel for his family, for himself.

Senator KERRY. When you say travel for his family, travel to the

United States, travel elsewhere?

Mr. Awan. The United States and Europe, usually.

Senator KERRY. Now you knew when those disbursements were being made, that those were not intelligence activities with his family, correct?

Mr. Awan. Yes, sir.

Senator KERRY. So you knew he was spending personal money out of this account?

Mr. Awan. Yes, sir.

Senator KERRY. Did you have any knowledge, at that point in time, where any of that money came from?
Mr. Awan. Not beyond what I already said.

Senator KERRY. Had you heard at that time that General Noriega was involved in drug trafficking?

Mr. Awan. No, sir.

Senator KERRY. When was the first time you ever heard that?

Mr. Awan. I think the first time I heard it was when I saw a report in the New York Times. I think it was 1984 or 1985.

Senator KERRY. Did it make you wonder about what he was involved in?

Mr. Awan. Yes, sir. In fact I was with him at the time when that was published. And he was very upset at that particular report. I did not question him about it.

Senator Kerry. Did you make payments to Panamanian politi-

cians on behalf of Noriega from that account?

Mr. Awan. Yes, I did.

Senator KERRY. Did you make payments in connection with the 1984 Panamanian presidential election?

Mr. Awan. That is correct.

Senator KERRY. What kind of payments?

Mr. Awan. They were cash disbursements made to various people that he sent to me with instructions to pay them a particuiar amount. The amounts were usually in the range of \$10,000 to \$15,000, maybe \$20,000.

Senator KERRY. Did you make payments to any presidents of Panama from the Noriega account?

Mr. Awan. Not directly, Senator. But I did make one wire transfer.

Senator KERRY. And that wire transfer was to pay off a mortgage. Mr. Awan. Yes, sir, that is correct.

Senator KERRY. And that mortgage was President Espriella's

home. Is that correct?

Mr. Awan. Prior to the time that he had become president, yes. He had just declared himself a candidate for presidency, and that is the time the wire transfer was made.

Senator KERRY. What was the largest amount of cash that was

deposited at one time in this account?

Mr. Awan. I think the largest amount was \$3.4 million.

Senator KERRY. On one occasion.

Mr. Awan. I don't recollect whether it was all cash. But from the records I've seen, the largest single deposit was \$3.4 million.

Senator KERRY. And did you have any knowledge of where that

money came from?

Mr. Awan. No, sir, I never asked.

Senator KERRY. Did anybody other than Noriega have control of this account?

Mr. Awan. No, sir.

Senator KERRY. He was the only person who communicated to you with respect to this account.

Mr. Awan. That's correct.

Senator KERRY. Did you report on this account to BCCI?

Mr. Awan. Yes, sir. It was in the knowledge of my superiors.

Senator KERRY. And were they pleased that you had secured this account?

Mr. Awan. Oh, yes, they were.

Senator KERRY. And did they show that pleasure to you in any particular way?

Mr. Awan. Well they didn't reward me for it, but they did tell me that I had done a good job.

Senator KERRY. Now did you handle lending to any of Norlega's business associates?

Mr. Awan. Yes, sir.

Senator KERRY. To whom?

Mr. Awan. I gave a loan to one of his associates by the name of Cesar Rodriguez at General Noriega's behest, and the loan was guaranteed by him.

Senator Kerry. And what about a Mr. Enrique Pretel?

Mr. Awan. That was not-he was an associate of General Noriega, but that loan was based on Pretel's own business dealings and really had nothing to do with Noriega.

Senator Kerry. Did you provide them with lines of credit?

Mr. Awan, Noriega's associates? Senator KERRY. Yes.

Mr. Awan. Yes, sir.

Senator KERRY. And were those lines of credit secured by anything other than Noriega's promise to pay?

Mr. Awan. Apart from that one amount to Cesar Rodriguez, the others were secured by the borrower himself.

Senator Kerry. So only Rodriguez's loan.

Mr. Awan. Yes, sir.

Senator KERRY. Was not secured.

Mr. Awan. That was secured by Noriega's promissory note.

Senator KERRY. When Cesar Rodriguez's loan went sour the bank swallowed the note. Is that correct; it did not collect?

Mr. Awan. Ultimately that is what happened.

Senator KERRY. And it did not collect because it feared upsetting General Noriega.

Mr. Awan. I would presume so, yes, sir,

Senator KERRY. Well I do not want you to presume. I want you to

tell us what you know.

Mr. Awan. When that loan was disbursed, when I took the sanction for that loan I made it very clear to my superiors that when the time came to collect this loan, I would not be the person who would go and ask him to give the money back. So I was not really very much in favor of giving that loan, but my superiors in London did give the loan. And when it went sour, I personally did not make any efforts to collect.

Senator KERRY. Now why did you leave BCCI's Panama office?

Mr. Awan. I was transferred from Panama by the bank. Senator KERRY. Was there a reason you were transferred?

Mr. Awan. Yes, sir, there was a reason. There was a fraud in the bank in Panama for which ultimately I took the blame. And because of that particular loss that the bank suffered, I was transferred from there.

Senator KERRY. And that cost the bank several million dollars.

Mr. Awan, Yes, sir. It was \$3.7 million, if I recollect.

Senator KERRY. So they moved you to Washington, DC. Is that correct?

Mr. Awan. Yes, sir.

Senator KERRY. To BCCI's office here.

Mr. Awan, That's correct.

Senator KERRY. And there you were to generate business in the Washington area.

Mr. Awan. Yes, sir.

Senator KERRY. Now you engaged in joint marketing with First American Bank. Is that correct?

Mr. Awan. That is correct.

Senator Kerry. What did you understand was the relationship between BCCI and First American?

Mr. Awan. To my understanding, BCCI owned First American

Senator KERRY. And that was the way you operated at that point in time?

Mr. Awan. Yes, sir.

Senstor KERRY. Did you meet with First American officials?

Mr. Awan. I did.

Senator KERRY. With whom?

Mr. Awan. I met with several of their top executives. Basically those were more in the way of courtesy calls. But my marketing efforts were in conjunction with somewhat junior officers of the bank, of the level of vice president.

Senator Kerry. Well did you travel, for instance, to Mexico City

with First American personnel?

Mr. Awan. No, sir, I did not.

Senator Kerry. Did Mr. Bilgrami travel? Mr. Awan. That was Mr. Bilgrami who traveled.

Senator Karry. So BCCI officials did travel with First American officials to jointly solicit business for First American and BCCI. Is that correct?

Mr. Awan. Yes, sir. In fact, I did travel myself, but I traveled to Los Angeles with one of the First American executives.

Senator Kerry. And you obtained the wire service UPI as a client. Is that correct?

Mr. Awan. That is true.

Senator KERRY. That came from where, Mexico City?

Mr. Awan. There was a Mexican gentleman who had bought out UPI, and we were able to obtain his account, or at least market for his account since we couldn't handle it. BCCI could not handle it itself; we decided to associate First American Bank with that account. We would-BCCI would look after the foreign component of the account, and the American component in Washington would be handled by First American.

Senator KERRY. Was there any specific joint venture agreement with First American, or any kind of written memorandum of how

you would joint market?

Mr. Awan. No, sir. I don't recollect seeing anything, any instruc-

tions from my superiors in writing.
Senator KERRY. What were the instructions to you about First American? I mean how did you come into contact with them?

Mr. Awan. My instructions were initially verbal instructions by Mr. Abedi, who was the president of the bank at the time, to associate with First American and make joint marketing efforts. That was told to me verbally by him.

Senator KERRY. Well what did that mean? I mean, when you walk in the door to First American, why would they not say, who the hell are you guys, we do not want to do anything with you. How did they know who you were?

Mr. Awan. I assumed, and I was quite sure, that they knew of

the relationship between First American and BCCI.

Senator KERRY. Well, what made you assume that? What was the evidence of that? Who told you who to contact, and what was the response when you contacted them?

Mr. Awan: I believe I contacted Mr. Blank, who was at that time

the head of the international division.

Senator Kerry. What did you say to him?

Mr. Awan. I told him that I had been instructed by my superiors to help you out and see if we can do any joint business. And he then referred to me—me to his subordinates. What instructions he gave them, I don't know, but——

Senator KERRY. Well, what was their reception of you when you

were in touch with them?

Mr. Awan. It was a very good reception. It was-no questions

were asked.

Senator Kerry. Were there any questions asked when you told them Mr. Abedi had said you should contact them? Was it your impression that Abedi had already talked to him, or somebody had, and that he knew he was working with you?

Mr. Awan. That was my impression, yes.

Senator Kerry. So this was an already cemented relationship in your mind?

Mr. Awan. In my mind it certainly was.

Senator KERRY. And there was no need to describe it or to work it; you just went to work on doing the joint business. Is that correct?

Mr. Awan. That's correct. That is correct.

Senator KERRY. I am going to let my colleague ask some questions on some of these areas, but let me just come back to one area of importance to the committee.

In the summer of 1988 we issued a subpoena. In fact we subpoe-

naed you, Mr. Awan.

Mr. AWAN. Yes, sir.

Senator KERRY. You recall that?

Mr. Awan. Yes.

Senator Kerry. And we issued a subpoena for records regarding Noriega and BCCI's Panamanian and Colombian clients.

Mr. Awan. Yes, sir.

Senator KERRY. You are familiar with the circumstances surrounding that, are you not?

Mr. Awan. I am.

Senator KERRY. Where were you when the subpoena was issued? Mr. AWAN. I first came to know of the subpoena while I was in London. And I was told by Mr. Naqvi, who was president of the bank at that time, that a subpoena had been issued for me. I happened to be in London for a marketing conference that was—

Senator KERRY. Had anybody told you to go to London?

Mr. Awan. Yes, sir-

Senator KERRY. To avoid the subpoena?

Mr. Awan. No, that was a regularly scheduled marketing meeting that I attended.

Senator KERRY. So when you arrived in London, what was the

response in London to subpoena?

Mr. Awan. I was asked to meet immediately with Mr. Naqvi when I arrived in London, which I did. And he asked me if I had any knowledge of a subpoena being issued to me. I told him I did not. He then told me a subpoena had been issued, and asked me whether I personally had any sort of records of General Noriega in Miami. I told him I did not.

Senator KERRY. How would it be that you would have no records of General Noriega in Miami? Were you not banking for him in Miami?

Mr. Awan. Yes, sir, I was. But the accounts were maintained at

that time in London.

Senator Kerry. And you had no records whatsoever in Miami? Mr. Awan. I had no records. What used to happen was that when I travelled down to Panama, the records would be sent to me and I would take them down to General Noriega to hand them over to him. But nothing, no books were maintained.

Senator KERRY. Why were the records kept in London?

Mr. Awan. That's where the accounts were maintained.

Senator Kerry. So the accounts were maintained in London. And what were you told relative to this committee's subpoena?

Mr. Awan. I was just asked, as I said, whether I had any records for General Noriega in Panama. I told them that I did not.

Senator KERRY. Did Mr. Nagvi tell you not to return?

Mr. Awan. No, sir.

Senator KERRY. With respect to any documents, were you in-

structed to do anything?

Mr. Awan. I was asked to gather the documents which were required which pertained to be personally, which were my travel records and my telephone records, and have them ready.

Senator KERRY. Any other documents? Mr. Awan. No. sir. I was not told to.

Senator Kerry. What about the Noriega documents?

Mr. Awan. I was not told to do-I was asked in London at that stage, or maybe a little later, to consolidate the Noriega documents in London and give a copy of those documents to Mr. Naqvi, which I did.

Senator Kerry. Were you instructed to mark them in any way

particularly?

Mr. Awan. That was not at this particular stage, sir. It was much later

Senator KERRY. At a later stage.

Mr. Awan. Yes, sir.

Senator KERRY. And what happened at the later stage?

Mr. Awan. Later, I think it was late August or maybe September, I was asked to get those documents from Mr. Naqvi's assistant. Senator KERRY. The documents about Noriega.

Mr. Awan. Yes, sir. Senator KERRY. Which were the subject of our subpoena.

Mr. Awan. These were the London documents.
Senator Kerry. Yes, but we had subpoensed all documents having anything to do with Noriega from BCCI, had we not?

Senator KERRY. And those documents you were instructed to gather together, correct?

Mr. Awan. Yes, that is correct.

Mr. Awan. Yes, sir. Yes, sir.

Senator KERRY. And what were you instructed to do with them? Mr. Awan. I was asked to arrange them in chronological order, put them in a file, and give them to Mr. Naqvi. I was also asked at that stage by Mr. Altman, who was present at that meeting, to mark them attorney work product.

Senator KERRY. Attorney work product.

Mr. Awan. Yes, sir, which I did. And I returned to—returned those documents to Mr. Nagvi.

Senator Kerry. So you marked documents about Noriega's bank account as attorney work product?

Mr. AWAN, Yes, sir.

Senator KERRY. Did you know what the phrase meant?

Mr. Awan. I had no idea what it meant,

Senator Kerry. You marked them, in fact, confidential attorney work product, did you not?

Mr. Awan. In fact I marked them attorney word product, because I'd never heard this phrase before and I misheard.

Senator Krrry. Each file folder was marked that way on the outside. Is that correct?

Mr. Awan. Yes, I believe there was there may have been two

Senator Kerry. And these were copies of Noriega's originals. Is that accurate?

Mr. Awan. There were some originals and some photocopies.

Senator Kerry. Did you receive further instructions from Mr. Naqvi?

Mr. Awan. On that particular visit I was asked not to return to the United States, and that I'd been transferred to Paris.

Senator KERRY. By Mr. Nagvi.

Mr. Awan. By Mr. Naqvi. And that I should report to Paris instead of going back.

Senator KERRY. What did you do?

Mr. Awan. I did, in fact, come back to the United States, and resigned from the bank.

Senator KERRY. And resigned from the bank,

Mr. Awan. Yes, sir.

Senator Krrry. And it was at about that time that you did, in fact, meet with staff from this committee, is it not?

Mr. Awan. That is correct, yes. I had met them earlier as well,

but I was meeting with the staff.

Senator Kerry. But you again came back and met with staff of the committee?

Mr. Awan. That's correct.

Senator KERRY. Were you told to cooperate with the committee? Did the bank officials instruct you to cooperate or to not cooperate?

Mr. Awan. They did not specifically say anything one way or the other. But my understanding was—when they told me not to go back to the United States and go to Paris instead, my assumption was that they did not want me to talk or cooperate with the committee.

Senator KERRY. Senator Brown.

Senator Brown. Thank you, Mr. Chairman. I did not know if the concern over the attorney work product classification was because it was an oxymoron, or simply because of the phraseology mixup,

You mentioned that the records with regard to Noriega's account were maintained in London.

Mr. Awan. Yes, sir.

Senator Brown. Not in Panama?

Mr. Awan. Let me explain that. The account was initially opened in Panama in 1982. General Noriega's request to me at that stage was that this should be kept as confidential as possible, and that he did not want any of the Panamanian staff of my office to

know anything about this account.

Consequently, I opened the account—I opened it as a numbered account, or what we in BCCI called a manager's ledger account, to which all staff members did not have access. It was a very limited access and the account name was not known to any of the regular bank staff; it was just a number. This continued for several months, maybe even a year.

General Noriega was always concerned about the confidentiality of his account, and at some stage I suggested to him that we should transfer this account to London, because it would be far more confidential there and there was no way any Panamanian staff members would have access to it. So the account was, in fact, transferred to London and maintained there.

Senator Brown. And after it was transferred to London, there

was not even a numbered account in Panama? Mr. Awan. Nothing remained in Panama.

Senator Brown. Nothing remained in Panama. Would there not have been some records left over from the time at which there was a numbered account, no?

Mr. Awan. Yes, sir. All the bank documentation during that time would be there. But it wouldn't show General Noriega's name;

it would just be a number.

Senator Brown. When the subpoenss called for records of Noriega's accounts in Panama, did you not indicate that you replied that

there were not any, or you were not aware of any?

Mr. Awan. I was only asked whether there were any records in Miami. I was not asked about Panama. Because in fact there were records there, as there were in London. But in Miami there was nothing.

Senator Brown. And even though you were aware of the numbered account in Panama from previous years and aware of the records in London, you seemed to have responded in the negative on that?

Mr. Awan. Yes, sir. I was aware of those records, as my superiors in the bank were.

Senator Brown. You were with Noriega, you mentioned, when he found out about the drug charges.

Mr. Awan. Yes, sir.

Senator Brown. You described that he was upset.

Mr. Awan. Yes, sir.

Senator Brown. Could you add anything to that? Do you remember any of the specifics of what he said or details of how he reacted?

Mr. Awan. I only remember that we were travelling together from New York to Andrews Air Base in his aircraft. And he had a copy of the newspaper. He acted agitated. He didn't talk much to me; he was talking to the other members of his staff. But he was certainly agitated. He was upset. I didn't ask him any questions about it.

Senator Brown, Did he make any inquiries of you with regard to records or accounts?

Mr. Awan. At that stage, no, sir. Senator Brown. At that point?

Mr. Awan. No.

Senator Brown. Did he make inquiries later on with the intent of asking whether information might be available from the bank

that could verify his activities? Mr. Awan. He had expressed a desire in early 1988 to close the accounts in London and to get the money out of BCCI. Because he did say he was concerned about the money being subject to seizure. So at that stage he did express some concern about it.

Senator Brown. From your activities at the bank, I take it that

you know Mr. Altman?

Mr. Awan. Yes, sir, I do.

Senator Brown. Have you had conversations with him?

Mr. Awan. I have.

Senator Brown. Did he at any time in those conversations make

reference to this committee or its inquiry?

Mr. Awan. Yes, sir. At the stage that the subpoena was-had been served. I had two, maybe three meetings with him at that stage where he-one meeting I recollect was in Washington, DC, at his office. Another was in Miami when he came to check on the records that the bank had collected. And he and some of his colleagues interviewed me at that stage, again asked me whether I had any records in my possession in Miami, which I told him I did

Senator Brown. Did he, at any of these meetings, indicate or give you an indication of whether he intended to cooperate with the committee, or what kind of attitude he had in complying with

this committee's inquiry?

Mr. Awan. I recollect at one meeting his saying that he would

play hardball as far as this was concerned.

Senator Brown. When he said he would play hardball with the committee, what was your impression of what he meant; that he would not cooperate?

Mr. Awan. My impression was that he would resist.

Senator Brown. In your activities in Washington, did you have contact with a Sani Ahmed? Mr. Awan. Yes, I did.

Senator Brown. And I take it he was in charge of protocol.

Mr. Awan. He was officially the chief representative of the bank in the representative office over here, and he was my direct superi-

Senator Brown. Did you, during your tenure there-or did he, to your knowledge, have any contact with political figures here in Washington?

Mr. Awan. To my knowledge, no.

Senator Brown. For special loans or special favors?

Mr. Awan. I'm quite sure he did not. Because if he had, I would

Senator Brown. And as far as you know, there were none? Mr. Awan. No.

Senator Brown. There was none. Were there any political figures that you worked with in connection with the bank?

Mr. Awan. I personally did not. I had maybe one-one or two meetings with some political figures, but more or less on a social basis. There was no specific meeting as such.

Senator KERRY. Here in Washington?

Mr. Awan. Yes, sir.

Senator Brown. Was there ever a discussion of influence or assistance or favors that political figures might offer the bank?

Mr. Awan. Never, not in my presence.

Senator Brown. I would be interested in any thoughts you have or suggestions you have as to what kind of controls or regulations or checks you would recommend to make the system work with regard to controlling the flow of drug money or the money launder-

Mr. Awan. Well, this is a very vast subject, Senator. And the amounts involved in this are colossal. From what one reads, it's in the billions. Certainly in my experience I didn't see these kinds of figures coming through our bank, but during my tenure in Panama I knew there were several banks which were known in the banking community as accepting drug funds.

Senator KERRY. What banks were they?

Mr. Awan. Mainly it was the Swiss banks, certain American banks. There was nothing concrete, but these were rumors which floated amongst the banking community over there. Commissions were paid for accepting drug funds.

Senator KERRY. What was the going commission rate?

Mr. Awan. Well there two kinds of commissions, Senator. The banks in Panama used to take a 1 percent commission on any cash deposit in a large amount. So if you accepted-if the bank accepted \$1 million, they would take a 1 percent cut for cash handling. This was a well known fact.

There were other brokers. Several brokers called on me and told me that they could provide vast sums of money. They didn't say they were drug funds, but they could give us big deposits if we paid them a 1 percent commission, or sometimes 2 percent commission. During my tenure, we never solicited funds from any of these people.

Senator KERRY. Did you ever pay those commissions?

Mr. Awan. No, sir, because I did not solicit those funds. There were several known brokers who used to go around various banks and offer these services. I think the funds involved are so large and the temptation for banks to accept those funds, because banks are in the business of accepting money and lending it out.

The temptation is very great, and I really can't say what kind of checks and controls I could recommend. With hindsight, maybe, I could say now. But at that stage, certainly, I didn't think of any. Because I was in the same market.

Senator Brown. Are there regulations against charging fees for cash deposits, those kind of commissions?

Mr. Awan. At the time I was in Panama there were no restrictions, there were no regulations for this kind of money. You could deposit any amount of cash; you could take out any amount of cash.

Senator Brown. And I take it no reporting or disclosure requirements?

Mr. Awan. No, sir, not at all.

Senator Brown. Was there anyone else that you had-I mean obviously to have a bank account as you had, or an account as you had with Noriega that is kept secret?

Mr. Awan. Yes, sir.

Senator Brown. Where records are kept out of the country and so on, is not the normal course of business. Anyone else? Are there any other entities that you provided that time of secret bank account service for?

Mr. Awan. Well I would say that numbered accounts were a facility which the Panamanian banking system offered. And every bank had a great deal of numbered accounts, as BCCI did. In addition to that, if somebody came in and said that he wanted-came into an international bank and asked for an account to be opened in Luxembourg or Switzerland or wherever, that was a facility which every bank provided. So there was nothing unusual about

Mr. Brown. Do you see a lot of legitimate reasons why that kind of practices, those practices, should be followed, other than simply

accommodating people who want to launder drug money?

Mr. Awan. Well, sir, as you know Panama is a tax haven. And a large number of people used to put money over there for tax purposes. But it was a known fact within the banking market that there was a lot of drug money as well.

Senator Brown. I just am wondering in my own mind why it is our country would accommodate banking relationships with coun-

tries that provide that kind of service?

Mr. Awan. It's my impression that every bank in possibly most countries encourage flight capital. I remember reading a report commissioned by Morgan Guaranty in 1987 which said that the volume of bank deposits in South Florida from Latin America was \$88 billion. Some of it could have been flight capital; some of it could have been drug money.

There's a large variety of reasons why people would put money here. Because money flows to the safest haven, and a lot of money was coming into the United States and being accepted into the

system here.

Senator Brown. Thank you.

Senator KERRY. Thank you very much, Senator Brown. Just a

couple of questions before we wrap it up here.

Mr. Bilgrami testified about the way he felt when the bank pled out and left him and others hanging there. Were you surprised that the bank took a plea?

Mr. Awan. Yes, I certainly was.

Senator Kerry. Had they told you otherwise?

Mr. Awan. The bank had certainly not told me, no. And I didn't expect them to do that.

Senator KERRY. But the people representing the bank.

Mr. Awan. No. sir. My own attorneys told me that it was a possibility, but certainly not the people representing the bank.

Senator KERRY. Well what surprised you about the plea?

Mr. Awan. Frankly, I didn't think they'd leave us in the lurch; they would continue to support us. And by taking a plea, they pulled the rug from under our feet. Because what we were doing was simply following the orders of our superiors at the bank.

Senator KERRY. So, in effect, the little guys who were following the orders were left holding the bag while the bank took a plea and

walked away. Is that what you are saying?

Mr. Awan. Yes, sir. That's what I'm saying. Senator KERRY. You were with BCCI from 1978?

Mr. Awan. Yes, sir.

Senator KERRY. Until 1988?

Mr. Awan. That's correct. Senator Kerry. 10 years?

Mr. Awan. Yes, sir.

Senator KERRY. You were with Mr. Abedi for a while before that, correct?

Mr. Awan. I worked in the same bank, sir. But I was a junior officer and he was the president, so I didn't have of a—I certainly knew him, but I didn't have much contact.

Senator KERRY. When did you first become aware that BCCI was

kind of a renegade bank doing its own thing differently?

Mr. Awan. The course of my stay in London, there were various rumors which floated around that the bank was insolvent.

Senator KERRY. What years was that? Mr. Awan. I would say 1979 or 1980.

Senator Kerry. So 1979 and 1980 you had this sort of insolvent entity with all kinds of rumors around, and for another 8 years it went on?

Mr. Awan. Yes, sir.

Senstor Kerry. Lending and ponzying and scheming and defrauding and buying illegally and doing all these things, correct? Mr. Awan. It certainly went on, yes, sir.

Senator Kerry. Was it doing those things?

Mr. Awan. I was personally not aware of those. I was only aware of the rumors which floated around at my level in the bank.

Senator KERRY. But you heard them all the time, did you not?

Mr. Awan. Yes, sir.
Senator KERRY. And you certainly were not unaware of why the bank bought branches in Colombia, were you?

Mr. Awan. No, sir, I was involved to some extent with that particular transaction.

Senator KERRY. So why did it buy the branches in Colombia?

Mr. Awan. It was the philosophy of Mr. Abedi that he wanted to have a presence of the bank in every country of the world. And in that connection we were always asked to identify countries—people like me who were outside London, to identify areas where we could open.

Senator KERRY. There could not have been much doubt about where a lot of the dollars coming out of Colombia were coming from.

Mr. Awan. Yes, sir, that is correct. But at the same time we were also interested in several other Latin American countries which I was working on myself.

Senator Kerry, Understood, I am just addressing the Colombia issue.

Mr. Awan. Yes, sir.

Senator KERRY. What does BCCI mean today, in 1992, to you?

What is the meaning of this?

Mr. Awan. To me it's an organization which I worked for and which I thought was a very good organization, which left me in the lurch when problems arose. That's my perception of it.

Senator Kerry. What does it mean, larger scale in terms of the

financial community and banking and accountability? Is there any

larger message here from your perception?

Mr. Awan. Yes, sir. The larger message is that there should be more regulation, more control. There should be—the accounts should be scrutinized better. The central banks should be more responsible. The auditors should be more responsible to prevent a thing like this.

Senator KERRY. Well you are smart fellow with an economics background and you worked in London and you were living pretty

well, were you not?

Mr. Awan. Yes, sir. Senator Kerry. Is there any way to get a handle on this, as long as you have got these havens like Panama, the Caymans, Luxembourg, where you have a premium on secrecy and a premium on attracting flight capital? Is that not going to create a disequilibri-um in the marketplace that just totally disadvantages law abiding entities?

Mr. Awan. Absolutely. I agree with you, sir. Money will fly to

the safest haven.

Senator KERRY. So what do we do about it? I beg your pardon? Mr. Awan. Money will fly to the safest haven.

Senator KERRY. Absolutely.

Mr. Awan. And it'll continue as long as these places remain

with the same laws.

Senator KERRY. Well who does it serve? Why are these places remaining? The industrialized countries supposedly live by a different standard, and they are the principal investment areas of the world as well as the principal banking systems, are they not?

Mr. Awan. Certainly?

Senator KERRY. Do they want this? Is that what it is? Are they winking and, you know, sort of saying one thing out of one side of the mouth but loving it out of the other?

Mr. Awan. I certainly believe that, Senator.

Senator Kerry, Why

Mr. Awan. Because it is of advantage to them to have hard currency coming into their areas. It helps their economies

Senator KERRY. Well where would the currency go if there were a system that had accountability? It still has to become productive. It somehow has to be repatriated, does it not?

Mr. Awan. Yes, it does.

Senator KERRY. I mean it does not do a Colombian a lot of good to be sitting with suitcases full of dollars.

Mr. AWAN. Right.

Senator Kerry. They have got to get back in the system and be laundered to become legitimate, to earn interest and create legiti-

mate entities which ultimately allow them to get out of the business and live on a yacht in the Mediterranean or the Caribbean and hopefully live out their life, right?

Mr. Awan. Yes, sir. That is precisely why the banking havens exist, because they accept the deposits and they recycle them into

the international money markets.

Senator KERRY. But explain to me and others who listen why it is that the legitimate banking interests allow this to go on even

though it is anticompetitive with them.

Mr. AWAN. Well we just have to look at the volumes involved, Senator. I mean if you're talking of billions of dollars of illegal money, they have to go to some banks and they have to certainly go to some legitimate banks. And I personally have not seen any of the legitimate banks sending this money away. They accept it because it makes money for them. That's the business they're in, to make money for themselves.

Senator KERRY. And I suppose, in fairness to them, they do it be-

cause everybody else is doing it.

Mr. Awan. Absolutely.

Senator KERRY. So who can stop the circle? Can it be? Is this just

Mr. Awan. No, I think the responsibility is of the regulators and the central banks. I think they can stop it. They have the mechanism to do that.

Senator KERRY. How?

Mr. Awan. By tighter regulation.
Senator KERRY. Does it make a difference in the United States that you have to report cash deposits from \$10,000 down?

Mr. Awan. In my opinion, no, sir.

Senator KERRY. Why?

Mr. Awan. Because you have all sorts of ways of getting around it. Smurfing. Flying the money out physically to places like Panama, and then it comes back legitimate to the Federal—to the Fed in billions of dollars.

Senator KERRY. And that is what happens, is it not? Literally suitcases and palettes and containers of money get taken out of the country, and then it comes back in through other means. Is that not correct?

Mr. Awan. It comes in through official means.

Senator KERRY. What do you mean by official? You mean

through the checking system?

Mr. Awan. No, sir. For example, Colombia. The Government of Colombia allows anyone to walk into the central bank and exchange dollars for pesos. The dollars are then put into the central bank's deposits, packed, and sent to the Fed.

Senator KERRY. Sent back to the Fed.

Mr. Awan. And they are official reserves of the Republic of Co-

lombia, and no questions are asked about that.

Senator KERRY. Well this committee has long argued—this is why we passed some amendments known as the Kerry amendments which are sort of hanging out there. But the theory is that until we get an international compact on this, we really are swimming upstream. I mean unless we pursue a major agreement between nations on this whereby people are living by the same standard, it is very difficult to get other people to adhere to any standard at all. And I think you have just confirmed that in your experience.

Mr. Pharaon, do you know Mr. Pharaon? Mr. Awan. Yes, I do.

Senator Kerry. Did you have dealings with Mr. Pharaon?

Mr. Awan. Not dealings as such, but I have met him on several occasions.

Senator KERRY. What can you tell us about Mr. Pharaon's relationship to BCCI?

Mr. Awan. I knew that he was a major shareholder. Senator Kerry. A nominee, or major shareholder?

Mr. Awan. I knew him as a major shareholder. I knew nothing

of his nominee status until much later.

Senator KERRY. At this point I would like to insert several documents into the record regarding Mr. Awan's testimony. Well, Mr. Awan, thank you for your testimony today. We appreciate it. I think it has helped to tie up some loose ends and complete the record for the committee. And if there any subsequent issues, we will get back to you. We know where to reach you.

[The information referred to follows:]

(E) -

1511 MERICAN NET AMERICAN BANK, N.A. INTERNATIONAL DIVISION

May 27, 1986

Mr. Mario Vesques Rafu President and General Director Guillermo Priezo No. 7 Colonia San Rafael Restico, D.F. 06470

Dear Mr. Vasques Anna:

It was a pleasure to see you and her. Garcie equin end to see your offices in mexico City. Further, I was pleased that you had the opportunity to meet hims Memoran Medonald from our International Department where are manages diplometic and personal benefit relationships, and Mr. Above Silgrams from the BCCI Himsi Office who has extensive experience working in Latin America.

It is encouraging to learn that your organization is sole concender to purchase UPI, a fact confirmed further in an article in the Mashington Post while were away.

As we indicated, First American would like to work with you and UPI in a nation of different service areas, including cash menopement, credit accompdations, investment Dennyment, and present Thinking for you and your key elecutives. In each, we delive our bank offers unique capabilities with a level of accention appears to our competitors. Comments follow on those services on which we would like to present specific proposals.

II. Cash Management

- a) Concentration of Cash from abread into international concentration accounts and eventually to first American Bank in Mashington assisted by SCCI's international restores of offices. In this tegard, AC-Silgrams, Ar. Amen in the Mashington office of SCCI, and their colleagues world wide will work closely with us.

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2. Gredit

- a) Revolving lines of credit for working depital DI Equipment loans or lease facilities 2) Loans for other purposes 3) Letter of credit facilities

140 15in Street N.W., Washington, D.C. 20005 (202) 637-6100

Mr. Vasquez Rana Page 2

It is my understanding that you are planning financing of \$14.0 million more or less for computer equipment secured by cash collateral. We have a solid reputation for competitive pricing which I believe you will find attractive.

3. Investment Management

Our Asset Management Department can assist in the following areas:

- a) Managing the fund for unsecured creditors in accordance with the
- bankruptcy court's fuling.
 n) Managing and administering the pension fund for the benefit of
 non-union employees.
- c) Administering an SSOP for all employees to de funded with Class B azimon stock.
- It serving as stock transfer agent for Class 3 common stock.

I would like to point out the department's investment performance statistics ray. It in the top 3t or the United States. Please see graphs attached.

- Personal Canving

 \mathcal{A}_{c} offer ALI types of personal service including credit assistance for executive resocution.

On major importance, the entire rejationship of UPI will be under the super-vision of Mrs. Sormiot. Vice President who has considerable experience with companies engaged in communications and publishing. Hiss Nobonald will handle your personal account requirements. In addition, you have ready and on-going access to the senior management of the bank.

At this point, we stand meany to respond to specific requirements and will not convart to your response.

Sincerely,

SAFT! A. BLANK

رو در پويا



MEMORANDUM

warm. Hr. Akbar Bilgrams

o Mr. S.M. Shafi

COUNTRY BCCL-LAR-MISMI

LUCATION SCCI-LAR-MISSI

34"E August 8.1986

MES MICT/ 6154

TUBIC: Mr. Mario Varquez Raha-United Press International

The above gentleman, as you are evare, was identified by Mr. Awan and subsequently at his request I met the same in Mexico City to pursue the possibility on personal banking. As follow up to the meetings Mr. Awan arranged another meeting in Washington with the undersigned and Dr. Calvo (who already knew Mr. Vasquez before) to finalwae personal banking arrangements for Mr. Vazquez and opening of accounts of UPI with BCC branches.

following major points were discussed:

- Geening of UPI accounts in countries where BCC1 and UPI have offices #125 countries.
- SCG TO's 1. by nominated as official TCs for tenth Pan American pames
- . Personal Legania

Mr. Jacober Sand Instructedret of UPI to immediately open bank accounts which use in injur connection. Mr. Ameer Sichika has nominated how officer in Linguit to lights with Mr. Awan in this aspatia

Mr. Varcues acreed to support our bid to be official TC Vendor and in this commediate we spoke to Mr. Ameer Siddiki who suggested that one matter by taken up by Travellers Cheques Division with Visa. Who are also reconstruct to be also sponsor for the games.

As menature to tarsional deposits there is a maturity of CSS CDM in mid-October and Mr. Varevez Raña has agreed to consider diacing with us a consisterable dath of this deposit on maturaty. It is worthwhile to note that Mr. Varevez had commissing about the petimeroi some American Sanks with reference to charges on checkbooks, etc., In this connection. Mr. Awan's suggestion of providing a SCC Cold Card (free of costs) and a SCC desk vatch was conveved to Mr. Siddish who kindly agreed to send the same to Mr. Awan to be delivered to Mr. Mazquez next week alongwith the account opening forms for an account to be opened at SCC Miami and/or Nassau.



Hr. S.M. Shat Page 2 MKT/ 615_

We had agreed with Mr. Vasquez to meet with him at the somest. In 1979, and it is not also account opening forms and other intermation, we shall neet with him at the end of next week to finalway the matter:

Best regards.

Akbar Bilaragi

222 Mai karami Tr. 682182 Even

20217

26 September 1986

mijad -Per your request. here is a carry of the propose decivered to Mr. Buret July As you will see it follows various mashings in the past. Since we delivered the proposal we have had virtually no contact with the company of an Esce - to- face vasis will this week for example, I deducted a pustage es signature aross and contracts to the vasquez Rana a couple to week ago, at your prejestion, but heard rothing from his office who manage of this week At this hime he is prepared to proceed with us and maureer and I are easer to continue working with you to deliver the service auticed in the proposed of needs can sou , use ser simple Domeotic cook maragement arrangements at this King and a believe that they will result a similar set up on the international side. e uille se sone on vacchionnext

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In any absence I hope that you
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resolve any problematic — respects that UPI might have — Please case me is you have any— greations— Sur—
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July 21, 1925

Washington, C.C. 20005

Desm. 2044:

Please find enclosed a proposal for United Press International's international's international and dissistic cash menagement business. In this proposal we have intent to give you at loss of what we could do for your company and have made some recommendations reparting procedures and dechanics which appear to make sense.

Since there are still a number of issues to be resolved this proposal is designed to be a discussion document which we can refine to suit your needs which we specifically as we learn mere about your requirements. Therefore, we would like to schedule a meeting with you on Friday to review with you your disciplos and comments. At that time we will be able to give you more quidates and respond to your concerns.

Sincere y.

Sus-

125/44"

Inclusions

147 to \$1.00 % washington C C 20008 200 827-6100



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JULY 1986

PARAMETER SYTTHESEX

First American Benk is committee and opposite of providing cost effective cash harapment services that will be customized to meet your specific needs. The objectives of the cash management program will be:

- 1. To measuring convenience 2. To provide for the efficient concentration of fungs 3. To needs or eliminate deny of the seministrative propiems now faces by the company 4. To provide a high levely of personal service here and around the world.

This incoosal accresses specific areas where Pinst American Bank offers alternatives and enhancement to UPI's concent cash management arrangement. Finst American Bank be leves that through active discussion with UPI we can arrive at the best dossious and most comprehensive cash management program. This program will focus or comestic and international collections, concentration, investments, and distingments.

- 1 15 BUS 5 5 1880 11



INTERNATIONAL CASH MANAGEMENT

First American Bank, N.A., in cooperation with its affiliats Bank of Great and Commerce International (SEET) and its extensive international correspondent bank network, is prepared to establish an international cash management program to meet your commany's neets.

1. Estabituntet Banking Ralattenantes

The first stap we recommend is that UFI attailish behaving relationships with SCCI in the locations where they have full service pranties corresponding with your burnsus becattons, and that UFI establish the remaining behaving relationships with our correspondent banks in countries where UFI is not already doing business with our correspondent. Attached is a list of UFI burned locations where you maintain andising relationships and the locations where BCCI maintains branch locations (Sanibit 1). In establishing these accounts First American Bank, S.A. would assist you in the following areas:

- The choice of a convenient and well-established banking institution,
 we would review your locations and the locations of our affiliate or
 correspondent to help you find a lask that is easily accessed. He
 would also guide you to financially sound institutions with established reputations and the ability to perform well.
- 2. The mechanics of ocening the estimats. We could notify the BCII Totalings where you wish to open additions to tellex and have the accounts opened very outsily. We would then have signature cards forwarded to the local bureau and yourselves, as you requested. Our goal would be to ensure that the appropriate signers are pegistered on the accounts. We would also arrange for statements to be sant to the location that you request on a monthly basis.
- The designeranc of local requisitions recording foreign exchange and transfers. Indoorn one extensive workers network of BCC1, we would assist you when possible to release restricted funds. We may also across you on exchange controls and regulations.

II. Gen Cancentration

Although we could retain the current structure which allows for cash to be concentrated in three geographic areas, we recommend that UPI recurs to two the number of locations where cash is concentrated outside of the United States. We regomment retaining the cash concentration the Cash American long Kong, at least three transferred to your tatth American longs in washington. Finds may be transferred to your tatth American cureous directly from the Washington concentration account (Earnth Editor).

· <u>jarynaso</u>n

Whithis this arrangement, we would process to provide you on a carry or wearly basts with a talexed report of the balances are account activity in King Cong and Lincoln. From these carly or weakly reports, your Financial Manager could make a decision whether to request transfers to or from the concentration accounts. He could notify First American Bank to affect the transfer or to accentration account. Alcarnatively, SCC - Many Kong or ECCI - Lincoln to resist the funct to the Washington concentration account. Alcarnatively, SCCI - Many funct over 1 carried to targeted balance belt to the main concentration account in Washington.

Since you maintain concentration accounts in Mone Kone and London, we would resomment that flows of information as well as flows of funds be nauted through these concentration accounts. Transfers may be effected more guicely from these locations, principally due to the difference in time somes between Mashington and the bureau locations.

If UP, wenter to eliminate the Mong Kong and London concentration accounts, nowever, and route all transfers directly through Mashington, we would be able to assist you in arranging this system. At the present time, we recommend that you continue using the concentration accounts to allow for less disruption.

we would recommend that the balances in the non-concentration accounts to parts one where possible. For example, at ANZ dank in Australia, the UP, office is maintaining balances over U.S.\$100,000. In the locations where there are restrictions on transfers of funds, we would recomment that UP; try to match the income in local currency with the exchange tontrols are very strict, UPI could negotiate to receive only enough attains less to cover the oursely's expenditures and the retained of funds would be in convertible currency.

we have notes above that information will be routed via talex. In the case of unnormation and hong kong where we would expect daily messages, information and transfers would be routet via S.M.E.F.T. which is a less extensive message system. If you would like, balance information for wing stang and uponton could be reported through the same balance reporting system as UFE's comestic accounts, more information about balance resorting fritb-s in the comestic cash management services section.

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DOMESTIC CASK MAMAGEMENT SERVICES

First American Bank offers comprehensive cash management services to more efficiently monitor and control domestic dash flow and integrate international translations as well. This integration of information will be of extrane importance to UPI as it begins to better coordinate its worldwice flow of funds.

The services outlined offer Alternatives for constitutions of receivables, concentration and investment of cash, and discurrement of all payables. These services allow for concentration and concentration the UPT's banking whose one roof and eliminates the near for subtrible concerns various U.S. cities (Eanibit 3). Bank officers are close at hand, recoy to respend, and can keep UPI informed of regulatory or technological changes that may effect UPI's overall operation.

1. Demestic Collections

First American Sank recognizes the need for UPI to utilize a receivables collection system for the 57 million collected each month. We recommend that a lockbox system be established for the collection of the 1,000 domestic receivables through a Washington, 0.0. post office box and possibly, a second collection site through a correspondent back in a city where a concentration of receivables exists. A comprehensive review of UPI's receivables is suggested to assess the feesballity of such an arrangement.

The lockbox collection system may be processed manually, as is correctly being done, or via automated processing. Automated lockbox processing would provide accittonal detail of all invoices received and eliminate the need for UPI to keypunch this information into its internal system.

I further enhancement to your collection system would be to expand the use of electronic drafting of large receivable accounts via the Automated Clearing Mouse. This enhances efficient crediting of the receivables and reduces processing costs. Information may be conveniently exchanged from your Reston, Virginia processing sate of our Reston Operations Center located on Carbus Commons Crive. Both the lockabor arrangement and the electronic drafting of your clients' accounts would offer increased availability of your daily decosits and allow for timely concentration of your funds into one central account at First American Bank.

11. Concentration of Funds and Reverting

Information regarding UPI's current account balance and petablet transaction reporting may be automatically transmitted to UPI's office each morning. This would provide an accurate and up-to-date accounting of UPI's current cash upsition.



Each morning your Financial Manager may access a ledger and collected halance, as well as any other information that UPI deems important in managing the flow of cash through the concentration account. The information is available through a terminal and may be accessed at your own convenience using a format that will be excluded in most your needs.

Information respecting units balances in the Hong Kong and London accounts dovic also as transmitted to the Mashington effice. This caule be one on a regular basis to serve as an emphasis of UPI's than posttone agon moramationally, at has regional concentration bases, and emmestically. This caule be ease on a cally or wearly heats expending on UPI's caute be ease on a cally or wearly heats expending on UPI's caute for this information. The Mashington office wells then be able to monitor the intermational cash position of UPI and make financial centions based on this current information.

Gars the balance position has been estained, the Financial Manager will decise whether to invest the excess cash. If an investment is to be initiated, the Financial Manager may contact First American Bank's Investment Services Center to obtain current and commercially rate information. Instructions for investment may be given at this time and the transaction completes.

An automatic overhight investment arrangement is also available for investment of excess funes in the concentration account. First American Earni's Target Salance Account allows for Idie account balances to be automatically invested daily without the Financial Hanagen's involvement into specifies short-term investment. After daily activity or the concentration account is shalpred, all funes in excess of the target and in-clearing balances are automatically septimum evernight investments - Repulsinase Agreements and Eurocollar



III. Javestments

First American Bank offers a wide range of investment elternatives for overnight or short-term investments. These include returnings agreements, Europollar currency expession, cartificates of detect, commercial paper and Treasury Separatias. A castificate of each investment vaniely follows.

Resurgassa Acresment

A resurchese eignement, which requires a minimum investment of \$100,000, is created when the send sells a U.S. Treasury or agency security from its investment portfolio to a client with an agreement to buy the security back at a later tate at a statified rate. With an open-end resurchase agreement, the abount of the resurchase agreement, and the rate are adjusted on a daily bears. Confirmation is sent to the client whenever the repurchase agreement principal balance changes. Interest is credited to the client's checking account once a week and a confirmation is sent.

The U.S. Government Securities which collateralize your repurchase agreement will be noted on our records and detailed in the confirmation provided at the initiation of each transaction. Under opinion of our counsel, the security interest in these obligations is protected for a period of 21 days as is provided by the Uniform Commercial Coce \$-306 (4). In addition, these securities are deligations according to the transfor our repurchase agreement and are held at the Federal Reserve Bank of Richmond for no other purpose.

The rate of interest on renumbase agreements is intermally generated at the bank and usually changes daily - reflecting market conditions and the availability of necessary collaters. The size of the transaction is also a factor in rate calculation, with repurchase agreements of over \$1,000,000 commanding a premium rate at First American Banks.

Eurocoller Gesosits

Europollars are deposit isabilities denominated in U.S. collars, of benas located dutated the United States. Europollar deposits may be sweet by individuals, corporations, or governments from anywhere in the world. Because the Europollar market is relatively free of requiration, banks in the Europollar market can operate on narrower margins or spreads between collar borrowing and lending rates than can banks in the United States. This allows Europollar deposits to compete effectively with deposits issued by banks located in the U.S.

The majority of money in the Eurodollar market is held in fixed-rate time deposits. The maturities range from overhight to saveral years, with most of the money in one-week to six-month daturities. At first American Bank, K.A. Eurodollar deposits are maintained at our hessey branch.



The rate of interest on Eurocollars is internally generated at the bank and usually changes only - reflecting market conditions. Eurocollar especta greater than \$1,000,000 also command a premium rate at right American Banks.

Cartificates of Becasit

First Adaption Bank shat offers certificates of easiest with maturity catas on cartificates of \$100,000 or greater ranging from 7 days to one year ato can be tallored to meet a customer's particular maturity requirements. Farters such as the term and featings of one fasting team estagmine the mercetarility and yield of the cartificate.

The rate of interest on certificates of deposity is internally generated at the bank and usually changes early - reflecting market conditions. Certificates of deposity greater than \$1,000,000 command a premium, rate at First American Banks.

The following investment ventoles, commercial paper and Treasury setupities, may be surchased by First American Banks on UPI's benelf.

Compressal Pader

Commencial gamen is an unsecured promissory note issued by large financial or incustrial companies in order to raise funds on a short-term basis. In general, commencial paper is available in denominations of \$100,001 or greater. Maturities on commencial paper range from overhight to \$70 days. Choosing a proper maturity of commencial paper is important since a well-developed secondary market open not exist.

Commencial paper can be purchased on either a discounted basis or on an interest bearing basis. In either case, a 360 day basis is used and yields are identical.

Firms issuing commercial paper cotain ratings from at least one of three services. Modey's investors Service, Standard & Poor's Corporation, and Fisch Investor Service.

Treasury Enths

Treasury hills are short-term obligations of the United States Government. They are highly liquid saturities and a large, well-organized secondary market exists. Treasury bills may be purchased from a micromum decomination of \$10,000 up to \$1,000,000 in increments of \$2,000. The tills are said or a discounted basis and the face amount is paid at maturity.

New offerings of three and sharporth bills are made each week by the Tressurgs. The auditor is usually conducted on Honday, with delivery and payment on the policy fourseay.





1V. Cittursaments

Controller Disbursement

Since the dispursament service served has changed cranatically in magnet years as a result of hearnological changes in componate contacts, first American Bank has mad this challengs and provices fits customers with a state-of-time-arm dispursament services.

First American Sank's Controlled Dispursement Service provices our currement with same say information on the exect amount of money measurement force a dispursing assumnt. Our Controlled Dispursement Account is maintained at Estiern there Attional Sank in Focument City, Maryland. The primary objective of Controlled Dispursement is to avoid idle balances in a dispursement account and to identify the exact early presentments. Controlled Dispursement allows UPI to extermine its exact cash position early enough in the morning to invest in overnight money market instruments at attractive rates.

Each morning prior to 11:00 a.m., the financial Office would be telenomes with the total number and the total collar ensure of inects clearing the dispursement account on that particular day. First American than initiates a wire transfer to Eastern Shore National Bank for the total amount of presentment and in turn depics UPI's account at first American Bank.

bases on recent customer experience, one accitichal cay's float on each check whitten has been realized through Eastern Shore National Bank.

Given that UF; issues approximately 3,000 cheeks monthly, First American Bank offers Account Reconciliation for the reconciliation of all cheeks written during the month. With First American Bank's assistance the reconciliation process for this discursement account that he stepliffet.

At month end, all obsers paid during the month are sorted into numerical order and neturned to your office with your checking account statement. You will also receive a report, either on herotopy or magnetic tabe, listing all checks paid in serial number proof and the date each list was paid.

We also offer an additional enhancement to Account Reconciliation. If UPI would choose to provide. First American Bank with specific information on those checks issued curing the month, we can supply a report, again either on hard copy or magnetic tase, listing all checks said in serial number order, and an outstanding check balants.

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SCOT (if allowed by Same of China,

BCCI (recommand closing Distant account and defectioning account with BCCI-Hong Kong)

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France (Paris)
Gammany (Both)
Greece (Athes)
Guines (Conaka)
Israel (Tel Aviv)
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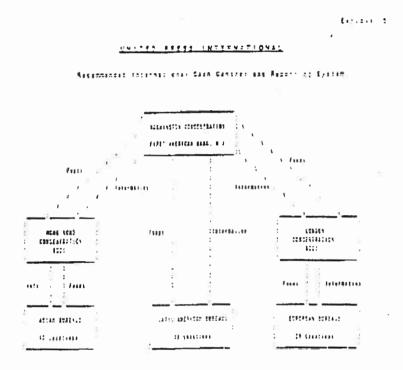
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Lent Belence Girmung . Privital

A lant delerge Account should also be used for UFI's payroll account. This account will allow for a zero belence to be maintained in the account and fonce would be transferred from your unmandration account automotically to cover each payroll check as in is presented for payment. This eliminates excess releases in the payroll account the also eliminates a westly transfer from the concentration account or the payroll account. Since UFI connectely uses the payroll vencer, automatic first Processing (ADF), for its payroll presented and assist you in this transfer.

المتحصروس

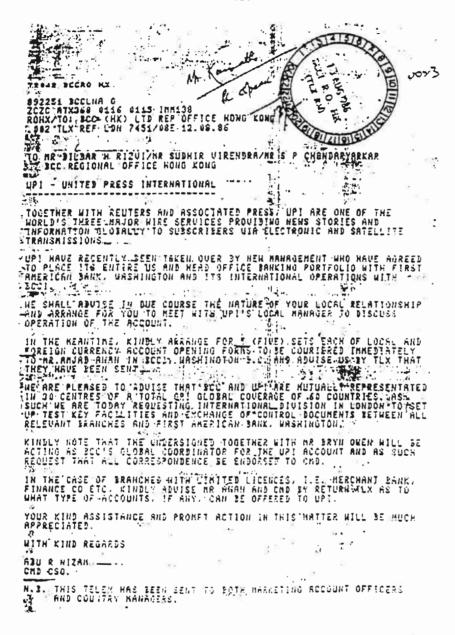


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to trank Mr. Vasquez kans for appening accounts with the bank. In addition, it was outlied to smooth over the windesechiness we experience at the last meeting. Discrintably, it was barnlys foo to appease Mr. Vasquez Rana with reference to our residest that he cash collateranced all ordawings for UPI. While the meeting was relatively chookstive, we did not get any additional business out of it non-cid we resolve any happy fissues. I go, nowever, believe that Mr. Vasquez Rana was pleasen to receive the attantion and he told us to come back so that we could keep up the dialogue. Therefore, I believe that we should continue wonking with their financial coole in the near term and plan to call on mr. Vasquez Rana	OFFICER CALL	REPORT FORK	•
Used 13 Discussed (3) Color Std Review Credit Resolved Problem Left boor Open A Congruent Loans The of Drectt Colors Translational Services Comments Call on Mr. Vasquet Rans again in about things most in addition, it was outlessed to smooth over the understands are presented at the last meeting, brainfaily, it was larry sign to appears Mr. Vasquet Rans with reference to our release that meeting accounts with the bank, in addition, it was outless to smooth over the understands of abordance at the last meeting, brainfailly, it was larry sign to appears Mr. Vasquet Rans with reference to our release that me cast collaterations all drawings for UPI. King the meeting was released by productive, we did not get any additional business out of it nor cit we resolve any rayer issues. I do, nowever, believe that Mr. Vasquet Rans well in the certical and not fold of to come back so that we could keep up the dislique. Therefore, I believe that we should continue working with their financial coole in the near term and plan to call on Mr. Vasquet Rans again in about inner months.	Ageness 1600 Street, A.W. Jainington, J.: 20005 Telephone No. Principal(s) Manip Vasous: An4 Primary Contact & little Jack Kenney \$98-8162	Call Made On: Client Prospect Purpose To have Rane for opento Call Referred Type of Busines 5 I C No. Annuel Sales No. of Enployed Other Banks Ust	Service Sales Barry thank by Vasque: no accounts at FABRA by Shaw Pittman starvice 1351 350,0wd tapprox. 1,500 (worldwide: company to the sample of the sam
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		S.	P. Schwidt

FD0059769

Date of Call: 11/20/86



BUSINESS CALL HEMORANDUM

April 18, 1986 DATE:

LAST VISIT:

X/A

KAKE "Embassy of People's Republic TEL: 328-2509

of China

ADDRESS: 2300 Connecticut Avenue. N. C.

Wasnington, D.C.

TEUEX:

OFFICERS CONTACTED: Mr. Li Hongkui, First Secretary Mr. mei, First Secretary

BCC OFFICERS ATTENDING:

Ampac Awan, Washington, D.C. Fhance Shan, Washington, D.C.

The purpose of the meeting was re introduce first American Benk to the Chinese Empassy to trooped oncein their account. Mr. Berry Blank and Ms. Maureen McDenald from First American ettended the meeting.

The Ininese Empassy is one of the Larger diplomatic missions in Meshington and new approximate De 139 employees. The different sections in the Embassy, i.e. political, military, equiption erc., maintain separate accounts.

This meeting was with officers of the political section and was arranged by Mr. Yang Jae Ing who is the Ambassador's elde. The political section maintains both current and fixed deposit accounts.

Mr. 11 informed us that the Embassy currently uses American Security Sank in the D.C. area, and that American Security provides the facility of a Chinese-speaking officer for them to deal with. Mr. Slank informed Mr. 11 that First American sis currently interviewing candidates with Chinese-speaking collities and realized that this was an important part of the service to be provided. Literature was presented and Mr. In will contact First American in one near future. He also offered to introduce Mr. Sians, to one education section which maintains a fairly large. large account.

- 2 -

follow-up is primarily first American's responsibility and they have invited Nr. Li and Nr. Wei to visit their offices for further talks.

 $\tt BGCI$ Washington remains in contact with First American to provide further assistance if required.

BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME REPRESENTATIVE OFFICE 1667 K STREET, NW WASHINGTON OC 20006

GIE: PRC

/ FY / Su

Hr. Li Hongkui First Secretary Embassy of the People's Republic of China 2300 Connecticut Ave., N.Z. Washington, D.C. 20008

Dear Mr. Li:

My sincers thanks to you and your colleague Mr. Wei for giving us the opportunity to introduce our friends from first American Sank in Washington, D.C.

I am hopeful that this initial meeting and exchange of information will lead to the development of a mutually beneficial relationship between the Embassy and First American.

Because of our close relationship with First American. I am sure that the two banks can provide a full range of donestic and international banking services that will cover all your requirements.

We look forward to working with you and Nr. Wei to develop this relation-ship and would be happy to provide any further information that you may require. Please do not hazitate to call.

Yours very truly, 11 /5

Shange linar

ce: Mr. Barry Slank Ms. Moureen McDonald Mr. Yang Jae Chi

Sil:ank

4-7-15 1202 463 6314 ·

This serest educate Great exceptions of a

BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME REPRESENTATIVE OFFICE MET K STREET NW WASHINGTON DC 20006

FILE

May 19, 1986

Ms. Maureen McDonald First American Bank N.A. 740 | 15th Street, N.W. Washington, D.C. 20005

Dear Ms. McDonald:

Reference our effort to obtain the Chinese Embassy account in Washington, D.C., I had the occasion to meet with Hr. Yang Jae Chi this weekend. He had helped to arrange our meeting at the Embassy last month.

I informed him of First American's continued interest and your attempt to employ a Chinese-speaking officer to handle their account. He responded that he did not forsee any difficulty in obtaining the account should you be successful in your hiring effort.

I chought it might be useful to pass on this information. Please advise if I can be of any further assistance.

Yours sincerely,

Shahid Phan

SALENK:

P-DIE (2021:457 6515

15.53. 287622 BCCI UR CABLES BANCRECOM

DICUSSION PAPER

RELATIONSHIP WITH FIRST AMERICAN BANK

We are lissing closely with First American Bank in their marketing efforts in the Washington area. Already a number of accounts of individuals/corporations have been opened and a good beginning has been made on Empassy accounts (Brunei, Mangladesh, Gustemaia, Junio) Pakistan, Panama). He hope to gear up this activity and make subscantial progress in the coming months.

In addition next week we are jointly calling on thirteen embassies in Washington to get PL 480 business.

WORLD BANK/THE AND OTHER ACENCIES

with the World Bank for Higerian business and with C.C.C. under their GSM 102 program. Similar opportunities are available at the IMF, Interamerican Development Bank, US Aud (PL 480) and other agencies. Contacts have been made and various projects are being examined. ر د د بناد د

131 US AID

DEPOSIT GENERATION

All efforts are being made to mobilise deposits for other BCC offices All efforts are cally made to mobilise deposits for other SCC offices
and in some cases for First American Sank. During the last two weeks File 4 Y THE AMERICA OF USSELS.000.00 and USSS90.000.00 were placed in London.

COMMERCION OF REPRESENTATIVE OFFICE TO AGENCY

15, mula Au. France Cruid only be beneficial over a longer term period. Initial studies snow that over the short run an agency in Hashington may not be viarie and results could only be achieved over a period of two to three years. In this context our relationship with First American also has ir we kept in perspective.

CTHEP POINTS

SUBLETTING HALF FLOOR.

INCOMEDICAL OF THE PARTY PROTEIN.

acci Washington Representative Office

MARKETING REPORT

The BCCI Representative Office in Mashington, D.C. commenced sperations in its new premises in late 1984 and we are pleased to submit this Marketing Report after the initial start up period.

The Representative Office consists of the Representativa, one international efficer and two local officers. This office also services the requirements of the special project group based here. In addition, protocol requests from other regions/branches are handled by us.

Keeping in view the purely supportive function of this Representative Office. We list below the progress made by us during the period under remise.

1. WORLD BANK/IME

We are continuing to expand our contact base in these organizations. The Nigerian Fertilizer Lean project is being coordinated by us and at the present time over US\$200 million worth of Letters of Credit have been opened.

Contracts are also being developed at both the operational and executive level at all the regional desks. In addition, efforts are continuing at different levels to get BCC approved to open World Bank accounts.

1. PAN AMERICAN MEALTH ORGANICATION

This is a subsidiary of the World Health Organization headquartered in Washington and we have been able to obtain the account of their Golesbian effice for Banco Mercantil in Bogota. PANO also has offices all over the Caribbean and we are coordinating with Caribbean Regional Office to get their accounts in Japaica and Eirbadea, and also the possibility of starting a depository relationship for their excess funds in History

ID ULS. GOVERNMENT AGENCIES

- a) Considerable headway has been made with the Commodity Credit Corporation of the U.S. Department of Agriculture. Both the Latin America and Caribbean Region are now doing business with them and we are in touch with them constantly in this regard. We are also forwarding on a regular basis copies of their hamouuts to Central Marketing Division and Corporate branch in London in an effort to centralize CCC business.
- b) PL 480 business is being reported under item (4) below, c) A report has already been submitted to C50 regarding U.S. Export Credit Agencies and we are awaiting guidance on how to proceed in this matter.

2

4. FIRST AMERICAN BANK

All business that our own agencies in the U.S. are pracluded from handling is being passed on to First American Bank, and also those, contacts who desire local bank accounts. The accounts worth mentioning in this respect are the Ahmediyya Community Account with balances of around USS1 million. Transview Travals Inc. with a monthly turnover of around \$100,000, Natalic Restaurant with a turnover of about \$35,000 per month and the Bangladesh Bahassy who have placed a Term Deposit of ever \$1 million with First American. We are also trying to obtain for them the account of Sasr Foundation who spened an account in SCCI London with \$815,000 in addition to the \$1.6 million they already have on deposit vich SCCI Los Angeles.

We also jointly visited 14 embassies in Maskington with Pirst American in an effort to obtain 21 480 business for them. The opening of L/Cs under Pl 480 can only be handled by U.S. banks and our attempt was to pick we this lucrative business for first American Bank. Bangladash Dusiness is already being routed through them because of this office and we feel that the outcome of our visits last month will be highly successful. A #eparate detailed report on this visit has already been submitted by Mr. Sazaur Ranman of Central Marketing Division.

is buassis

A program of calls on Embassies in Washington was initiated less year and we are continuing to meet with Ambassadors and Economic Councellors. As we have pointed out in the past, Abbassadors to the U.S. are usually persons of stature and importance in their own countries. Our attempt is to built up occavill with the representatives of at least those countries where IDU operates, and fael that we have achieved satisfactory results in this regard.

In addition to the foregoing, it is our constant embeavour to establish relationships with all inose persons and organizations who have a rotantial importance to us, and voserover possible to open accounts at ill organizations. It may be worth mentioning that we have placed over all million in different CuRL branches for a single customer from Fannar who is union to fis.C. We enticipate at least 55 million more in this account of the end of the year.

An exaction has been undertaken to prepare cooptehensive lists of customers who would be interested in sending home remittances, and the first such list has been provided to New York office. We plan on expanding and updating those lists on a regular basis.

All pritocil returning from other regions are handled by us and we have provided sarvines to important cuscomers. Central Sank and Government Officials and heads of international organizations.

Sani Annac Jelv 5. 1981

MEMORANDUM

TO:

Files

PROM:

Jack A. Blum 773 September 24, 1988

SUBJECT:

": Memcon with Amjad Awan

WARNING: THE CONTENTS OF THIS MEMO ARE COMMITTEE SENSITIVE. DISCLOSURE OF THE CONTENTS OR THE FACT OF MR. AWAN'S COOPERATION WITH THE COMMITTEE COULD ENDANGER HIS LIFE.

Awan was born in Pakistan on July 30, 1947. He left Pakistan and travelled to Britain as a political refugee. His wife was born in the U.K. and that made Mr. Awan eligible for a British passport and British citizenship.

Awan's first banking job was with Mr. Abadi when he was the head of the United Benk, a bank that Abadi set up before the nationalisation of the Pakistani banking system. Awan left United Bank and was working at the International Resources and Finance Bank, a Luxembourg subsidiary of the Bank of Montreal, when Abadi recruited him to come to BCCI.

Awan's first assignment with BCCI was as the marketing manager in London, a job which he took on December 7, 1978. His job was ruunning the main branch of SCCI in London. Awan explained why the bank grew rapidly in London. He said that at the time it started there were a large number of Ugandan refugees in London who were being treated badly by the major British banks. They did not want to continue dealing with them and found SCCI a comfortable siternative. SCCI became known as "the immigrant's bank", and the fact that it was owned by key figures in the Middle East and run by Pakistanis and other third world nationals was appealing.

Awan held the London job for three years. During that time, Mr. Shaik, his immediate superior, introduced him to Noriega at a dinner party Shaik gave for Noriega in London. Noriega introduced Shaik to President Royo and when Royo came to London, Awan was given the job of ascorting him around the city. Shaik has been introduced to Noriega by his friend, the Panamanian Ambassador to London. Mr. Shaik used his relationship with Noriega to get BCCI the license to operate in Panama.

At the end of the Awan's three year term in London, he wanted to take over a branch operation. He was offered a newly opened African branch but opted instead to take over the Branch operation in Panama.

He isoved to Panama in 1981. The branch there had been in operation for one year. When he arrived, there was a single office in Panama City and the deposit base of the bank was about \$40 million. Most of the depositors had medium-sized accounts ranging from \$50,000 to \$200,000. The depositors were Lebanese and Palestinian merchants living in Panama. Later, a significant part of the Jewish community in Panama came to the bank. Awan said that many of them had come from Syrin to Panama and spoke Arabic.

The bank was almost entirely deposit focused. There was little lending authority at the branch level. Awan, as the branch manager could not make a loan of over \$50,000 without approval from London. Deposits were another

matter. The bank paid the depositors the market rate on their money and Awan sent the money to the Bank's central treasury operation in London where he was credited with an automatic 1% spread.

When Awan arrived in Panama he made's conscious effort to cultivate both President Royo and Noriega. He said that he was particularly interested in getting some of the banking business of the Panamanian Defense Forces. Although Noriega referred some business to him, it was marginal and the efforts to get serious business did not bear fruit until 1982 when Noriega opened an account.

Awan first came to know Enrique Preteit through the Christmas gifts the bank purchased from him for its significant customers. Preteit owned the highest class gift and jewelry shop in Panama City. Besides the store in Panama City, he had two shops at the sirport and had the concessions for Cartier and other famous lines of crystal and jewelry.

Although Awan pressed him for account business. Pretait did not come to the bank until the bank opened an operation in the Colon free sons. Pretait asked the bank for a \$100-\$150,000 line of credit on his name alone which Awan granted. He said that although it was well known that Pretelt was a "wheeler-dealer" the account was satisfactory to the bank.

Awan described the free zone as the smuggling center for all of Latin America and the Caribbean. Electronics, watches, perfume and other luxury goods were imported there and then picked up by the families which controlled the smuggling in the important centers of the region. All the sales to smugglers were for cash and the important and wholesalers generated a significant demand for letters of credit.

Bilonick came to the bank once before the Inair bust to try to get a \$1 million line of credit. He offered no security for the proposed loan and when Awan asked him about how he intended to repsy the amount he pointed to his gold Rolex. Awan said he threw him out of the bank.

Later, Bilonick came into the bank, and through one of Awan's assistants opened an account with a large cash deposit. He then borrowed the maximum he could against the deposit and left the bank. When the principal and interest on the loan reached the amount of the deposit, the bank wiped out the deposit and closed its books on him. Awan says he later learned that Bilonick had disappeared because of his role in the loair affair.

Asked why anyone would want to borrow against their just-made cash deposit. Awan explained that that was one of the most common transactions in Panama. The account would be opened in the name of a corporation and the borrowing would be by the signatory on the account. Although the bank related the two transactions and indeed used the deposit by the corporation as collateral, all records of the connection between the two disappeared when the account was closed out as collateral for the loan.

Awan did not meet Cosar Rodriguez until 1980, when he was introduced to him by Enrique Pretell. Pretell said that Rodriguez was a "business associate" but never described the business they were in. The first request was that the bank finance a fleet of linousines for Pretell who wanted to state a limousine business in Panama. The bank went forward with that project and



Rodrigues asked the bank to finance the construction of a "bankers club" on the top floor of the Bank of Boston building in Panama City.

Awan thought the idea was a good one and extended the line of credit. He also financed a number of theatrical events for Rodriguez who, as an impresario, brought performers into the country. Finally, Rodriguez came to the bank to find financing for his bid on a \$50-\$50 million hydroelectric project. He was certain that his group would get the contract and that a Polish consortium would be hired to do the construction.

The Polish group never got the contract and the Sank was left with about \$3 million in outstanding loans when Rodrigues's plane crashed in Colombia. Awan says that after the crash the staff of the bank came to him and told him that Rodrigues was a gun runner, had a bad reputation and had been involved in the Insir deal. When he went to Pretelt to complain. Pretelt said that they were no longer business partners and that he, Pretelt, could do nothing to help the bank recover the money.

Awan met Mike Harari at one of Noriega's parties. The word in Panama was that Harari was the Mossad chief for the region. Be was believed to have been assigned to Panama after messing up an assassination affort aimed at the Slack Septemberist involved in the Munich Olympics massacre. Instead of killing the terrorist, he killed an innocent waiter in Lillehammer, Norway, causing a significant scandal.

Harart was known to be involved in the arms trade, but all of the involvement was assumed to be official. There were a large number of Israelis throughout the region all engaged in arms sales and the all dealt with Harari.

Awan became involved in the sale of Contadors island when he was asked to meet with President Del Valle in New York after he had been transferred from Panama to the United States. Del Valle said that he was sent by Norlega who wanted him to help find a buyer for Contadors Island. Norlega had made the decision to sell the Island and he knew that Awan knew Gaith Pharon, a wealthy Saudi who was a shareholder in the bank at that time. Pharon had an interest in Club Med and the Ryatt hotel chain. Norlega thought Pharon would be interested in bidding.

Pharon took a close look at the deal and decided to make a relatively low bid. Awan said that the problems with the proposal were that Contadora inched sufficient water, the hotel was run down and at least 55 million would have to be invested to bring it up to first class standards, there was very limited air service to the island from Panessa and the owner would have to run his own air taxi service.

Awan said that Aoki was a friend of Norlega and that he bought the island at a price that was too high, not one that was too low.

Awan said that BCCI stayed out of the arms trade. He spild that the bank did not finance weapons deals and that the only proposal he saw regarding a weapons deal was from transans who were trying to bush weapons in Europe and wented to finance them in Panama.

As Awan described it, cash came into Panama from all over the world and all the banks that need cash tapped the Panamanian market. He said that

BCCI stayed out of the cash handling business because it was too expensive. He said that an employee of the bank had been approached by Brinks. which can the only armored car business in Panama, and was told that for a commission paid to Brinks, the bank could get cash deposits referred to it.

Awan said that the National Bank of Panama charged a 1% cash handling fee and the people at the National Bank always short counted the money sent there by several hundred dollars. Given the low return that Awan could get on deposits by sending them to London, it made no sense for him to pay commission to get the cash.

The bank did not use armored cars to handle the transfer of excess cash. Awan carried the cash himself in the trunk of his car and did not worry about being robbed. He said that Panama at the time was quite safe.

Awan said that the cash business that the bank did was in connection with the Colon branch, where the cash was handled as an accommodation for their customers. These customers were the wholesalers and importers who were selling to smugglers who paid in cash. When asked about the Cuban business in the Colon zone, Awan said that he knew that there was a Cuban corporation in operation there and that the bank had one customer who did a substantial business selling hotel equipment made in the United States to the Cubans. He said he was unaware of the use of Colon as a place to move high tach equipment to Cuba around the U.S. embargo.

Certain banks paid higher than market rates for deposits and seemed far more interested in the cash deposits. These included the Swiss, Colombian and large American banks. The Swiss established regular flights from Panama to Switzerland to carry accumulated currency out of the country so that it would not have to be turned over to the National Bank of Panama.

The questioning returned to the account General Norsega opened with the bank. Awan said that he had been asking Norsega for business regularly when one day Norsega called the bank and said that he wanted to open an account. He told Awan that the account would be the secret funds of the Panamanian Defense Forces and that he, Norsega, would deposit the money and then call Awan to tell him how to disburse it. No Panamanian was to see the account, it was not to be booked in Panama and Norsega did not want any paper kept on it.

Awan said that he had to explain to Noriega that an account could not be opened without some paper and that there had to be an owner of the account who had the authority to make withdrawals. Awan drew up appropriate papers and brought them to Noriega. The papers put the account in Noriega name.

The first deposit in the account was mostly cash in an amount around \$200,000. There were some small checks in the deposit. Later, the deposits were in the form of both cash and checks with most of the checks doming from the Panamanian Defense Forces accounts and made payable to the bank.

Cash payments were frequently made out of the amount. Named a world call awar and tell him that someone would be coming to the bank to ask for a cash payment. The person would then show awar a note signed by Nurreya and Awar would then pay the money out. Most of the people who came for

these payments were politicans and the first use of the fund was to buy political figures in connection with the 1984 Presidential election.

As awan recalled it, the largest amount of cash to be deposited to the account was \$900,000 and the balances in the account never topped \$25 million.

In 1983, the bank issued its Visa card to General Noriega, his wife and his daughters. Payments on the Visa cards were made from the interest that the amounts on deposit generated and the balances were automatically debited to the account. Awan would also use the account to pay travel expenses for the General and members of his perty. He would accompany the General on his trips and make sure that there was cash available as needed.

On one occasion the account was used to offset a loan on an apartment in Paris. 'The total amount of the loan was \$400,000 which meant that the principal amount was somewhat lower. The loan was paid off from the interest the account generated.

Awan left Panama in 1984. He had reached the usual end of tour for a manger and had the additional problem of having allowed the branch to become involved in a multimillion dollar fraud involving fraudulent treasury checks. The fraud scheme started with a reputable Panamanian law firm opening an account in the name of a front corporation. The bank dealt with the law firm because they were reputable and had given the bank good business in the past. The beneficial owners of the account, BCCI was told, were Hong Kong Chinese. The lawyers deposited several million dollars worth of Treasury checks. BCCI refuse to credit them until they had cleared and sent them to the Bank of New York for collection.

When the Bank of New York notified SCCI that the checks had cleared SCCI released the funds which were immediately transferred. Almost the day the funds moved, SCCI was visited by Treasury investigators who said that the checks were fraudulent and that the credit was being reversed. Although some money was recovered the bank lost substantial sums. When that loss was combined with the loss on the Cesar Rodriguez loans Awan did not look too good.

When he was told that he was being transferred to Weshington to work in the representative office of the bank, Horizga called Abadi and told him that he wanted Awan to stay in Panama. Abadi said that that could not be done but that Noriega could continue to deal with Awan as his personal banker. In that role, Awan traveled to Panama once every (ew months, consulted with Noriega on the phone and accompanied him on his visits to the United States. Awan says that his main function was to present Normera with a statement of his account, showing him what bills were paid and how much cash had been delivered according to his instructions.

In July 1987, Awan was sent to Florida where he became the marketing manager for the Latin American and Caribbean. He was based in the Miamz agency. The function of the bank's agency offices is to take deposits from non-resident foreigners. The money is almost exclusively flight capital.

The nominal boss of the Miami operation was Mr. Shafi. He is old and has the job because of his long standing relationship with Abadia. He had little understanding of what was going on and holds his position as a

figurehead. Patrick Lynch was the man in charge of the three Florida offices. Mr. Jindani handled administration and personnel management. Marvin Hancock ran the credit division, and Mr. Hassan was Awan's predecessor as the head of the marketing department.

I asked Mr. Awan if he had ever been approached to isunder drug money. He said that the bank had a conscious policy of avoiding drug money and that he was aware of only one situation where that sort of money had been offered as part of a government sting operation. The bank told the people involved that they would fill out the currency form on the deposit and the conversation ended.

UNITED STATES OF AMERICA

Congress of the United States

To	Amjad Awan ,
54	665 Davis Road
	Coral Gables, FL 33143 Streeting:
	usni to lawful authority, YOU ARE HERESY COMMANDED to fore the Committee on Foreign Relations
of the Sen	nate of the United States, on September 22
	o'clock & m., at their committee room 119 Senate Office Building, then and there
to testify	what you may know relative to the subject matters under con-
	by said committee. ng with you the documents described in Attachment A.
#cced	tell met, as you will answer your default under the pains and pen-
	rush ogene made and provided.
To th	he United States Marshals Service or any other authorize
=	and return.
	Sizen under my hand, by order of the committee, this
	6th day of September , in the year of our
	Lord one thousand nine hundred and eighty-eight
	Claiban PJI
	Chairman, Committee on Foreign Relations

Attachment A

For the person valuary 1. 1550 to them it, tends of mooks, records and papers felating, referring to on embodying:

- L. Aukinesk tember.
- &. Cisent accounts.
- J. Employer Ammensation.
- 4. feregoche expenses.
- \$. Expense records submitted to vour employer for resubursement.

For the purpose of this subpoens a "record" includes all media capable of storing information which can be read, and includes all information stored electronically—whether on computer disk or otherwise.

UNITED STATES OF AMERICA

Congress of the United States

To Bank of C.	redit and Commerce Int	ernational Overseas Limite
1200 Bric	kell Avenue	-
Miami, Flo	orida	. Greeting:
		E HEREBY COMMANDED to
ppear before the	Committee on	FOREIGN RELECTIONS
the Senate of the	United States, on August	. 11, 1988 ,
Nine o'd	lockm., at their commice Building	mittee room, then and there
testify what you	may know relative to the	subject matters under con-
ideration by said cor	mmittae	•
-	u the documents descri	bed in Attachment A.
	·	
Ities in such oases	made and provided. States Marshals Servi	ce or any other authorized
	• , •	
		in the year of our
	Lord one thousand nin-	e hundred and eighty-eight
	11-2-	
	Chairman, Committee	Foreign Relations
		FD0059787

Attachment A

- 411 books, recurs and oxoers, relating, referring or embodying the following:
- 1. The management of assets for Manuel Antonio
- 2. The holding of assets as custodian for Manuel Antonio Noriega.
- 2. Corporations, partnerships and other business entities under the direction and control of Manuel Antonio Nurseta.
 - 4. The managment of assets for Michael Harari.
 - 5. The holding of assets for Michael Harari.
- 6, Corporations, partnerships and other business entities under the direction and control of Michael Harari.
- 7. The management of assets for private clients in Colombia.
- 8. The holding of assets as custodism for private clients in Colombia.
- 9. All Panamanian clients for whom the Bank manages assets.
- 10. All Colombian clients for whom the Bank manages assets.
- 11. All trusts which have Panapanian beneficiaries.
 - 12. All trusts which have Colombian beneficiaries.

For the period January 1, 1985 to June 1, 1988;

- a. All books, records and papers relating, referring to, or embodying travel and telephone and telephone communication by Kalid A. Awan and S. M. Shafi.
- b. All books, records, and papers referring, relating to or embodying the compensation of Walid A. Awan and S.M. Shafi.

1

c. All reports describing, summarizing, and discussing the Bank's trust and money management operations.

For the purpose of this subpoons a "record" includes all media-capable of storing information which can be read, and includes all information stored electronically--whether on computer disk or otherwise."

UNITED STATES OF AMERICA

Congress of the United States

To_	S.H. Shafi
c/0	Bank of Credit and Commerce International Overseas, limit
	1200 Brickell Ave., Miami, FL Greeting;
₩ur	Suent to lawful authority, YOU SEE HEREBY COMMANDED to
ppear b	efore the Committee on Foreign Relactions
f the Se	enate of the United States, on August 11
±N	line o'clock a.m., at their committee room 216
Hart	Senate Office Building , then and there
o testifi	y what you may know relative to the subject matters under con-
ideratio	m by said committee.
	ing with you the documents described in Attachment A.
	Ψ
	ed tell met, as you will answer your default under the point and pen-
ities in	such coses made and provided.
To _	the United States Marshals Service or any other authorized person
	and return.
	Clum under my hand, by order of the committee, this
	27th day of July in the year of our
	Lord one thousand nine hundred and eighty-eight
	1. 7
	Chairman, Committee on Foreign Relations
	Cheleman, Committee on Foreign Relations

Attachment A

For the period Jenuary I, 1984 to June 31, 1988, all books, records and papers relating, referring to or embedying:

- 1. Business travel:
- 2. Client accounts.
- 1. Employer compensation.
- 4. Telephone expenses.
- 5. Expense records submitted to your employer for reimbursement.

For the purpose of this subpoens a "record" includes all media capable of storing information which can be read, and includes all information stored electronically--whether on computer disk or otherwise.

the manage

Cliffen(& Narmki Sterneys and Counsellors at Low 815 Connectivet Survey Harbington I & 20006

September 14, 1988

Jack A. Blum, Esquire Special Counsel Committee on Foreign Relations United States Senate Washington, D.C. 20510

Dear Hr. Slum:

Enclosed herewith are the documents being produced pursuant to our understanding opnoerning the subpoenss issued to the Florida offices of Bank of Credit and Commerce International (Overseas), Limited ("BCCI") and to Nr. S.M. Shafi and Nr. Amjad Avan. Cartain of the documents being made available for your review are confidential and Bust be protected from public disclosure by adequate safeguards to be mutually agreed upon.

Tou are advised that in making the production of these documents heither SCCI nor the individuals referenced above valve any rights or privileges relating thereto, all of which are expressly reserved.

It is understood that you will today review; these documents in our presence and we shall then agree upon the manner in which they are to be reproduced and delivered to the custody of the Committee.

Sincerely.

Robert A. Altman

SCPLAMOAL

Elifled & Yhamko Storogo and Camadion at Law 815 Camadion Stanov Walnugan D. G. 20006

September 19, 1988

BY HAND

Jack A. Blum, Esquire Special Counsel Countities on Foreign Relations United States Senate 446 Dirksen Senate Office Building Washington, D.C. 20510

Dear Mr. Blum:

As discussed during the meeting on September 14, 1938 that Messrs. Altman, Sanders and I attended at your office, and as I later mentioned to Kathleen Smith in a telephone conversation, we are forwarding herewith copies of the documents earlier produced under various specifications of the subpoenes issued to the Florida offices of Bank of Credit and Commerce International (Overseas), Limited ("MCCI") and to Mr. S.M. Shafi. As you are aware, we are to schedule within the next several days a more extended period of time during which you can review the rescords from SCCI's Agency Offices in Miami, Bocs Raton and Tampa. We have requested of the Bank that it provide us with computer print-outs of the same type of information for additional periods which you reviewed when we are at your office. Those print-outs should be here this week, and we understand you will examine this material together with that which you have already seen at a date to be agreed upon.

Specifically, the copies being forwarded today

include:

(1) The compliance circular from the Caribbean regional office of BCCI and portions of the minutes of a Management Committee meeting of BCCI, both of which you reviewed on September 14, 1986.

Letter to Jack A. Blum, Esquire September 19, 1988 Page Two

- (2) Various documents relating to Mr. S.M. Shafi including business expense records and travel diaries. You may again decide to examine Mr. Shafi's office telephone bills, residence telephone bills and Car telephone bills at a subsequent date to determine whether they should be photocopied.
- (3) A decument styled, "Statement of Affairs" for BCCI Paness for the period ending June 30, 1988.

It is our understanding that having reviewed Mr. Shafi's records of compensation, you do not need copies of those materials. Purcher, the documents to be produced by Mr. Amjad Awen are due on or before September 22, 1988. We were called on Friday, Saptember 16, by John Grabov of Ginsburg, Feldman and Bress, who has been retained by Mr. Awan. We shall await a meeting with him before proceeding on any documents that relate to Mr. Awan because we do not know whether Mr. Grabow intends interposing any objections to the Subcommittee's Subpoens.

Finally, we must reiterate the points raised with you during our meeting and in Mt. Altman's letter of september 14 regarding the confidentiality of this material. It is our understanding that the materials which are being provided herewith shall be accorded confidential treatment by you and your staff. Before we can provide additional confidential information to be retained by the Committee, we will require written assurance that acceptable confidential treatment has been approved by the Committee and will be provided.

We will be in touch equin by telephone regarding the other scheduling satters yet to be worked out.

Sincerely,

John F. Kovin

Inclosures

Chiffind & Ylamko Stennys and boursellors at Law \$15 Connection! Johnne Washington, I. S. 20006

September 19, 1988

BY HAND

Jack A. Slum, Esquire Special Counsel Committee on Foreign Relations United States Senate 446 Dirksen Senate Office Building Washington, D.C. 20510

Dear Mr. Blum:

Pursuant to your request, we are enclosing copies of certain travel expense records relating to Mr. Amjad Awan. These are business records that were earlier compiled by Mr. Awan at our request and are being produced pursuant to subposma.

We have discussed with you our need to have an acceptable confidentiality agreement covering all confidential records being produced. In fervarding to you these documents, we do not in any way valve or limit that request.

Robert A. Altean

Inclosures



AFFIDAVIT OF AKJAD AWAN

Amjed Awan, being duly sworn, depose and state as follows:

- 1. I was formerly employed by the Bank of credit and the state of the
- I was arrested on October 8, 1988, and was convicted of laundaring narcotics proceeds on July 29, 1990.
 I am presently serving a 144 month sentence for this offense.
- 3. In lete 1980 or early 1981, I was assigned to BCCI, Panama City, Panama, as the Country Manager.
- 4. In 1982, I opened an account for then Colonel Manuel Antonio Noriega, Panama Defense Forces at BCCI Panama and later BCCI London. The account was to be kept secret. I was given a Power of Attorney by Noriega on the account.
- 5. In 1982, I opened accounts at BCCI London for Hrs. Norings and Morings's daughters in various Pahasanian corporate Anames. I was given Power of Attorney on all these Morings-related accounts and was a signator on the Morings-related corporate accounts, securi one, Lemanka.
- 4. Thereafter, the Noriega's deposited approximately \$20 to 25 million into their BCCT accounts. The majority of the deposits were in the form of U.S. currency. The largest currency deposit was approximately \$4 million.
- 7. In 1984, I was transferred to BCCI's representative office in Washington, D.C.



- s. In 1987, I was transferred to BCCI, Missi, Florida, as an International Officer in the Latin American Caribbean Region.
- 9. In early February of 1988, I became awars then that General Manual Antonio Norioga had been indicted in the United States for naroetics-related offenses.
- 10. Shortly thereafter, I became aware of General Manuel Antonio Moriega's desire to move the Moriega-related bank accounts from BCCI London to another location.
- ii. After I became aware of Noriega's desire, I met with S.N. Shafi and Bande Hassan, the persons in charge of BCCI's Latin American Caribbean Regional Office in Miami, Florida. They directed me to contact Swalah Nagvi, then acting President of BCCI in London, England, concerning this matter.
- 12. Pursuant to their instructions, I telephonically contacted Negvi and he instructed me to travel to London, England, to discuss Noringa's request.
- Thereafter, I did travel to London, England, via a commercial airline.
- 14. While in London, England, I met with Maqvi and Dildar Rizvi. Rizvi was then the neminal second-in-command of BCCI's operations in the Americas. In truth and in fact, Rizvi headed BCCI's operations in the Americas.
- During this meeting, Naqvi and Rixvi instructed me to convince Noriege to permit SCCI to maintain the Noriegarelated accounts with SCCI Luxembourg, where they could be

H

saintained in the utmost secrecy. These arrangements vers structured to conceal and disquise these accounts from detection by United States and United Kingdom Tay enforcement authorities.

Magvi did not vant Noriega's money moved from BCCI, because Noriega had guaranteed a loan of Cesar Rodriguez, a reputed drug dealer who was murdered in Colombia.

The outstanding balance was in excess of \$10 million.

- 16. Pursuant to these instructions, I contacted Moriega and obtained his approval to effect the transfer of the funds then in the Moriega-related accounts from SCCI London, to SCCI Luxembourg, thereby further secreting these accounts from law enforcement officials.
- (17. I then informed Swaleh Naqvi and Dildar Rizvi of Moriega's approval and pursuant to their instructions personally effected the transfer of the Moriega-related accounts from ECCI London, to ECCI Luxenbourg in February of 1988.
- I thereafter returned to London, England, from Luxembourg, informed Dildar Rizvi and Swelch Naqvi that the Noriega-related accounts had in fact been transferred and subsequently returned to the United States via a commercial carrier.
- 19. On or about July 10, 1988, I travelled from Mismi, Florida, to London, England, via a commercial carrier.
- 20. Upon my arrival in London, England, I met with Kk.
 Swaleh Naqvi, Dildar Rizvi, S.H. Shafi and Banda Hassan and discussed with them the issuance of United States Senate

Ä

subpoenss for ECCI, S.H. Shaff and myself. These subpoenss related to ECCI's relationship with Moriega.

21. On or about August 1, 1988, I received a telephone call from Moriega. He requested that I transfer the funds in the Moriega-related accounts from BCCI to Banco Be-Mattenai Panama for a short period and then to a European based financial institution in order to avoid detection by United States based authorities.

22. I thereafter related Moriega's request to Svaleh Nagvi and Dildar Ritvi.

They agreed to allow Moriega's-related accounts to be transferred from SCCI. Maqvi said SCCI would forgive the \$10 million Cesar Rodriquez guarantee. Swaleh Maqvi directed me to travel to Panama and get Moriega's instructions in writing. I was told to travel there without going through the United States. Maqvi said to bill the airfare to Swaleh Maqvi or Dildar Rizvi so there would not be a record of the travel in SCCI'm records.

*

24) Mr. S.2.A. Akbar agreed to meet with Mr. Mussella.

The mork out a machanism for the laundering of drug monias. M

Subsequently, Akbar, through Capdom, laundered \$25,000 in drug proceeds for Mr. Mussella on behalf of one of Mussella's Colombian drug clients.

During this same time period. I met with \$.Z.A.

Akbar at Capons in London, England. We discussed Noriega's

desire to have his funds moved from SCCI and placed with Capcon.

2.2. Askan heard Normal internation School Mr.

Noriega's fear that United States authorities would seize the

funds. \$.Z.A. Akbar agreed to receive approximately \$23 million
in Noriega funds. Akbar gave me a list of Capons-related

accounts. We decided to have the funds initially sent to

Findley's account at the Middle East Bank, London, England.

Findley's account was a Capons controlled account.

- 26. In August of 1988, I travelled to Panama, through Spain, via a commercial airline.
- 27. Thereafter, I set with General Manual Antonio
 Moriega and Mrs. Moriega in Panama. They gave se letters
 authorizing the movement of their funds from PCCI to Banco
 Macional de Panama accounts in Germany and Switzerland. I told
 them to leave the funds with Banco Macional de Panama for
 one month and then transfer the funds to Findley's account at the
 Middle East Bank, London, England. I gave them the business card
 of S.Z.A. Akbar, Capcom, London, England, and told them to

call him about their desires for placements and movements of the funds.

28. In August of 1988, I travelled to London, England, from Panama, via a route not through the United States on a commercial aircraft.

Thereafter, I met with Swaleh Maqvi and Dildar Rizvi and informed them that Moriega had given written instructions to move the Moriega funds from SCCI Luxenbourg.

30. On August 11, 1989, I travelled to the United States, via a commercial carrier.

AKTAD MINAT

Sworn to and subscribed before me this 2/644 day of August, 1991.

HOTARY PUBLIC

DEATHER E, MANDR MODRY PUBLIS - WESTEDLIN COUNTY, MICH. MY COLUMBERS (1944)

Mr. Awan. Thank you, Senator.
Senator Kerry. Thank you very much for being here. Before I adjourn this hearing, I would like to insert additional BCCI-related documents into the record.
[The information referred to follows:]



ALIEN, DELL, France & Transit

1000 ALM DESCRIPTION OF THE PROPERTY OF THE PR

JUST 87, 1800

TA PACTOCIA AND INCIDAR NATI

David McKama, Zag qu Banner Jahn F. Karry QL Rumed Building Wantshapma, DC 20410

In Kerry Two Subpress

H. KK

Particular to our faint-from communicate an Friday, July M., 1980, the advised the, as descar by E. Eury Fur. that the Theorems. Nationale and Listernational Operations Scholamathian of English Terminal Committees has extended to bearing as July 20, 1992. Yest required the Enthropy on Terminal Committees has extended to bearing as July 20, terminal to be a superational and July 20, would be seened.

At you are convex the activities of Mr. For and others that are of tenerate in the Subsequenties are the newton review by the Utilized Brass Antonopy for the Device of Colorado,. The Utilized Brass Antonopy has believed.

The Utilized Brass Antonopy has been assumed to the tenerate providing statement the Mr. For, and we are assufficing a Shall decision on the mettle. We hope to have that matter startfold in the detti several vestal, perhaps some.

Prior to resistantly year emponent to Mr. Fur, piezes again he advised that staff such time we have a final desiration from the United States Astermey, Mr. Fur is left with an other resource be assert for Fifth Assertations privilege against and barrelmonation in respected to any quantization that start he assert for the Subclementation or in staff. Mr. Fur would willings mover the quantization we had seen that the United States Astermey appropriately before them to a beat for possible to the first the United States Astermey appropriately before the to the distinct the grant staff of the total supervision to the Subclementation lands to the barrelmont to the first that the back marks in Chicrotic. We will satisfy you of any change in Mr. For's common.

On a preferenced bank, I symptotes your summentance in the report stees I am unough this for there's to july 50 because I am expected it a major court bearing in Compressey, Florick, at 840 Am.

Durie do

LHC

FARELLA, BRAUN & MARTEL MINISTERNI MICLESING PORTESHOUM SERVENTION

ATTORNETS AT LAST
SUPE SUILBING, AST TEET
236 MENTERNETS TREET
SAN PERMISSON, ORLIPORTIA SAIGA
JAIN SEATO-605

DANIEL M. BOOKIN

July 28, 1992

724.25 200000 7, 0 A = 270

VIA PEDERAL EXPRESS

David McKean, Esq. Office of U.S. Senator John F. Kerry 421 Russell Building Washington, D.C. 20510

Re: Roy P.M. Carlson

Dear Mr. McKeant

I have reviewed the documents assembled by Mr. Carlson in response to your subpoena, dated July 1, 1992. While the documents do not appear to contain any information in which your committee would be interested, I am directing Mr. Carlson to decline to produce documents requested by your subpoena, based on his Fifth Amendment privilege. In reaching my decision, I have considered the extremely broad nature of your subpoena; the broad, nebulous and politically-charged nature of the various state and federal investigations regarding BCCI; and my inability at this time to obtain the information I need to evaluate fully this matter. Accordingly, Mr. Carlson respectfully declines to produce documents requested by your subpoena, based on his rifth Amendment privilege.

I appreciate your courtesy in this matter. Please contact me if Mr. Carlson or I can be of any further assistance.

Daniel H. Bookin

DHB/1hk #7040\#2072#01

TITEL PARE, DAS 44

DISTRICT ATTORNEY of the COUNTY OF NEW YORK ONE HORAM PLACE HOW YORK, N.Y., 19915 (215) 201-7000



ROSERT M. MORGENTHAU

FAX 202 224-8525

July 29, 1992

Monorable John Herry Russell Senate Office Building Washington, D. C.

Dear Senator:

Your staff has raised with Assistants in my office the quastien of whether there has been comparation between persons in Abu Dhabi and my office in the investigation we are conducting into the Bank of Oredit and Commerce International.

We have received statements from Abu Dhabi atterneys since Movember, 1990 that they would be willing to occuperate. At this writing, no documents or witnesses here been provided by the government of Abu Dhabi for our ongoing investigation into allegations of wrongdoing associated with BCCI and Pirst American:

Sincerely,

Robert H. Morgenthau

200'3004

THE SB 192 15:34 FROM NY DISTRICT ATTORNEY

PRIVILEGED AND CONFIDENTIAL ATTORNEY WORK PRODUCT Draft: 3/19/91

Key Persons and Entities: BCCI2/

Geoffrey Abbott Manager, Los Angeles Agency

founder and CEO until heart attack in 1988; had 2 of 5 board members (LeNarche and Twitchen) on his payroll; bought and sold through a front (often Al-Tran); Agna Hasan Abedi

V.H. Abidi U.K. Regional General manager after July 1980(?)

Mohammed Abrough heads ADIA (Abu Dhabi Investment Authority)

Sheikh Kamal Adham former head of Saudi intelligence:

duced to the Fed in 1981 as one of four new owners of First American's holding company: admits to borrowing from BCCI to finance his purchase of CCAE shares

Afredi referenced as head of Spanish operations

former BCCI employee who became executive vice president of First American/NY on Abedi's recommendation Aijaz Afridi

Head of Central Credit Division in London Intiaz Ahmed

BCCI employee who helped search for Norlega documents in response to 7/27/88 Senate Nehal Ahmed

subpoens

Victor M. Aldana

Laila Allmai

formerly with BCCI/NYC involved in 330 Madison loan; has since returned to Pakistan; Moscow expressed interest in

interviewing her

Louis C. Altemar against nim; alleges improper relationship with BCCI/Miami and BCCI/Boca Raton

Al-Tran . front for Abedi and Nagvi in transactions re

Attorneys for BCCI are listed separately at the end of this document.

- 1 -

N 003535

PRIVILEGED AND CONFIDENTIAL ATTORNEY MORE PRODUCT Draft; 3/19/91

Tarig Jan

former manager of BCCI/Boca Raton; now with BCCI/Hong Rong; subject of investigation (Baldwin thinks he's been taken off list of potential indictees); Rivero has subpoensed his employment records; helped search for documents in response to 7/27/88 Senate Subpoens

K.G.S. Jhala

with BCCI/NYC, involved in 130 Madison loan; formerly with BCCI/Niami, involved in letters of credit issued to General Coffee, resulting in a \$5 mil loss for BCCI

Sheikh Kalifa

crown prince, son of Sheikh Zaied

Sen. Kerry

head of subcmte investigating BCCI, apparently working closely with Moscow; learned that BCCI paying expenses of Senate employee to travel over and advise BCCI on how to handle Senate investigation

Hamid Khan

former head of BCCI/Miami Letter of Credit dept and "advisor" to Bilbeisi, no longer employed by BCCI: likely to be indicted; deposed in Lloyd's suit

Nasrullah Khan

Manager, Myde Park, as of 1/31/89

Paul Khanna

Fed examiner in NYC, met with Perruti

Judith Korchin

Miami attorney

Labaro S.A.

shell corporation for Calderon et al.

LACRO

BCCI Latin American and Carribean Regional Office, based in Miami; Sakhia was head

Yves LaMarche

one of two Board members reportedly on Abedi's payroll; up on criminal charges in France for currency exchange violations and for bribing

an official to drop the charges

Bert Lance

former Carter appointee; sold NBG to Pharoan

W.S. Leslie

Asst. Mgr., Corporate Unit (Leadenhall) as of 12/12/88; gathered Noriega account documents together on 2/12/88 for transfer to Luxembourg

Lino Linares

former SCCI/Miami operations manager, laid off when agency closed; named in Cherrington sexual harrassment suit

- 6 -

N-003542



Anited States Senate

COMMITTEE ON FOREIGH RELATION Washington, DC 20610-6225

July 24, 1992

Mr. Sandy Martin Patton, Boggs and Blow 2550 M Street, N.W. Washington D.C. 20037

by facsimile: 457- 6515

Dear Mr. Martin:

I recently spoke to Mr. Caffey Morman of your firm concerning a memorandum written by a former associate, Ms. Lisa Batty. The memorandum, entitled "Key Persons and Entities: BCCI" was created in the spring of 1991 and was revised several times.

The memorandum makes reference to Senator Kerry and the Subcommittee investigation of BCCI, stating the following:

"learned that BCCI paying expenses of Senate employee to travel over and advise BCCI on how to handle Senate investigation."

According to Mr. Morman, the source of the information was Ray Banoun, who at that time also represented BCCI in certain matters. Mr. Morman told me that he and you were in a meeting with Mr. Banoun during which time Mr. Banoun made the allegation concerning the "Sanate employee." Mr. Morman has further indicated that Patton, Boggs and Blow was able to ascertain the source of the information for Ms. Batty's memorandum because you kept notes of the meeting with Mr. Banoun. Ks. Batty, with whom we have also spoken, has told the Subcommittee that she is certain that her information was based either on something she had read or been told.

On July 13, I wrote to Mr. Norman and noted that Mr. Scott Stone, also of your firm, hed indicated to me in a prior telephone conversation that "the documents on which the memorands were based have already been produced to the liquidators," but the Subcommittee had "received nothing in response to the May 23, 1891 subpoens to SCCI that would provide a documentary basis for the reference to Senator Kerry." Additionally, I asked that Patton, Boggs and Blow "make available any documents produced ...on or before July 5, 1891 that discuss Senator Kerry, the Subcommittee investigation, or any member or staff of the U.S. Senate in donnection with BCCI,"

On July 15 Mr. Norman wrote to to inform me, among other things, that:

"What Scott Stone actually said was that he had not at that time been able to determine the basis for the reference to Senator Kerry, but that if it derived from a work product memorandum prepared for BCCI, such a memorandum would have been produced to the liquidators."

As far as we know, your notes concerning your meeting with Mr. Banoun and the reference to the Senate investigation were not produced to the liquidators. The Subcommittee again requests that you and your firm make available to it all documents, including notes, that discuss Senator Eerry, the Subcommittee investigation, or any member or staff of the U.S. Senate in connection with BCCI.

Please make these documents available to the Subcommittee no later than 5:00 P.M., July 28, 1992. Should you have any questions please do not hesitate to call either myself or Jonathan Winer. Thank you for your continued cooperation.

Devid McKman Investigative Counsel

Sincerely,

PATTON, BOGGS & BLOW 2850 M STREET, N.W. WASHINGTON, D.C. 20037 (202) 437-2000

707 Tours 10 77000

WRITER'S BIFEET BALL

(202) 457-5270

July 28, 1992

BY MAND

David McKean, Esq. Investigative Counsel Office of Senator John P. Kerry 421 Russell Senate Office Building Washington, D.C. 20510

Dear Mr. HoKean:

This responds to your July 24 letter to Sandy Martin regarding the lists entitled "Key Persons and Entities: BCCL."

Enclosed is a copy of notes taken by Mr. Martin of a meeting with Raymond Banoun on November 2, 1990. The reference by Mr. Banoun at that meeting is to our knowledge the sole source of the information about which you have asked.

In the course of locating these notes we have discovered that a small number of documents, including these notes, were through inadvertence not included in the 125,000 pages produced in May 1992 to Mussbaum & Mald or the supplemental 2,400 pages produced in June 1992. We will continue our practice of providing supplemental documents to Mussbaum & Mald if and when we become aware of them.

Sincerely,

M. Caffey Horman, III

Enclosure

ils 100 Ry Roman - row Hor ob, enter con - extense or how to rupod to lotol 20th for #812 m - with a Acie Chartery - Och mat to hope 4+-- when his wight out in FRr when he (M in mill sendous more in the sorty "Early (must) -HMM + RBi - Hyme of the Brok in Ferral Hmenit Roman MI-T To 50 <u>~</u> - enthe gry wir howh to him -but + From F

- RB rested for E injury - RMin - RB rested for E injury - RMin - Ather Sither will en RSL - Fed for their for their or du for - had come foot other or du foot - had come foot other or du foot - had come foot other or du foot - had come foot other or du foot - had come foot other or du foot - had come foot of the foot - had come foot of the foot of the foot - had come foot of the foot of the foot - had come foot of the foot of the foot - had come foot of the foot of the foot of the foot of the foot - had come foot of the fo

Prepared by the staff of Senator Kerry 7/27/82

Mandwritten notes of Middleton Martin

11/2/90 Ray Banoun

La Karche Firm hand required Senate employee

-since November 1998, customs cur (currency)-exchange control violation - for customs (?) bank - We have to respond to latest offer to settle for LLS 1/2 M -working with Asiz Chaudry -

- have to go to Paris to formulate response
- Bank wants to fight it
- need response by end of the month
- One of allegations in UK involves

· La Marche - whether had resident visa in France when he a non-resident lives [living] in UK

- Naqvi had consulted (7) lawyer (Lamarche)
- who said he could "fix"
problem with "payment" or bribe
- Holland (and Knight) and Ray Banoun said would have
nothing to do with
Rixvi/Naqvi hired him to
"advise on Europe "92" and lawyer
started reporting [to] the Bank in
negotiations with our government

Farnham MI 5 to Farrell and Manatt - UAE ltr [letter] from Gagne - another guy who was Sanate employee that Nohammed Hammoud told bank to hire-- back and forth to London - Culver/RB (Ray Banoun) told Bank you will kill selves paying travel of Senate employees

-- RB [Ray Banoun] recruited firm to inquiry re Sakhia -- Allan Sullivan will ask RSL [Ron S. Liebman] Why isn't bank cooperating RB [Ray Banoun] has(n't] heard from him in three weeks heard from DOJ that Allan looking into procedure to get documents from overseas - since bank now controlled by - UAE, why can't they get bank to act? I said RSL [Ron S. Liebman] protested

We stand adjourned.
[Whereupon, at 8:88 p.m., the hearing adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

[The following documents were entered into the record at the hearing of the Sub-committee on Terrorism, Narcotics and International Operations on May 14, 1992. Only a portion of the documents appeared in Part δ of the printed record of Senate hearings on the The BCCI Affair. The documents appear in full below,]

SEADDEN, ARPS, SLATE, MEAGHER & FLOM, WASHINGTON, DC, May 30, 1992.

May 30, 18

Hon. John F. Kerry,
Chairman. Subcommittee on Terrorism, Narootics and International Operations,
481 Russell Senate Office Building,
Washington, DC 20010.

DEAR SENATOR KERRY: Enclosed please find the documents previously identified on a privileged index submitted to the Senate Subcommittee on Terrorism, Narcotics and International Operations on October 23, 1991. These materials are being provided pursuant to the terms outlined in your letter to me dated May 18, 1992. With best wishes,

Very truly yours.

CARL S. RAUH.

Enclosures:

(781) FD0059816

INDEX OF DOCUMENTS WITEHELD ON THE BASIS OF THE ATTORNEY-CLIENT PRIVILEGE AND/OR WORK PRODUCT DOCTRINE

l. Date: Author: Addressee: Document Type:

Recipient(s)/Distribution:

2. Date: Author: Addresses: Document Type:

Recipient(s)/Distribution:

3. Date: Author: Addressee: Document Type:

Recipient(s)/Distribution:

4. Date:
Author:
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Author:
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None indicated None indicated None indicated Confidential Memorandum of Client/Witness Interview None indicated

August 29, 1988 Robert C. Sanders, Esq. The File Confidential Attorney Memorandum None indicated

September 30, 1988 John F. Kovin, Esq. The File Confidential Attorney Memorandum None indicated

September 27, 1988 John F. Kovin, Esq. The File Confidential Attorney Memorandum Robert A. Altman, Esq., Robert C. Senders, Esq.

January 26, 1989 Robert C. Sanders, Esq. Robert A. Altman, Esq. Confidential Attorney Memorandum None indicated

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9. Date: Author: Addressee: Document Type:

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Addressee:
Document Type:

Recipient(s)/Distribution:

11. Date:
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September 22, 1988
John F. Kovin, Esq.
Robert A. Altman, Esq.,
Robert C. Sanders, Esq.
Confidential Attorney
Memorandum
None indicated

September 21, 1988
John F. Kovin, Esq.
Robert A. Altman, Esq.,
Robert C. Sanders, Esq.
Confidential Attorney
Memorandum
None indicated

September 20, 1988
John F. Kovin, Esq.,
Robert A. Altman, Esq.,
Robert C. Sanders, Esq.,
Confidential Memorandum
of Client/Witness
Communication
None indicated

September 19, 1988 John F. Kovin, Esq. The BCCI File Confidential Attorney Memorandum None indicated

None indicated None indicated None indicated Confidential Attorney Hemorandum None indicated

None indicated None indicated None indicated Chronology None indicated

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12. Date: Author: Addresses: Document Type:

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16. Date: Author: Addressee: Document Type:

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17. Date: Author: Addressee: Document Type:

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18. Date:
 Author:
 Addressee:
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None indicated None indicated None indicated Confidential Attorney Hemotandum None indicated

September 7, 1988 John F. Kovin, Esq. Robert A. Altman, Esq. Confidential Attorney Hemorandum None indicated

August 29, 1988 Robert C. Sanders, Esq. The File Confidential Memorandum of Client/Witness Interview None indicated

August 11, 1988
John F. Kovin, Esq.
The File
Confidential Attorney
Hemorandum
Robert A. Altman, Esq.

August 10, 1988 Robert A. Altman, Esq. The File Confidential Attorney Memorandum Mone indicated

None indicated None indicated None indicated Confidential Hemorandum of Client/Witness Interview None indicated

None indicated None indicated None indicated Chronology None indicated

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19. Date: Author: Addressee: Document Type:

Recipient(s)/Distribution:

20. Date: Author: Addressee: Document Type:

Recipient(s)/Distribution:

None indicated Robert A. Altman, Esq. The File Confidential Attorney Hemorandum None indicated

June 1, 1988
Clark M. Clifford, Esq.
Robert A. Altman, Esq.
Confidential Attorney
Hemorandum
None indicated

PRIVILEGED AND CONFIDENTIAL

INTERVIEW WITH MR. AMJAD AWAN AT CLIFFORD & WARNET ON FEBRUARY 23, 1988

Mr. Awan stated that he was the BCCI country manager in Panama for three years, between 1981 and 1984.

Mr. Awan came to the Washington representative office of BCCI in June of 1984 and was subsequently transferred to BCCI's Missi office.

After Mr. Awan left Panama in 1984, three men succeeded him as country manager. The first was Mr. Mamood, who held the position of country manager from late 1984 to late 1985. He was replaced by Mr. Lynch, who was posted to London shortly thereafter. Mr. Bilgrami is the current country manager.

The immediate problem arose as follows:

BCCI's New York office believes that BCCI may
receive a subpoena, perhaps from Congress, to testify about
BCCI's role vis-a-vis General Noriegs. At the same time the
Miami Herald wanted to interview Hr. Shafi, general manager
for Latin America in Miami.

Mr. Shafi told Mr. Awan that twelve other banks had been named as possible conduits of drug money.

Mr. Awan stated that he has a personal relationship with General Noriega that developed when Mr. Awan was the BCCI country Banager in Panama between 1981 and 1984.

In 1982 or 1983, General Noriega gave Mr. Awan \$100,000 to \$150,000 to open an account in London. This account was opened. BCCI issued VISA cards on that account to General Noriega, his wife, and three daughters. Mr. Awan believed that these were personal cards.

During this period, General Noriega asked Mr. Awan to conduct business on behalf of the Panamanian government. Mr. Awan solicited business. General Noriega asked Mr. Awan for remittances for equipment, letters of credit, and standby letters of credit, but Mr. Awan did not comply because of a lack of collateral.

Mr. Awan went to social functions at the Presidential residence of President Torrijos where he sometimes saw General Noriega. He also saw General Noriega at other social functions. Hr. Awan never visited General Noriega at his home, however.

General Noriega helped BCCI acquire a banking license after the initial application was denied. Hr. Alaudin Shaik, who is no longer with BCCI, helped acquire the license with General Noriega's assistance.

General Noriega was head of the defense forces. He contacted the relevant civil authorities, the Minister of Finance, to help secure the license. Mr. Awan does not know why the original license application was originally turned down.

Mr. Avan was the second country Banager in Panama. He worked there for three years and then left.

It was not known that General Noriega was involved in drug trafficking. General Noriega was generally believed to be corrupt. Business activities in Panama must have the patronaga of the National Guard or the Armed Forces. The Armed Forces presumably get a cut in return for patronaga.

When Mr. Awan first arrived in Panama, in 1981
General Noriega was a colonel in charge of intelligence. He
then rose to the fourth position of power in the military. He
eventually maneuvered the other three out and became head of
the defense forces. It was generally known that the defense
forces were involved in business.

There are 140 foreign banks in Panama. Panama is a banking denter. Many banks do not enter the local market. BCCI, however, did engage in the large import/export market, dealing in import letters of credit. Panama is a Free Zone --

a zone in which goods can enter duty free. A lot of consumer goods, electronics and so forth, are smuggled into the rest of Latin and South America. No documentation is required because of the free Zone. Other bank business arises from the registering of vessels.

The advantage of booking in Panama is that there is no tax on the booking business. Local bank business is taxable.

A lot of flight capital enters Panama from South America. Panama has no restrictions on the import and export of currency. The largest amount of currency comes from Venezuela. Capital comes in from Columbia as Well.

A good deal of forged currency comes from Columbia. This forged currency is personally carried by courier.

There are no banking laws in Panama regarding the depositing of cash. However, the Bankers" Association made a voluntary decision that such money should be transferred to the National Bank of Panama -- the Panamian equivalent of the Federal Reserve with some of the duties of a Central Bank -- before being sent to the United States.

BCCI used to lend the National Bank considerable sums of money. The National Bank would borrow from other banks as well, like Chase. BCCI refused to lend the National Bank money on several occasions.

Cocaine is produced in Peru and Bolivia and refined in Columbia. Funds are flown in from Peru and Columbia, but not from Bolivia. BCCI has 32 branches in Columbia. The sire of the individual deposits from Columbia varies from \$5,000 to \$100,000,000. Sometimes the deposits are delivered in suit cases of cash (\$200,000 to \$300,000) or in checks or third party checks.

Money exchangers either convert the money right in the bank or has a draft which he draws in Panama.

Without a doubt some of this money is originally drug money, but it comes in a different form.

Foreign exchange dealers have a steady flow of deposits. Columbia pesos are converted to dollars in Columbia.

There was always an undercurrent that alot of the money in Panama may be drug money, but BCCI felt it was dealing with lawful activity in dealing with the foreign exchange dealers.

BCCI never converted pesos to dollars.

Since 1981, BCCI has enjoyed a steady increase in profits in Panama. The volume in 1981 was 2.5 million. The volume in 1987 was 13 million. But this is overall business, not drug money. In 1981 there were only two BCCI offices in Latin America. Now there are 65 offices. The referral business has been good. There are many individual accounts and portfolios with central banks.

As for the other banks without so many branches, they probably deal with drug money. Some banks are generally known to handle drug money.

Mr. Awan knows of no specific instances of drug money passing through BCCI. It is possible some was laundered drug money. Deposits are made by various Panamanian Corporations. These are shell corporations that have bearer shares. A reputable law firm would come to the bank and request that the bank open an account for a corporation. This can be risky for the bank however. For example, in 1982 \$1.7 million in U.S. Treasury checks were forged, even though cleared by the Treasury. These checks were stolen by APO in San Francisco. BCCI had to absorb a loss of \$1.7 million. There is no claim under Panamanian law against the law firm and BCCI could not locate the shell corporation.

BCCI did not as a practice ask oustoners "Is this money drug money?"

People don't keep their dollars in Columbia because of the inflation. They send it to Panama.

The major U.S. banks in Panama would also be using the money exchanges. Thus, BCCI is in the same position as other banks. There are 20 banks in Panama that do most of the business. Chase does 35 billion in business, Citibank \$4 billion, Bank of America \$13 and a half billion. Chemical Bank also does alot of business. BCCI does 1/2 billion. It is difficult to know how much of a bank's business could potentially be drug money, however, because much of the business is booking business and these figures include both booking business and local market business.

Nothing in the way BCCI conducted business would put BCCI in a special category.

General Noriega's business with BCCI was limited to the \$200,000 to \$300,000 he deposited for VISA cards, etc.
But Mr. Awan became a personal friend of General Noriega.
They became very close after Mr. Awan left Panama in 1984.
General Noriega asked Mr. Awan to make hotel reservations, and to book limousine and airline tickets. Mr. Awan would often

use his own credit cards to perform these services because the BCCI office in Washington in only a representative office.

General Moriega Would then reimburse Mr. Awan either by depositing money at BCCI's branch in Panama, at its branch in London, or made reimbursement through Panamanian Ambassador.

Mr. Awan meet General Noriega in New York on one occasion and asked Mr. Awan to give him \$100,000 in cash. There is a currency report form for this transaction.

Mr. Awan stated that apparently two federal grand juries in Miami are investigating allegations against General Noriega and that there have been Congressional hearings. The witnesses at the Congressional hearings included two Americans convicted of drug smuggling, one Panamanian pilot also convicted, and Jose' Blandon, Consulate General for Panama in New York.

Mr. Awan stated that he did not believe that General Noriega was involved in the drug business. He thinks that the opposition party trumped up the charges.

Mr. Awan stated that the other employees at BCCI's Panama branch would stand up under questioning. There are a total of 150 employees there, mostly Panamanian. They have a high degree of loyalty to the Bank.

The FBI first called in November. Two weeks ago there were articles in the New York and Miami newspapers. Then the Miami Herald called to say it wanted to interview Mr. Shafi.

Hr. Avan asked Mr. Naqui if he should continue with his normal contacts and travelling. Mr. Naqui stated that Mr. Avan should continue as usual but should try to limit his contacts with General Noriega.

Bill Howard, a BCCI employee in New York, was served four subpoenss regarding transfers from Monte Carlo to New York. Although this is an unrelated matter, Mr. Awan believes that there may be subsequent questioning about General Moriega's relationship with BCCI.

Mr. Awan then produced a sampling of documents.

These were hotel bills, airline tickets, etc., that he paid for General Noriega. These documents are not on file at BCCI.

Jose Blandon testified at the Congressional hearings but he did not metion BCCI. At least such reference was not reported in the press. (The hearing transcript reveals, however, that Nr. Blandon did mention BCCI).

Mr. Awan said that he had the most knowledge about the Bank's dealings with Mr. Noriega. Patrick Lynch would know no more or no less than Mr. Awan as to whether the money passing through the bank was clean or dirty money.

The Bank's policy was not to accept money from drug dealers or money launders.

Mr. Awan said that some vitnesses had stated that they deposited large amounts at BCCI's Panamian branch. Mr. Awan says this was not true if the deposits were in individual accounts. Institutional accounts are more difficult to monitor.

June 1, 1988

MEMORANDUM TO: Robert A. Altman

On Wednesday, June 1, at 11:00 am I had a phone call from Mr. Naqvi in London. He had placed the call to you, but in your absence then spoke to me. I explained to Mr. Naqvi that the reason you were away was that you were in California following up on information regarding the possible purchase of a bank.

His call had to do with the BCCI bank in Panama. There had been brought to his attention an article in the New York Times of Wednesday, May 25, that referred to the Panamanian office of BCCI. The report involved missing documents from the bank's records and stated that the authorities have linked BCCI in Panama to money-laundering operations.

Mr. Naqvi says that there are two individuals who operate the bank in Fanama and he has told them to come to Washington to see us. He believes that they will reach here on Friday. I informed him that I would be in Texas on Friday, but I thought you would be back in the office. He stated that the men would remain here as long as we required their presence. After we have talked to the men we are to report to Mr. Naqvi. The matter is of such importance to him that he may, after our conversation, decide to come to the United States.

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PRIVILEGED AND CONFIDENTIAL ATTORNEY WORK PRODUCT

August 10, 1988

Memorandum to the File

From

Robert A. Altman

Xe:

BCCI

On Tuesday, August 9, at 3:00 p.m., we met with Jack A. Blum, Special Counsel to the Senate Committee on Foreign Relations, and his colleague, Kathleen Smith. The purpose of the meeting was to discuss subpoenss ducas Escum which were issued on July 27, 1988, to Bank of Credit and Commerce International Overseas, Ltd., Bank of Credit and Commerce, Ltd., Mr. S.M. Shafi, and Mr. Kalid A. Awan. There was some uncertainty on our part as to whether each of the entities and each of the individuals had in fact been served with process. Late yesterday afternoon Kathleen Smith confirmed by telephone that the United States Marshall's Office claims to have affected personal service.

The subpoenss are returnable on August 11, 1988.

However, by agreement between Mr. Clifford and the Foreign

Relations Committee, the time for production of documents has
been extended until September 11.

During the course of our discussion which lasted about an hour and 20 minutes, Jack Slum described in detail the information collected during the investigation and public hearings by the Subcommittee on Terrorism, Narcotics and International Communications, chaired by Senator John F. Kerry. From its sources, the Subcommittee has been led to believe that BCCI, through its banking locations in Panama, Colombia and in Miami, Florida, has had a major involvement in the management of assets for General Manuel Antonio Moriega, the current head of the Panamanian government; Michael Harari, reputed to be a close side of Noriega's, an arms dealer, and formerly an Israeli secret service agent; and various other individuals from Panama and Colombia with major involvements in international drug trafficking. The Subcommittee staff has also been led to believe that BCCI, through its banking locations in Colombia and Panama, has been significantly involved in the laundaring of large amounts of cash obtained from the sale of illicit drugs in the United States. The staff has also been led to believe that Hessrs. Awan and Shafi have not only been involved generally in these activities, but that in their extensive travels, they (or at least one of them) have sought to manage the funds of General Noriega in 1987 to make it difficult to trace and/or seize his assets.

Without going into other specifics for the purpose of this memorandum, the following constitutes a brief outline of salient points covered with the staff:

- (1) The staff has amassed extensive information on BCCI. It is their understanding that General Moriega was instrumental in helping BCCI secure a banking charter in Panama. Information on BCCI has been provided by third parties, including government officials and other banks, as well as current and former employees of BCCI.
- (2) We advised the Committee that we would soon be going to Miami to begin to assemble facts and related documents and, if need be thereafter, to Colombia and Panama. We expressed concern over the breadth of the subpoens and in the ensuing discussion were advised that the Committee was not interested in general deposit relationships the bank had with customers in those countries. The Committee was informed that BCCI manages substantial assets of drug dealers and this was their focus. The staff agreed to limit their subpoens to documents relating to account relationships which in the aggregate exceed \$5 million. The time frame of interest is from 1981 to date. We advised the staff we would consider the scope of their requested production.
- (3) Altman told them that it was the intention of BCCI's senior management to be cooperative and helpful. He

stated that management was unaware of any impropriety of the bank or its employees.

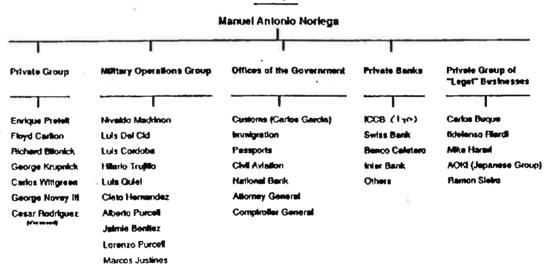
- (4) In response to the staff's inquiry, Altman described BCCI's relationship with First American and explained Clifford's and Altman's long-standing representation of the Bank. Altman also expressed our complete confidence in BCCI's management. He stated that criticism that had been levelled at the Bank over the years had proved, upon careful investigation, to be groundless and vithout merit.
- (5) We agreed to provide to them, if available, a copy of BCCI's public offering document of several years ago which describes the bank's corporate structure and shareholders.
- (6) The Committee is to make available to us a package of documents which were generated at the time of the hearings earlier this year, and particularly a large chart showing the flow of money and drugs into and out of Central and South America. BCCI is said to form part of the "conspiracy" depicted in the chart.
- (7) To the staff's knowledge, BCCI is not currently the focus of the ongoing grand jury investigation of this matter. There is clear cooperation between the Committee and the grand jury's afforts.

Mr. Clifford, in particular, and the firm generally have enjoyed an excellent relationship with the Committee over the years. In this instance, we find Mr. Blum initially to be reasonable in his approach to this investigation. Mr. Blum indicates that he understands the practical problems that may arise in seeking production of documents from Colembia and Penama and will work with us in this regard. We believes that most, if not all, of the relevant documents can be found in Miami. We agreed to have continuing discussions with him as the matter progresses.

Blandon ext :1 -

THE ORGANIZATION OF THE CRIMINAL EMPIRE





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PRIVILEGED AND CONFIDENTIAL ATTORNEY MORK PRODUCT

August 11, 1988

Hemorandum to the File

Ra! BCCI

In accordance with the agreement reached on Tuesday, August 9, at our meeting with Jack A. Blum, Special Counsel to the Senste Subcomittee on Foreign Relations, and his colleague, Kathleen Smith, yesterday we picked up from the staff, materials which are listed below:

- (1) Chart entitled, "THE ORGANIZATION OF THE CRIMINAL EMPIRE, Manager: Manuel Antonio Noriega". In the upper right-hand corner in blue ballpoint pen it is listed as a "Blandon exhibit". This is presumably the chart to which reference was made at our meeting and under the column, "Private Banks", the first bank listed is ICCB. After that entry the word "typo" is written in a perenthesis in blue ballpoint pen. A logical inference that one could draw is that this is a reference to the Bank of Credit and Commerce International BCCI.
- (2) April 6, 1988 transcript of the testimony of Ramon Milian Rodriguer before the United States Senate

Subcommittee on Terrorism, Narcotics and International Communications of the Committee on Foreign Relations ("Kerry Subcommittee").

- (3) February 9, 1988 transcript of the testimony of Jose Blandon before the Kerry Subcommittee.
- (4) February 10, 1988 transcript of the testimony of Jose Blandon before the Kerry Subcommittee.
- (5) February 10, 1988 (afternoon session) transcript of the testimony of Floyd Carlton before the Kerry Subcommittee.
- (6) February 11, 1988 transcript of the testimony of Ramon Milian Rodriguer before the Kerry Subcommittee.
- (7) April 4, 1988 transcript of the testimony of Jose Blandon before the Kerry Subcommittee.
- (8) April 9, 1988 transcript of the testimony of Jose Blandon before the Kerry Subcommittee.

This testimony is being reviewed for references to BCCI as they may relate to the general subject matter of the investigation and responses to subpoenss directed to the Bank and two of its officials.

J.F.K.

dd: Robert Altman (copy of Blandon exhibit attached)

0407X

September 7, 1988

Memorandum to Robert Altman

Attached is a copy of my memorandum of yesterday's discussion with Jack Blum. Because both you and I were on the subsequent telephone conversation with him this afternoon, without any narrative detail, listed below are some of the points we covered:

- (1) You are to meet with Blum on Friday, September 9 at 2:30 p.m. in his office ---446 Dirksen SOB.
- (2) You and I are to meet with Blum and produce documents on Wednesday, September 14 at 11:00 a.m.
- (3) You learned that Amjad Awan had been served with a subpoena at his residence in Miami and when you raised this point with Blum, he apologized for not having notified us that the Committee intended taking this action, even though we had been earlier advised that Awan could appear on a voluntary basis.
- (4) Blum made general assertions about the need for a meeting, "sooner rather than later", but principally indicated that he needed to know by September 30 whether additional hearings would be scheduled and, if so, whether they would be public hearings. Blum seems to believe that a review of documents to be produced by BCCI

- 2 -

and interviews of Shafi and Awan -- the latter of whom he regards as the most important person -- will be determinative of the need for additional hearings.

There may be additional points but I believe that

these are the most important ones.

Attachment

September 7, 1988

Memorandum for the BCCI File

On Tuesday afternoon, September 6 at approximately 4:20 p.m., Jack A. Blum, Special Counsel to the Committee on Foreign Relations (224-5382), attempted to reach Bob Altman by telephone for the purpose of establishing a meeting on Wednesday, September 7. Bob Altman was away from the office at the time and asked that I return the call, which I did at about 5:00 p.m.

When the call was received by the Committee staff -it sounded like Kathleen Smith -- she reported that Mr. Blum
was on the other line, but when I identified myself, she said,
"Oh, he needs to talk with you right now" and then presumably
interrupted Mr. Blum who, within moments, came on to the line.

Mr. Blum seemed much more animated than when we had spoken with him in person in August and under pressure to proceed promptly with the aspect of his investigation which involves BCCI. Early in the conversation, I explained to him the efforts we had undertaken to this point and that we should

be in a position soon to make a partial production of documents. I explained that a number of people in the firm have been involved during the past three weeks in a U.S. District Court case involving a temporary restraining order and that it had been on a seven-days-a-week basis from which there would finally be some temporary relief beginning at the end of this week. He said he assumed that it was on a totally unrelted matter and I confirmed to him that it was, without identifying the parties in the JOA matter.

Mr. Blum agreed to meet with us on Wednesday morning, september 14. At a later stage in the conversation, however, he asked when our document production was due and I told him that as best I could determine, it was technically required on Sunday, September 11, based upon the earlier agreement Mr. Clifford had reached with the Committee staff. I suggested that we could make a partial production at the time that we make a visit to his offices on September 14 and that there were several other items receipt of which we were waiting and we might need to supply them soon thereafter. Mr. Blum then referenced serious "calendering problems" that he was encountering and asked about the availability of the BCCI individuals for an interview. I told him that I thought Mr. Shafi was generally available in this country but that we were unsure about the availability of Mr. Avan. Because of the

- 3 -

general sense of both urgency and immediacy that Mr. Blum conveyed throughout the conversation, I agreed that if Bob Altman were available the following morning, we would telephone him again to further consider the points he had

PRIVILEGED AND CONFIDENTIAL ATTORNEY WORK PRODUCT

MEMORANDUM

August 29, 1988

TO:

The File

FROM:

Robert C. Sanders

RE:

BCCI/Panama

NOTES OF MEETINGS WITH BCCI OFFICIALS IN KIAMI ON AUGUST 16, 17, 1988

Hessrs. Altman, Kovin, and Sanders met with various officers of BCCI in Miami on August 16, 17, 1988 to discuss how and in what manner BCCI should respond to four subpoenas issued to BCCI and its personel by the Subcommittee on Terrorism, Narcotics, and International Operations of the Senate Foreign Relations Committee.

The BCCI officials participating in these talks were Mr. Rizvi, head of operations in the Western Hemisphera, who is based in London; Mr. Shafi head of operations in Central of South America, who is based in Miami; Mr. Awan former country manager of BCCI's Panama office, now based in Miami; Hr. Bilgrami, present country manager of BCCI's Panama office; and Mr. Dean, present country manager of BCCI's Colombian office. We also met with two Subordinate officials at BCCI's Hiami

office: a second Mr. Rizvi and a Mr. Massan. What follows is a report from notes taken by Mr. Sanders during the course of meetings with these BCCI officials.

August 16, 1988

In our initial meeting with ECCI officials in Niami, Mr. Altman began by explaining that we had come to Miami because of an investigation by the Senate Subcommittee on Terrorism, Narcotics, and International Operations of the senate Foreign Relations Committee, into international drug trafficking and money laundering. Mr. Altman stated that the Senate Subcommittee had conducted various hearings, some private and some public. BCCI had been mentioned in these hearings with respect to money laundering in Panama and Colombia and counsel for the subcommittee had issued four subpoenas to BCCI and its personnel.

Two of the subpoenss are to BCCI and in its corporate capacity. One subpoens is to Mr. Shafi and one to Mr. Avan. Mr. Altman stated that we had come to speak with the BCCI officials who would be most knowledgable about this matter in order to permit BCCI to respond to the subpoenss. Mr. Altman stated that conversations between the BCCI officials and Clifford & Warnke would be privileged and confidential.

Jack Blum, the Counsel for the Foreign Relations Subcommittee, had described sarlier to Mr. Altman and Mr.

Kovin BCCI's alleged involvement. First, Mr. Blum had received information that proceeds from the sale of drugs had been placed with BCCI with instructions that BCCI should manage these monies by investing them in securities or in the money market. BCCI, in other words, was believed to be involved in portfolio management for drug dealers. In particular, General Manuel Noriega is believed to have a close relationship with BCCI and it is believed that BCCI managed illegal drug assets accumulated by General Noriega. It is believed that General Moriega assisted BCCI in obtaining a license to conduct banking operations in Panama and that, in exchange, BCCI was to manage General Noriega's funds and make them difficult to locate.

Mr. Blum stated that there was also some reason to believe that BCCI is engaged generally in the business of money laundering. It is believed that BCCI accepts cash deposits which, once converted into bank ledgers, cannot be traced. The laundering works like this: deposits of cash are placed in BCCI's Panama bank. These cash deposits are then delivered to the Central Bank of Panama and subsequently transferred to accounts outside of the Panama where they can be drawn upon by the drug dealers.

It is Mr. Blum's understanding that people know generally who the drug dealers and money launderers are. Mr. Blum believes that both Mr. Awan and Mr. Shafi are likely to have intimate knowledge of this system of money laundering and

- 4 -

are likely to know that the people making cash deposits of money in Panama and transferring those funds to the United States are dealing with drug money. Mr. Blum believes that there must be documents in Miami that would support the theory that large amounts of cash had been deposited in Panama and transferred to Florida. This would explain why the subpoenas were issued to the Miami office of BCCI and to officials based there.

Following this general introduction by Mr. Altman, Mr. Rizvi, the head of BCCI's activities in the Western Hemisphere, described the policy of BCCI. He stated that it is the policy of the bank not to be involved in money laundering. Further, he stated that, contrary to Mr. Blum's belief, BCCI does not manage funds. It is only in the business of taking deposits and making loans.

Additionally, Mr. Rizvi said that BCCI banks deal primarily with local currency, not with U.S. dollars. The bank is not a dollar fund, notwithstanding the fact that the balance sheet is expressed in U.S. dollars. Some local banks generate U.S. dollars and other foreign currency. That liquidity is to deposited by BCCI's banks with the central banks in exchange for local currency.

Mr. Awan added that BCCI has operations in various countries, Colombia and Panama in particular, where the currency changing hands in the market is both white and black. Consequently, one cannot be absolutely certain that

some money passing through the bank is not black money. It is the policy of the bank, however, not to handle drug money. If the bank learns or suspects that drug money is involved, it is the policy of the bank to distance itself from those customers.

Mr. Risvi then stated there are files in the Miami office of loans of more than one-half million dollars made to Panamanians and Colombians in those countries. Additionally, there are a large number of depository accounts in Miami in the names of Panamanians and Colombians or in the names of corporations incorporated in those countries. These are generally rather small depository accounts, however.

Mr. Rizvi then stated that BCCI has no professional relationship with General Moriega. Previously, however, BCCI did maintain depository accounts for General Noriega in London and issued credit cards.

Hr. Altman then requested that the group review the four subpoenss that had been issued. Two subpoenss are directed at corporate entities: one to BCCI Overseas Limited in Niami, one to BCCI International, Limited in Boca Raton, a branch of the above. Mr. Altman then proceeded to discuss the document requests contained in these corporate subpoenss.

Request No. 1 is for documents involving the management of assets for General Noriega. The request was for management of assets and not a request for depository accounts. Mr. Altman asked if Overseas (Limited) had any documents responsive to this request. The BCCI officials all

said no. All bank documents relating to Noriega would be abroad in S.A. offices. Only Mr. Awan would have any detailed knowledge of any such documents.

Request No 2 is for documents concerning the holding of assets as dustodian for General Noriega. Again, the only documents which would be conceivably responsive to this request would be documents relating to General Noriega's depository accounts at BCCI's S.A. offices in Europe. Only Mr. Awan would know what documents existed.

Request No. 1 is for documents concerning corporations, partnerships, and other business entities under the direction and control of General Noriega. No such documents are believed to exist.

Document Requests Nos. 4, 5, and 6 concern the management of assets for Michael Marari, the holding of assets for Michael Marari and for corporations, partnerships, and other business entities under the direction and control of Michael Marari. The BCCI officials stated that Mr. Harari is thought to be an arms dealer, a former member of the Israeli Secret Service, and a friend of General Noriega. BCCI has no documents responsive to these requests regarding Mr. Harari.

Request No. 7 concerns documents relating to the management of assets for private clients in Colombia. Mr. Altman explained that Mr. Blum had advised that documents only need be produced for accounts of Panamanian clients in excess of five million dollars. The BCCI officials stated that there

would only be a small number of accounts in florida in the names of Colombians or Colombian corporations that were in excess of five million dollars, perhaps only four or five.

These assets are not managed by the bank, however. They are only depository accounts. The bank does not manage portfolios or trusts. The responsive doucments will be obtained.

Request No. 8 concerns all documents relating to the holding of assets as custodian for private clients in Colombia. With the exception of the aforementioned four or five depository accounts, no documents would be responsive.

Document Request No. 9 concerns all Panamanian clients for whom the Bank manages assets. Mr. Awan stated that there are perhaps only two accounts in excess of five million dollars. The records for both of these accounts are in Panama. One of the accounts is for an Egyptian perfume manufacturing company based in Panama. The second, is for an American oil drilling company incorporated in Panama. Production of the records of either of these accounts would violate Panamanian bank secrecy law.

Mr. Altman asked if any Colombians had accounts in Panama. The BCCI officials stated that any such accounts would be below one million dollars.

Document Request No. 10 concerns all documents relating to Colombian clients for whom the bank manages assets. The BCCI officials reiterated that BCCI does not manage assets. Further, Mr. Awan stated that he did not

believe that there were any accounts in Colombia in excess of five million dollars, but that he would have to check one or two accounts to be cartain.

Document Request No. 11 requests all trusts documents respecting trusts which have Panamanian beneficiaries. The BCCI officials reiterated that BCCI does not manage trusts.

Mr. Altman then stated that the Foreign Relations Subcommittee wanted to learn how money laundering takes place. The Subcommittee wants to reach the assets of drug dealers.

Hr. Altman asked Mr. Bilgrami whether there were large cash deposits at the Panamanian office. Mr. Bilgrami stated that once or twice a month there might be dash deposits of two hundred thousand dollars. Mr. Altman asked how many accounts would receive dash deposits of that nature. Mr. Bilgrami stated that there were probably ten or fifteen such accounts, taking both Panamanian branches together. Mr. Altman asked if BCCI knew the people who make these cash deposits. Mr. Bilgrami stated that they were all believed to be legitimate business people. Mr. Bilgrami stated that after cash is deposited in the Panamanian office, it is transferred to the Central Bank of Panama in exchange for local currency. BCCI's cash limit with the Central Bank is seven million dollars.

Mr. Bilgrami stated that it is common knowledge that some people are money brokers. For example, Brinks might come

in with large amounts of cash. BCCI would not accept such large cash deposits from unknown sources and would turn them down flat. Other banks, however, are known to accept money from these types of money brokers. These banks include Citibank, Boston, UBS, Swiss Bank, and Union Bank.

Mr. Altman asked if BCCI could document who we turned down. Mr. Bilgrami stated that there would be no such documentation. The bank would merely refuse to accept these large cash deposits.

With respect to Panamanian corporations, they are generally-incorporated by lawyers and the principals are not known. It is the bank policy, however, to deal only with reputable law firms.

Mr. Bilgrami stated that there might have been a dozen accounts in which the client would bring in cash in a suitcase. These depositors of cash could have been money launderers. Honey launderers are not drug dealers themselves, but their business is interrelated with drug dealing. The process works like this: dealers who buy drugs from farmers in Colombia must pay the farmers in local currency. They go to money changers in Panama and pay dollars in exchange for pesos. The money changers in Colombia thus accumulate large sums of dollars. These dollars are eventually deposited in Panama and then transferred to the United States.

Mr. Altman asked what was the dollar volume in cash deposits done in the past eight years. The BCCI officials

were not sure, but stated that it would probably be about ten million dollars a month. Citibank probably took more than fifty million dollars per month and there are four or five Colombian banks that may take thirty to fifty million dollars per month.

Mr. Altman asked if there were any documents that would reflect these cash transactions. The officials stated that there would be deposit slips in Panama that would identify the depositor and there would be a record of how many dollars were transferred each day to the Central Bank of Panama. Only the records in Panama would distinguish which deposits were in cash and which were in check.

Mr. Altman, Hr. Kovin, and Hr. Sanders then met privately with Mr. Awan. Mr. Altman inquired as to Mr. Awan's relationship General Noriega. Mr. Awan stated that BCCI had made an application for a branch office in Penama which had been turned down by the Bankers' Association, the chairmen of which was from Chase Bank. Basically, the Bankers' Association black-balled the application of BCCI. This occurred before Mr. Awan joined BCCI.

When General Noriega was visiting London, BCCI officials, including Mr. Awan, took General Noriega and the Panamanian Ambassador in Paris out to dinner. Later, some BCCI officials from London went to Panama to meet with General Torrijos. BCCI's application to open a branch office in Panama was subsequently approved and that office was opened in the latter part of 1980.

Nr. Awan was posted at the Panamanian office in October of 1981. Mr. Awan then met General Moriega again. Part of Mr. Awan's duties with the bank was to cultivate important clients. Consequently, he developed a social relationship with many high ranking people in the government, including General Moriega.

In 1982, General Noriega asked Mr. Awan for an account to be opened for Visa card purposes. An account was opened in London. Originally the account held between one hundred thousand and one hundred and fifty thousand American dollars. General Noriega had no account in Panama at that time or at any time.

Whenever General Noriega wanted to deposit money in his London account, he would give money to Mr. Awan who would wire the funds to London. Mr. Awan would wire the funds anonymously, without giving the depositor's name or even an account number. Mr. Awan would simply call London and inform London that a deposit for a certain amount of money would be wired and that the money should be put in General Noriega's account.

General Noriega's wife also opened an account with her three daughters with S.A. in London. General Noriega and his wife then begin to make cash deposits of one hundred thousand, one hundred and fifty thousand, or five hundred thousand dollars in cash, sometimes in Central Bank checks.

Mrs. Noriega also opened an account in Paris.

Mr. Awan got to know General Moriega personally.

General Moriega case into power in 1983 and Mr. Awan got to know him even better after that.

Mr. Awan was then transferred to BCCI's office in Washington. General Noriega would sometimes call him on the telephone and tell him to make cash payments to someone or to make hotel or plane arrangements. Mr. Awan would pay the total hotel and sirline bills and General Noriega would subsequently wire money to Mr. Awan to reimburse him.

The maximum deposit relationship with General Noriega and his family was approximately twenty-two million dollars. The maximum deposit at one time was approximately one million dollars in cash. The cash would be brought to Mr. Awan with instructions to transfer it to London. After Mr. Awan had been transferred to the United States, General Noriega would travel to New York and give Mr. Awan cash to reimburse Mr. Awan for various advances that Mr. Awan made on behalf of General Noriega.

On several occasions Mr. Awan traveled with General Noriega. On one occasion, Mr. Awan travelled with General Noriega from New York to Andrews Air Force Base. Mr. Awan would also see General Noriega in London and in Paris.

General Noriega's banking relationship with BCCI was strictly a depository relationship. BCCI never invested General Noriega's funds. Sometimes, however, General Noriega would withdraw funds from the London account and make his own investments. For example, he bought an apartment in London and in Paris.

The last cash deposit made by General Noriega into the London account was early last year.

After Mr. Awan was transferred to the U.S., he would travel to Panama every four months to see General Moriega. In addition, General Moriega would meet Mr. Awan in the United States. Mr. Awan would deliver travel tickets to General Moriega.

Mr. Altman asked Mr. Avan whether we knew the source of General Noriega's funds. Mr. Avan stated that it was common belief in Panama that General Noriega profited from bribes and graft. At that time, however, there was no reason to believe that the cash deposited in the London account had any relationship with drug dealing.

Mr. Altman then asked if General Noriega had any relationship with other banks in Panama. Mr. Awan said that General Noriega only dealt with BCCI. Mr. Altman asked if Mr. Awan believed that General Noriega had assets other than the twenty million dollars deposited in BCCI's London bank. Mr. Awan stated that he thought that General Noriega has several Swiss bank accounts, but that the amounts are small.

One way that General Noriega would acquire money was through payments from political appointees. Every Panamanian consulate has political appointees. In order to get a post in the diplomatic corps overseas, Panamanians must pay money to the person who appoints them to those posts. Under this system, General Noriega would receive considerable sums of money from political appointees.

Nr. Altman asked Nr. Awan about General Noriega's involvement in drug trafficking. Mr. Awan stated that General Noriega had been hard on drug use and that there were not many drugs in Panama. Mr. Awan did not believe that General Noriega was himself a drug dealer. Mr. Awan stated, however, that he did not think that General Noriega would be above taking bribes from those involved in the drug industry.

When General Noriega's current troubles began, General Noriega asked that his account at BCCI's London office be transferred to BCCI's headquarters in Luxemborg. This occurred in early 1988. General Noriega later requested that the money be sent to Panama. Mr. Awan told General Noriega that the money would be less safe in Panama. General Noriega continued to request that the money be transferred to Panama and ultimately BCCI did transfer General Noriega's money to the Bando National. This occurred within the last week or ten days.

Mr. Altman then explained to Mr. Awan the nature of the allegations that had been made about Mr. Awan. The foreign Relations subcommittee believed that during 1987 or 1988, Mr. Awan travelled extensively to reorganize General Noriega's portfolio holdings to make it difficult for the authorities to locate or seize those funds. Mr. Awan said that this was untrue and that he never made any investments for General Noriega.

Mr. Altman asked if General Noriega ever went on any spending spreas. Mr. Awan said that General Noriega did not, but that his wife occasionally did.

Hr. Altman asked what documents exist that would track General Moriega's account in London. Mr. Avan said that there were time deposit receipts, but that these only had account numbers. The branch in London would send these time deposit receipts to Mr. Avan and Mr. Avan would take them to General Noriega. In London there would be account opening forms plus account statements month-by-month. Additionally, there would be statements of Visa accounts. Mr. Altman then asked if Mr. Avan felt that he was at any personal risk. Mr. Avan stated that he felt that he was at a personal risk with respect to General Noriega because General Noriega would be angry if Mr. Avan disclosed the existence of the \$20 million dollar account in London.

Mr. Altman asked if others could testify about Mr. Awan's relationship with General Noriega. Mr. Awan'stated that there would be any number of people who would have observed Mr. Awan with General Noriega on various occasions. No one outside of BCCI would know about the twenty million dollar account in London. However, the existence of such an account could be surmised. Moreover, records would show that BCCI paid various bills on behalf of General Noriega.

With respect to the London account, Mrs. Noriege held about five million dollars and General Noriege fifteen

million. Mrs. Noriega would make cash deposits. This cash was prebably income paid to her by political appointses at consulate posts.

Mr. Altman then questioned Mr. Avan with respect to document requests directed to the two corporate entities regarding Mr. Avan's travel records, telephone records, and compensation. Mr. Avan said that there would be records, of his travel and of his telephone communications. His passports would indicate travel. Additionally, the Bank would have ticket vouchers. Mr. Avan said that he would also have a record of all of his salary slips. Mr. Altman commented that the investigators think that Mr. Avan is likely to have large performance bonuses.

Hr. Awan mentioned in confidence that he had received certain transfers of money from his father in Pakistan. These transfers were illegal transfers under Pakistani law. He had been accepting these transfers since 1984. The total of the transfers would be three hundred thousand to four hundred thousand dollars.

Mr. Awan stated that he had been filing U.S. tax returns since 1984.

Mr. Awan stated that the bank had not knowingly angaged in money laundering.

 $\mbox{Mr.}\ \mbox{Awan}$ stated that the bank had no relation with Mr. Harari.

With respect to money laundering, Mr. Avan stated that between 1981 and 1984, the bank probably received five million dollars in questionable cash deposits, and that after 1984 the bank received very little cash deposits. Mr. Avan stated that many deposits by money changers were legitimate, but that Colombians were not allowed to keep dollar deposits outside of Colombia. Most money changers are Colombian, some are Venezuelian.

Mr. Altman asked Mr. Awan if Mr. Shafi, the head of BCCI's Miami office, was aware of the Moriega account in London. Mr. Awan stated that Mr. Shafi was aware of this account but that he did not know the amount.

Mr. Awan stated that everyone knew who the big Colombian drug dealers were. These drug dealers would work through the Colombian banks. UBS and Citibenk were involved in a major way with the Colombia drug dealers. BCCI did not work with these drug dealers.

Mr. Altman, Mr. Kovin, and Mr. Sanders then met with Mr. Shafi, the head of BCCI's Miami office. Mr. Shafi says that he was with BCCI from the very beginning. He left the United Bank in 1972 and joined BCCI on January 1, 1973. Even before officially joining BCCI in 1973, Mr. Shafi worked for BCCI. When he officially joined the bank in 1973, he joined as General Manager and Director of the National Bank of Oman. He stayed there for ten years until 1983, when he was posted to Miami. He is now responsible for all of Latin and Central America, including Panama and Colombia.

Mr. Shafi stated that he would sometimes travel to these countries. He said that all loans over one-half million dollars had to be approved by him and that loans over one million dollars had to be approved by the central credit committee in London. Loans above five million dollars had to be approved by the board. Hr. Shafi stated that all strategic planning for Central and South America occurred at the Miami office.

Mr. Altman inquired as to what records were kept in Miami. Mr. Shafi stated that all records with respect to credit and loans, that is, all records of loans of over one-half million dollars in Central or South America, would have records in Miami. There would be no records of depositors in those countries with respect to deposits made in Panama or Colombia. The Miami office would only have total figures of deposits. There are perhaps fifty thousand to sixty thousand total depository accounts in the region.

Mr. Altman asked Mr. Shafi if he had any relationship with General Noriega. Mr. Shafi said that he met Mr. Noriega once or twice in Panama when Mr. Shafi first came to the Miami office. Mr. Awan had arranged for those meetings and they were just courtesy calls. Mr. Shafi said that he had no other dealings with General Noriega. Mr. Shafi also said that he knew nothing about Mr. Harari.

Mr. Altman then questioned Mr. Shafi about any travel, telephone, or compensation documents that Mr. Shafi

had. Wr. Shafi said that the bank files would have all of these records.

Hr. Altman asked Hr. Shafi about any large sums of cash that may have been deposited in Panama. Mr. Shafi said that he had no personal knowledge of any large deposits of cash in Panama.

Hr. Altman asked Hr. Shafi why a subpoens had been issued in his name. Mr. Shafi stated that he did not know, but suspected that it was because he was the head of operations in the region. Moreover, all credit files for the region were kept in Mismi.

Mr. Altman asked Mr. Shafi whether he had any substantial fringe benefits. Mr. Shafi said no. He was supplied with a company car and had sedical coverage through insurance, but that was all. There would be complete records of all of his business expense accounts. Mr. Altman asked if Mr. Awan was provided with a company car. Mr. Shafi said that Mr. Awan had no car, only a salary.

Mr. Altman, Mr. Kovin, and Mr. Sanders then met with Mr. Bande Hassan. Mr. Hassan has been with BCCI for four years. He recalls that in October of 1987, Mr. Abedi spoke to BCCI officials at the Grand Bay Hotel in Miami. Mr. Abedi told the bank officials that they could not blacken the name of the bank by dealing with drug dealers or drug Boney and that the bank would take serious action against any bank official who did so. There were perhaps four hundred people

at this meeting. Mr. Altman wanted to know if there were minutes of that meeting. Mr. Hassan said that he thought there might be either minutes or an audio tape.

Hr. Altman asked whether there were any depository accounts in Florida of Colombia or Panamanian clients that exceeded five million dollars. Hr. Hassan said he thought that there would not be many and that he would compile a list.

We then met with Mr. Bilgrami, the present county manager for Panama. Mr. Bilgrami has been the country manager in Panama since 1985. [BCCI has two offices in Panama, one in the Free Zone and one in Panama itself. Mr. Bilgrami stated' that the bank in Panama performed two major functions. The first is to accept deposits. The second is trade finance, that is, short term lending. Mr. Bilgrami stated that he can lend only ten thousand dollars without security and only fifty thousand dollars with security.

With respect to deposits, Mr. Bilgrami stated that deposits in Panama come from different countries and come in the form of either cash or bank transfers. Mr. Bilgrami stated that there are many Panamanian registered companies. A company can register in Panama in twenty-four hours. In some companies, the owners are known, in others they are not. BCCI only deals with corporate clients when they are recommended by reputable attorneys. With respect to Colombian accounts, BCCI in Panama will only deal with those accounts if the holders of the accounts are recommended by BCCI's Colombian bank officers.

In Panama, it is not a crime to accept cash deposits, but BCCI has a limit of six million dollars. Mr. Altman asked Mr. Bilgrami how much cash would dome into BCCI's Panamanian office each month. Mr. Bilgrami stated that in 1986 and in 1987, perhaps ten or fifteen million dollars in cash were deposited each year, over a million dollars per month. In any case, the bank records would contain this information. The deposit tickets would show this and the account statement would also indicate whether the deposits were in cash or by check.

Mr. Altman asked Mr. Bilgrami if any of the accounts in Panama exceeded five million dollars. Mr. Bilgrami said no. The maximum account in Panama was probably about two million dollars.

Mr. Bilgrami stated that BCCI's Panama bank closed all money changer accounts in 1986.

August 17, 1988

Mr. Altman, Mr. Kovin, and Mr. Sanders met first with Mr. Rizvit. Mr. Altman summarised the general state of affairs. He stated that, at the present time, there were three valid subpoenss and one invalid subpoens. The subpoens for Mr. Awan was invalid because it was not served and Mr. Awan's first name was incorrectly stated. [Counsel for the Foreign Relations Subcommittee later telephoned us and confirmed their interest in the documents of Mr. Awan, the BCCI officer].

Mr. Altman stated that we were informed that the only responsive documents held by Mr. Shafi were his telephone, travel, and compensation records. BCCI has similar documents with respect to Mr. Awan and Mr. Altman asked that Mr. Awan go to Washington and begin to collect these documents.

 $\mbox{\rm Mr.}$ Altman observed that neither Mr. Shafi or Mr. Awan had been requested to testify.

Hr. Altman commented on the existence of the Noriega account in London, but stated that the subpoenes requested documents in the possession of Overseas. We were informed that there would be no documents in Panama with respect to the Noriega account in London. They were all transactions of S.A. The wire transfers of money from Panama to London had no names or account numbers.

Mr. Altman stated that the major interest was Mr. Awan's relationship with General Noriega and the Noriega depository account in London. We are advised that there could be unfortunate implications for the bank if we were to produce documents with respect to General Noriega's London account. Those records may be protected by English or other foreign law, an issue we will check. If those documents are produced, BCCI personnel in Panama could be at risk. Moreover, Mr. Awan feels that if he were to disclose the London bank account, he could well be in personal danger.

Mr. Altman mentioned that perhaps we should consider separate downsel for Mr. Avan. Mr. Altman also stated that we would produce Mr. Avan's documents even though he was not subpoensed.

Mr. Altman stated that the bank had a potential political exposure as a result of the receipt of substantial dollar deposits from General Noriega. Additionally, there is the concern with respect to money laundering, although the bank does not believe any laundering occurred knowingly. We have not been requested to produce any documents with respect to money laundering. As to money laundering, we could explain it may have occurred. We could explain that we took some few millions dollars from unknown sources and that, in addition, we dealt with money changers. We could state, however, that it was the policy of the bank not to deal with drug money and, in any case, the amount of cash we received was insignificant compared to other banks.

Mr. Altman suggested that we seek to produce documents in the first week of September. By then, we would have to formulate a position with respect to Mr. Avan. Mr. Altman mentioned that in the coming week Mr. Kovin might make a trip to Panama and/or Colombia. This trip would reassure the subcommittee that we were diligent in our efforts though documents outside the country are not requested.

Hr. Rizvi then presented his perspective of the general situation. He stated that our balance sheets indicate that the bank does no trust work, thus there would be no documents responsive to the subpoens requests regarding management of assets.

Hr. Rizvi stated that balance sheets for Panama and Colombia are maintained at BCCI's Mismi office. Additionally, there are two types of information in Mismi with respect to Panamanian and Colombian clients. First, there are records of depository accounts of Panamanian and Colombian clients where those accounts are at offices in florida. Second, there are records of all loans made to Panamanians and Colombians that exceed five hundred thousand dollars.

At the Miami office, there is also a cash book that indicates the cash flow in Panama for 1987 and 1988. Mr. Altman suggested that we consider producing that cash book. Such production may not violate Panamanian bank secrecy laws. The cash would reveal to the subcommittee that BCCI's Panamanian office did not receive nearly as much cash deposits as the subcommittee has been led to believe.

Mr. Risvi went on to state that it has always been the policy of the bank to stay away from drug money.

Mr. Altman commented that Mr. Rizvi would be effective in discussions with the counsel to the subcommittee and we should consider having Mr. Rizvi speak with Mr. Blum.

Mr. Altman then suggested various alternative approaches to the subpoens requests. First, either Mr. Avan or Mr. Risvi could go and speak with the subcommittee's counsel. Second, we could produce certain documents, but not with respect to the Moriega account, and Mr. Avan could refuse to testify. The Committee would be advised that if the bank' were to disclose the Moriega account, either by documents or through Mr. Avan's testimony, General Moriega might revoke the bank's license, arrest BCCI personnel, and kill Mr. Avan.

We then met with Mr. Feroxe Dean, the President of BCCI's subsidiary bank in Colombia. Mr. Dean explained that we bought a bank in Colombia in June of 1983, the year before he arrived. Initially, we acquired 49% of that bank and later gained complete control in 1988 when the majority owners went bankrupt. The majority owners got special permission from the government to sall their interest to us.

Mr. Altman asked Mr. Dean what kind of business BCCI engaged in Colombia. Mr. Dean responded that the main activity was international commerce and local lending. He said that BCCI has thirty branches in Colombia. The lending activity is related to import and export work. The exports are coffee, flour, and benames. The imports are raw materials. BCCI has fifty-five thousand accounts in Colombia.

Only one or two of the balances exceed three million dollars. There are no accounts above five million dollars.

The two largest accounts are government accounts: the Colombian Port Authority and the Bogata treasury.

There are no dollar accounts in Colombian. All accounts are in peacs, the local currency.

Nr. Dean stated that BCCI is very suspicious of people who wish to transfer large sums of money out of Colombia. On one occasion someone wished to transfer one million dollars per week out of the country. BCCI refused to do this. BCCI's Colombian benk does transfer certain cash to Nassau to avoid the high Colombian reserve requirement on loans. Financing is expensive in Colombia because a reserve of 16.5% must be paid to the National Bank. Accordingly, BCCI makes dollar deposits in Nassau that are security for loans. For this purposa, clients wire funds to Nassua. These are not big dollar amounts, however.

Mr. Altman asked Hr. Dean how active was BCCI in ancouraging money changers to deposit their dollars in Panama. Mr. Dean said that we did not encourage this activity at all.

We then met again with Mr. Avan. We began by showing him the chart entitled "The Organization of The Criminal Empire." This chart, which was an exhibit at the hearings held by the subcommittee, provides the names of individuals, companies, and banks that are believed to play a role in General Moriega's drug empire. BCCI, Swiss Bank, Banco Cafetero, and Inter-Bank are listed as banks involved in the drug empire.

The first column on this chart lists individuals believed to be part of the criminal empire. Mr. Awan was familiar with four of the seven names listed. Mr. Awan said that Enrique Prateit was in the jewelry business and made deposits at BCCI. Those deposits totaled one hundred thousand dollars. Additionally, we gave him a three hundred thousand dollar line of credit based upon the one hundred thousand dollar deposit.

Hr. Awan said that Richard Bilonick owned a cargo airline. One of his planes was caught in the U.S. with drugs on board. He approached Kr. Awan to open a bank account. Mr. Awan refused. He later did open an account by depositing a one million dollar check. He asked for a loan for three million dollars and we gave him a loan of seven hundred and fifty thousand dollars.

Mr. Awan said that Carlos Wittgreen was a close associate of General Noriega.

Finally, Mr. Awan stated that he was familiar with Casar Rodriguez. Rodriguez had a large account with BCCI. He is now dead and stills owes the bank three million dollars. He was in the restaurant and night club business and also had a limousine business. Additionally, he had an aircraft spare parts business called Car Corporation. Mr. Awan believes that General Noriega had Mr. Rodriguez murdered.

Under the second column on the chart, Military Operations Group, Mr. Awan said that he was familiar with the

names of the ten generals listed in that column and was acquainted with some of them. None of them had accounts with BCCI, however, but the wife of Narcos Justines had a small account at BCCI's Panamenian office.

Mr. Awan stated that he was familiar with Carlos Duque, whose name appears on the last column of the chart, entitled Private Group of "Legal" Businesses.

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NOTES OF MEETING WITH JACK A. BLUM, SPECIAL COUNSEL TO THE SENATE POREIGN RELATIONS COMMITTEE ON SEPTEMBER 9, 1988

On September 9, 1988 Mr. Robert Altman together with Mr. Robert Sanders set with Jack A. Blum, Special Counsel to the U.S. Senate Foreign Relations Committee to discuss the subpoenas issued by the Committee to BCCI. Ms. Kathleen Smith of the Committee Staff also attended the meeting. The meeting commenced at 2:30 and lasted until shortly after 4:00 p.m.

After brief introductory remarks, Mr. Blum stated that it was his understanding that on September 14, 1988 BCCI would make a partial production of documents requested in the subpoenss issued by the Committee. Mr. Altman responded that the production of documents on September 14, 1988 would consist - as per our prior discussion with the staff - of documents responsive to the subpoenss that were located in BCCI's Florida office which served as the Regional Headquarters for Latin American and the Carribean. Mr. Altman stated that he, Mr. John Kovin, and Mr. Sanders had traveled to Miami in August where they spent several days meeting with BCCI officials at the regional office. The BCCI officials were said to include Mr. Shafi, who was in charge of the region, and the country managers of both Panama and Colombia.

Hr. Altman stated that he briefed these officials on the current investigation and reviewed with them copies of the



subpoenss. All documents responsive to the subpoenss located in Missi were then collected.

Mr. Altman stated that officers' comments and the documents produced from the Missi office present a picture that is quite inconsistent with what the Committee had been told. First, we had earlier been informed that the Committee was concerned that known drug dealers would place large sums with BCCI, e.g. -- \$20 million or more -- and that BCCI would invest and manage these assets on behalf of these persons. Mr. Altman told Mr. Blum that BCCI does not have a trust department and generally is not in the business of managing money for dustomers. Moreover, SCCI does not have large depository relationships in Colombia and Panama. The deposit accounts in those countries are relatively small. The same is true for deposit accounts of Panamanians or Colombians that are maintained at BCCI's agency offices in Florida, Finally, Mr. Altman stated that while the names of reputed drug dealers are known to our country managers, BCCI does not do business with any of them.

Nr. Altman then stated that BCCI officials had heard rumors about the handling of drug money by other banks. BCCI had been approached for several occassions and offered lucrative commissions to accept large cash deposits, but the bank always refused.

Mr. Altman stated that one indication of which banks may be active in handling large cash deposits is the amount

set by each bank as a voluntary restriction on the amount of cash transfers that say be made in a month to the Central Bank of Panama. The Bankers Association proposed these voluntary restrictions. Certain banks were setting large limits. BCCI has a relatively low cash limit.

Xr. Altman stated that although the subpoense only requested documents regarding the management of assets and not deposit relationships, he had asked the BCCI officials for a computer printout of all Panamanians or Colombians who have depository accounts at any of BCCI's agency offices in Florida. This material was provided and will be produced. Confidentiality of this information must be maintained,

Hr. Altman stated that at the present time we do not' have documents relating to specific deposit accounts of Colombians and Panamanians in Colombia or Panama. These documents are located in those countries, not in the regional office in Miami; further, production of those documents would violate bank secrecy laws. Figures dealing with total deposits for those countries were requested by Mr. Blum, and this, he was told, would be checked.

Regarding the specific demand for documents relating to the management of assets for Ganeral Noriega, Mr. Altman reiterated that BCCI does not manage assets. In response to further questions, Mr. Altman stated that BCCI previously maintained a deposit account for the Panamanian government which General Noriega, as the head of the government, could

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control. BCCI may not disclose information about this account for two reasons. First, such disclosure would be unlawful under Panamanian bank secrecy law. Second, if this information were produced, the employees and business operations of BCCI would be vulnerable.

Nr. Blum wanted to know how much money was in this account and in what country the account was maintained. Mr. Altman stated that this information was not available. Hr. Altman advised that the only one way the bank might be able to disclose information was with the permission of the Panamanian government.

Mr. Blum inquired when the money in this account was withdrawn. Mr. Altman stated that the account was closed sometime this past summer.

Mr. Blum asked about Mr. Awan's present location.

Mr. Altman stated that he was traveling in the United States
for a few days, but may be transferred soon to BCCI's office
in Paris.

Hr. Blum asked if personal expenses were paid out of the Panamanian government's account. Nr. Altman explained that when General Noriega and his entourage traveled in the United States, BCCI sometimes made the travel arrangements and hotel reservations and these bills would be paid from the account with the permission of the government. These trips appeared to be in the nature of state visits.

Mr. Blum stated he understood General Noriega had a credit card arrangement with BCCI. Mr. Altman stated a Visa card had been issued.

Mr. Altman again stated that SCCI could not provide information on General Moriega or the Panamanian government's account for the reasons stated. Mr. Blum stated he would give further consideration to the matter.

Mr. Blum then stated that the Committee believed that substantial cash deposits have been placed at banks in Panama or Colombia, but booked off-shore at foreign offices. Mr. Blum stated that he expected the country managers of Panama and Colombia would certainly know about such off-shore deposits because they would have to be able to report to the depositor from time to time. He asked if we had documents that set forth all deposits from Panama and Colombia.

Mr. Blum presented a scenario to illustrate his point. A client might come into BCCI's Panamanian or Colombian office, make a deposit, and request that the deposit be booked overseas. The manager then would book the money in London or Luxembourg, for example. But the Panamanian or Colombian manager would have some record of those over-seas bookings because the client would be expected to approach the bank from time to time asking about the deposits. The official who took the deposits should have records because he is credited for bringing in the deposit and the country manager may also likely have records since they reflect on

bank's performance in that country. Mr. Blum then asked if our production of documents will include these types of records,

Mr. Altman stated that our production would only involve only off-shore bookings made in Plorida. This was all that the subpoenas and the staff requested.

Hr. Blum stated that the Committee now wants more than deposits booked in Florida. The Committee is interested in all deposits accepted from the region, regardless of where they are actually booked. Hr. Blum stated that he believed there may be records in Miami of such off-shore bookings of deposits from the region. These records should be produced.

Mr. Altman stated that he understood the request and would consider it further in discussions with the client.

Mr. Blum explained that previously when cash deposits were made in Panama, the money was sent to the Central Bank and then fowarded to the Federal Reserve in the United States. The Federal Reserve started to receive large amounts of cash that "never should have been in Central America in the first place." The amount of cash being sent to the Federal Reserve has lessened. The authorities believe that certain banks in Panama are flying the cash to Europe. In this way they reduce the cash transfers by the Central Bank of Panama.

Mr. Altman replied that the Committee would be given the documents described on September 14, 1988. It would take longer to locate and examine any documents responsive to the

Committee's request for all deposits accepted from the Carribean region which are booked elsewhere. If such documents existed, this request would be considered separately.

Mr. Altman then corrected a misunderstanding Mr. Blum had. Mr. Blum believed that depositors' money was placed in BCCI's Treasury in London. Mr. Altman explained that the Treasury does not generally invest customers' money -- it is operated to invest the bank's liquid assets. The bank follows a conservative approach in managing its balance sheet and does not believe in being "loaned up." In response to a further question, Mr. Altman stated the bank also relies on fee income sources for revenue rather than be too dependent on interest income.

Mr. Blum returned to the subject of the subpoenss and asked who from BCCI participated in the search for documents that will be produced next week. Mr. Altman stated that three or four BCCI officials who worked for Mr. Shafi located the documents.

Mr. Blum proposed that there be a closed session with a court reporter after we make our partial production of documents on September 14. Mr. Blum suggested that we bring an individual who is familiar with the gathering of the documents so that the documents can be properly identified on the record and explained. Mr. Altman stated we would consider this request and we would call Mr. Blum next week.

Mr. Blum stated that it will probably be necessary for Mr. Blum to meat with Mr. Shafi and Mr. Awan. Mr. Altman stated that Mr. Shafi was available, but would not be able to provide much information. When asked if there were another senior bank official who could explain the bank's business in the region, Mr. Altman mentioned Mr. Rizvi, a BCCI official based in London who is responsible for BCCI banking operations in North. Central, and South America. If Mr. Blum were willing to meet with Mr. Rizvi in London, Mr. Awan could travel from Paris to London and be available at the same time. Mr. Awan, however, would not be able to testify about the Panamanian government's account relationships for reasons stated.

Mr. Blum then stated that the Committee might subsequently require Mr. Avan for public testimony.

Hr. Blum asked whether BCCI ever made any loans to General Noriega. Hr. Altman stated that if there were any loans, they were minor in nature. Again bank secrecy laws foreclosed disclosure.

The agreement was reached that we would make our production of documents on September 14 and consider whether on the 15th or 16th a closed meeting would be scheduled where a BCCI representative might identify the documents.

Mr. Blum then volunteered that the U.S. Justice Department last Spring had asked the Foreign Relations Committee not to issue any subpoenss to BCCI. Later this

restriction was rescinded. Mr. Blum does not know why the issuance of subpoenas was originally halted.

In closing, Hr. Blus stated that he had learned that the Government of Luxembourg and the Bank of England had been concerned about the adequacy of regulation over BCCI. Kr. Altman explained that Luxembourg authorities had questioned whether they should be the bank's primary regulator because BCCI's business had expanded in other parts of the world in recent years. The Bank of England at times had indicated they wished to have greater regulatory control, a not unexpected reaction from a regulator. These problems, however, had all been worked out. BCCI is being regulated by a small, international committee of bank regulators and all countries are fully satisfied with the arrangement. The U.S. operations of BCCI are regulated by the Federal Reserve which has complete confidence in the bank.

Further, various criticisms of SCCI to which Mr. Blum made reference, including the bank's reputation with a few large U.S. banks, were totally unfounded, Mr. Altman stated. Mr. Altman advised that he and Mr. Clifford had looked into this matter over the past 10 years and found such attacks to be without merit.

Mr. Blum concluded the meeting by remarking that the investigation was being expedited and may have to be concluded within a month. Mr. Altman then stated in closing that he wanted to convey to Mr. Blum a serious concern. Mr. Altman

noted that the banking business is built on trust and confidence. Accordingly, Mr. Clifford and he were concerned that BCCI's reputation would be unfairly damaged as a result of publicity about the investigation, even though all allegations would be disproved. In this regard we were concerned about any rumors or leaks that dould flow from the investigation and might, incorrectly and inequitably, tarnish BCCI's reputation. Mr. Blum stated he understood our concern and would remain sensitive to the issues.

Attorney-Client Work Product Privileged and Confidential

NOTES OF MEETING WITH JACK A. BLUM, SPECIAL COUNSEL TO THE SENATE FOREIGN RELATIONS COMMITTEE ON SEPTEMBER 14, 1988

Hessrs. Altman, Kovin and Sanders met with Jack A.
Blum, Special Counsel to the U.S. Senate foreign Relations
Committee, to allow Mr. Blum to review certain documents
responsive to subpoenas issued by the Committee to BCCI, Mr.
S. H. Shafi, and Mr. Amjad Avan. Hs. Kathleen Smith of the
Committee Staff also attended the meeting. The meeting
convened at 11:30 a.m. and lasted until shortly before
1:00 p.m. It had been scheduled for 11:00 a.m., but because
of Committee business, began a half-hour later.

Mr. Altman presented Mr. Blum with a cover letteradvising Mr. Blum that (1) certain of the documents being made available for his review were confidential bank records and must be protected from public disclosure by adequate safeguards to be mutually agreed upon; (2) that in making the production of these documents neither BCCI nor Mr. Shafi and Mr. Awan vaived any rights or privileges, and (3) that if Mr. Blum wanted any of the documents reproduced for his files, the reproduction and delivery of the documents would be in a manner to be mutually agreed upon.

Mr. Blue then stated that it would be the Committee, not he, that would make the decision as to whether any or all of the documents for which confidential treatment could be

accorded it. Mr. Blum added, however, that he thought that the Committee would be sensitive to BCCI's request for confidentiality.

Mr. Altman and Mr. Kovin then presented Mr. Blum with the documents that they had brought, listed on the attached "Index of BCCI Documents." Ine goodments were divided into seven volumes, each in its own file folder.

Volume I: Annual Reports and Financial Statement-Mr. Blue briefly examined and then retained the BCCI Annual Report for 1987 and several Annual Reports for Colombia, all public documents. He requested that we reproduce for him the Statement of Affairs of BCCI Panama (6/30/88). Hr. Blue requested that we also produce the similar reports of these nonpublic documents for earlier years of the BCCI business in Panama.

Volume II; Records of Depositors and Borrowers. Mr. Blum reviewed the records of depositors and borrowers at BCCI's Agency Offices in Mismi, Boca Raton, and Tampa. For purposes of comparison. Mr. Blum requested a print-out of the same information for the Mismi agency for the period ending June 10, 1987; with respect to Boca Raton and Tampa, he requested a print-out of the same information for the period ending June 30, 1986.

Thr. Blum also was not clear whether these print-outs were of only Panamanian and Colombian depositors and borrowers, or of all depositors and borrowers. The question

Orose because some clients, not listed on our separate list of Panamanian or Colombian clients with deposits in excess of \$5 million, appeared to have deposits of more than \$5 million in the aggregate. Patro Brass, Managers A-D4 (Account 272001-Hay 31), and CDC Texo 5 were three accounts that appear to exceed \$5 million either in credits or debits. Mr. Blum sought clarification on this point and also requested some explanation for several abbreviations on the print-outs, including "TOD" and "SOD".

Mr. Blum requested that Volume II together with the additional print-outs requested be made available for inspection again at a date to be set.

Volume III: **nternal BCCT Mamoranda and Florida
Licanaea. Mr. Blum requested copies of (1) the Compliance
with Law Circular: Carribean Regional Office and (2) the
Minutes of Management Committee Meeting at the Carribean
Regional Office in which the bank's policy not to deal with
drug money was emphasized by the President of BCCI. Mr. Blum
stated that the Committee would not require copies of BCCI's
licanses to operate in Florida.

<u>Volume TV: Shafi Pocuments</u>. Mr. Blum requested copies of (1) Mr. Shafi's business expenses and (2) his travel diary. Mr. Blum does not require copies of Mr. Shafi's compensation records. As far as Mr. Shafi's telephone bills (office, residence, and car), Mr. Blum stated that he would like to review these more closely at our next meeting before

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deciding whether he would require that they be photocopied and produced.

<u>Volume V: Avan Documents</u>. Mr. Blum requested copies of Mr. Avan's (1) business expenses and travel records and (2) telephone bills. Mr. Blum stated that he would not require Mr. Avan's compensation records.

After this review of the documents Mr. Blum and we discussed the following five points:

- (1) Mr. Altman (and Mr. Clifford) will meet with Senator Kerry, the Chairman of the Committee, to discuss the Panamanian account and the confidentiality issues attendant thereto;
- (2) A meeting should be scheduled with Mr. Risvi in London, perhaps on September 23, 1988;
- (3) Mr. Awan may meet with Senator Kerry to discuss the Panamanian account.
- (4) BCCI has been asked to produce (a) earlier printouts of depositor and borrower relationships at the three Florida agencies and (b) documents regarding all deposits in excess of \$5 million accepted in Panama or Columbia but booked overseas.
- (5) Mr. Kovin will travel to Panama and Colombia to review and collect any svailable, responsive documents at the BCCI banks in those countries.

Mr. Blum asked if there were any documents in the United States relating to General Noriega's expanditures for travel and related expenses in the United States. Mr. Altman stated that he could not respond to this inquiry.

Mr. Blum asked if any BCCI documents referenced Cesar Roderquiez, Ramon Roderquiez or Mr. Pretelt. The conversation shifted and Mr. Altman never responded to Mr. Blum.

Mr. Blum appears less receptive to Mr. Altman's earlier suggestion that Mr. Blum meet with Mr. Awan in London at the same time that Mr. Blum is to meet with Mr. Rizvi. Mr. Blum seems to prefer that Mr. Awan come to Washington. If Mr. Blum insists, BCCI will, as a practical matter, have to agree.

September 19, 1988

Memorandum to the BCCI File

At about noon today I returned Kathleen Smith's telephone call and reported to her, as she was sware, that we had tried to reach her on Friday, September 16. I explained that on an emergency basis a filing was made in the Court of Appeals at 10:00 that day and that both because a number of us had worked most of the preceding night, and that Mr. Awan's new counsel telephoned that day, we had been unable to complete the first phase of our production of documents. In short, the following points were covered:

- (1) We will produce documents as earlier promised with the exception of documents relating specifically to Mr. Awan because he has separately retained counsel. (The return on his subpoens in any event is due on September 22.)
- (2) As soon as we are able to arrange it, we will meet with Mr. Awan's counsel to determine whether any objections will be interposed with respect to the specifications of Awan's subpoena.
- (3) We have not yet received the computer print-outs from the Himmi agency or comperable information from the Boca and Tampa agencies but will let the Subdommittee staff know when it has arrived.

- (4) Senator Kerry may be available to meet with us on Mednesday, September 21, and we are to advise the Subcommittee staff as soon as possible concerning that date.
- (5) Ms. Smith asked about the availability of Mr. Rizvi for a proposed meeting in London, and I said that I was not aware of the details of a conversation that I thought Mr. Altman may have had with Mr. Rizvi. Because the Subcommittee staff is unable in advance of this coming Priday, September 23, to clear their request for foreign travel, it is now suggested that a meeting with Mr. Rizvi be scheduled for early in the week beginning Monday, September 26, in London. We are to talephone either Jack Blum, Jonathan Lickman or Kathleen Smith regarding such a data (direct dial numbers 224-4447 or 224-5382). For purposes of submitting information for travel clearance, they need Mr. Rizvi's full name, title, address and the place at which a meeting would occur.

In general, the conversation went reasonable well but Kathleen Smith did not let on that she had any knowledge concerning Mr. Awan's retention of new counsel.

September 20, 1988

Hemorandum to Messers. Altman and Sanders
Re: BCCI Congressional Matter

I returned the call of Mr. Bande Hasen (305-374-8668) at about 4:45 today. He reported that the materials referenced in the transmittal letter accompanying the additional computer print-outs on the Hismi/Boca Raton/Tampa agencies, have been prepared and are being forwarded by Federal Express this evening. (I have not seen the set of print-outs received on Honday, September 19.)

He is leaving tomorrow for London for one week and wondered whether the trip - which could be postponed if needed - would interfere with the response of BCCI to the Subcommittee subpoenss. I told him that no further mention had been made of the desirability of having a bank officer available to be interviewed with respect to the content of documents or the manner in which they had been gathered. We are pleased that such a request has not been renewed and, accordingly, his trip should not hinder progress in the matter and if we need him, we shall contact him through Mr. Dilder Rizvi in London.

Kathleen Smith telephoned at 4:58 and I have not returned her call.

September 21, 1968

Hemorandum to Hessrs. Altman and Sanders
Re: BCCI Congressional Katter

After consulting with Mr. Altman, at 2:00 p.m. today I returned the several telephone calls Kuthleen Smith of the Subcommittee staff has left over the past several days. The conversation was brief and friendly in tone. The points covered were these:

- 1. Massrs. Clifford and Altman could see Senstor
 Kerry at 11:00 a.m. or 3:00 p.m. on Friday, September 23, if
 the Senator were available. Jack Blum is away today for Yom
 Kippur and she will let me know about the proposed meeting
 early tomorrow morning.
- 2. With respect to a meeting with Dildar Rizvi in London, I explained that Mr. Rizvi is on international travel until October 5 and because of the Court of Appeals brief in the Knight-Ridder case due on October 11, no meeting can be scheduled with Mr. Rizvi in London until Mednesday, October 12, at the darliest. Ms. Smith will consult with Slum tomorrow, but has asked whether Mr. Rizvi would be available at another

location before Saturday, October 8, when this session of Congress ends. I told her I would let her know, if possible, tomorrow.

3. Regarding the additional computer print-outs sought by the Subcommittee staff for the Miami/Boom Raton/Tampa Agencies of BCCI, Ms. Smith is evere that we now have them and that we are prepared to present and discuss the material at a mutually convenient time within the next several days.

Given the possibility of an early meeting between Mr. Awan and Senator Kerry and the request for a meeting by the staff with Mr. Risvi before October 8, we should probably discuss our reactions and/or any other appropriate steps to be taken some time today or early tomorrow.

PRIVILEGED AND CONFIDENTIAL

September 22, 1986

Memorandum to Messrs. Altman and Sanders

Re: SCCI Congressional Matter

I spoke for a second time by telephone this morning with Kathleen Smith following a brief consultation with Bob Altman. The following are the points considered:

- (1) I have agreed that we will produce for inspection to the Subcommittee staff the additional computer print-outs from the Hismi/Boca/Tampa Agencies on Friday, September 23 at 3:00 p.m. at the offices of the staff.
- (2) Because Senator John Kerry's enly availability on Friday was at 1:00 p.m., the meeting with him has been rescheduled for 11:30 a.m., Monday, September 26. Obviously, if there is a major problem in this regard, I should notify Kathleen Smith soon.
- (3) We revisited the subject of the Subcommittee staff visiting Mr. Dildar Rizvi in London on October 5. Because the Senate now adjourns sing die on October 15, they believe that a meeting with Rizvi as proposed by us on or about October 12 would not give them adequate time within which to reflect the results of such a meeting. I explained and reiterated the besis for Bob Altman's unavailability until that time because of the expedited briefing schedule in the JOA matter pending in the Court of Appeals. Slum had

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suggested to Kathleen Smith that if Altman were unavailable at that time, Kevin might be able to do it instead. I teld Kathleen Smith that my involvement with this client was of relatively short duration and a Beeting with Hr. Rigvi could not take place unless Altman attended. We left it at that and Jack Blum may telephone Bob Altman later in the day to discuss it further.

finally, a literal reading of John Grabow's telephone message is somewhat distressing. If it means that no objections of any nature will be interposed to the production of documents in response to Amjad Awan's subpoens — including any concerns that Mr. Awan may have about his personal safety — it may cause us to alter the stance that we have adopted with the Committee staff up to this point.

PRIVILEGED AND CONFIDENTIAL

September 27, 1988

HENORANDUN TO THE FILE

Re:

SCCI Congressional Matter

John Grabow of Ginsburg, Feldman and Bress
telephoned this morning to ask about what documents we had
provided to the Subcommittee staff. I told him that we had
visited with the staff and shared with them some computer
print-outs, but absent a confidentiality agreement, had left
no documents with them. In response to specific questions by
Mr. Grabow, I responded that we had not provided any copies of
Mr. Awan's expense or compensation records for retention by
the Committee, nor had we provided any copies of "Norisga
documents". With respect to the latter category, we do not
intend at the present time supplying any such documents.

I told Grabow that we expected the staff to ask for the opportunity to look further at Mr. Avan's expense records before the anticipated interview of him. Mr. Grabow said that they expect visiting with the Subcommittee staff on Wednesday, September 28. Finally, we discussed the nature and content of a confidentiality agreement including a disclosure provision,

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but we agreed that under most circumstances such agreements with congressional committees are not particularly useful. Mr. Grabov concluded the conversation by asking if I would let him know if there are any further developments. He did not volunteer to reciprocate.

cc: Robert Altman Robert Sanders

PRIVILEGED AND CONFIDENTIAL

September 30, 1988

MEMORANDUM TO THE FILE

Re: BCCI Congressional Matter

John Grabow telephoned early this afternoon in response to a call I made to him yesterday evening about the time that Bob Altman and I were locating documents to be forwarded to the Subcommittee staff, at their request for use in a meeting with Amjad Awan.

by the Subcommittee staff this morning. In response to a direct question, he said that it was not a deposition -- as Kathleen Smith had referred to it yesterday -- but instead an interview. Grabow is "quardedly optimistic" that Awan will not be called as a public witness. He said that Awan had responded strongly that BCCI had not engaged in money laundering nor was the bank in any way associated with drug trafficking, and Awan reiterated his belief that he would be in personal jeoperdy were he to give testimony regarding the Bank's customer relationship with General Noriega.

Awan turned over the so-called Noriega documents and Blum also questioned him regarding the travel records that we

had supplied to the Subcommittee staff early today. The documents supplied by Awan are to be accorded the same degree of confidentiality normally accorded documents supplied to a Committee in closed session. If we get greater protection for documents yet to be turned over, those supplied by Awan will be treated accordingly. Awan noted to Grabow but not to Blum that certain of his travel records -- supplied to this firm -- from the period when he was stationed in Miami had not been produced. I told Grabow that I was somewhat unclear on this point; however, that it might be the Miami records related to Bank of Credit and Commerce, S.A. Those which were subpoenced dealt with BCCI Overseas Ltd. I told Grabow that we would check on this in the event it later became the subject of additional questions.

The talk with Grabov was brief and somewhat less strained than usual. Once again, he stated that he was unable to predict what the next step would be, but grudgingly agreed that he would let us know if anything new develops. There is nothing further scheduled with the Subcommittee as far as Awan is concerned. On a final note, Awan was reportedly struck by how much Blum seems to know about the whole situation.

MEMORANDUM

January 26, 1989

TO:

Robert A. Altman

FRONT

Robert C. Sanders

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Reports of Meetings in BCCI Matter

Attached are the reports you requested of various meetings regarding to the BCCI metter.

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ATTORNEY WORK PRODUCT PRIVILEGED AND CONFIDENTIAL

Manorandum to the File

While I was in London on July 6, 1990, I took the occasion to have a meeting with Mr. Swalch Magvi in the BCCI offices at 100 Londonhall Street, London. During the source of the meeting, we were joined by Mr. Nim Gagna, of Janis, Schuelke & Wooksler.

When the meeting started, I said that I had heard reports of the many changes taking place in BCCI, including the firring of hundreds of employees. Ar. Hagvi confirmed that there was much tursoil in the Company. I asked Ar. Nagvi how these changes would affect him personally. He replied that his position would certainly change. He said he would be moving to how Bhabi and meeted this created certain perpenal problems for his family. He said that he had always focused on the affeirs of BCCI to the detriment of his personal situation. He noted that he did not even own the house he was using as a residence in Lendon; it was provided by BCCI, and would have to be vessed when he moved. This will ersate difficulty for his children going to school in Lendon who would not be moving to Abu Bhabi.

Mr. Magvi said that his responsibilities in the future were unclear. The shareholders would determine who would be the CEO and the Directors shortly. We said it was possible a new CEO would be elected who was not previously associated with BCCI.

I said thet 3 had wanted to infare him personally why cliffort a Warnho sould not provide legal advice to BCCI in connection with the investigation being conducted by the platylet attorney in New York State. As he knew, our firm did not do criminal work, and the prisary representation of BCCI would be by other lawyers in any event. However, we were general counsel to First American and an issue and arisen about BCCI's relationship with First American. While we did not now know of any actual conflict of interest between BCCI and First American, we were concerned about the ammarance of a conflict as well as any potential conflict. I said ECCI was well represented by Janis, Schwelke & Wechsler, and Ray Baheun of Arant, Fox, as well as New York counsel that had been anyaged. I know that Kim Gagne had already indicated Clifferd

a Warnke's views to him, but I wanted to emplain it personally. I said that I had briefly seen Mr. Safar Imbal earlier that day at the bank, and had bentiened this to him. (As an aside, Mr. Imbal had expressed SCI's complete confidence in Mr. Slifferd and no, and said he greatly appreciated our work for SCII over the years. So said he did not know much about the First American issue in New York as his focus was solely an SCII's sperations. Mr. Impal contined that SCII had leans to some of First American shareholders, but that alone constituted his understanding of SCCI's relationship with First American. He accepted, however, my comments requesting any appearance of conflict.)

Mr. Naqvi also assepted the Visus I presented. Bevever, he seemed frustrated and stated that these allegations about the SCCI/First American relationship were "pure Nubsish." Er. Naqvi said that BCCI had "no interest thatsoever" in First American, except for a financial interest in some leans made to some of the First American shormholders (through general lines of smedit). CCAR stook had, at some point, apparently been given as pecurity. Mr. Haqvi said that some years are accil had briefly considered a merger with First American, among its various corporate restructuring strategies, but that this had never been pursued, and was herely one of the historical planning models. Mr. Naqvi said he believed the faise allegations about BCCI/First American were being spread by disseffected former BCCI employees who felt bitter toward the Bank.

In addition, he said Price Waterhouse may have created an issue in this regard by filing an unsolicited report with the Bank of England concerning SccI. (SccI's Search had not been given a sepy of the report prior to its submission.) Price Waterhouse apparently had feared earlier this year that SccI might actually fail and, as a self-protection measure, had raised every senceivable issue with the Bank of England about SccI. In that regard, Price Waterhouse had sent letters to some or all (7) First American anarcholders that had leans from SccI and asked (in what was described as a "threataning" way about their leans and whether they expected a "leas" on their First American investment. Mr. Ragvi said two small shareholders — I believe rulers from the Emirates — were alther frightened or offended by the Frice Waterhouse letter and did not return the requested response. He explained that these shareholders had relied on SccI's investment sevice and representation that First American was a good empany, and did not understand Frice Waterhouse's inquiries about quarantesing leases. Mr. Magvi said these two shareholders refused to "supply" there may be some basis to the theory they may be "nominess" of SccI. Mr. Magvi said this simply is not true.

Mr. Sagne said be personally had seen repeated instances where Price Waterhouse was engaged in this self-protection effort, and this report did not surprise him. After Abu Dhahi purchased BCCI in April, Price Waterhouse continued to raise every senceivable issue about BCCI, meriterious or BCT, So

that the new swhers sould not later Charge the scoomntants with a lack of disclosure. I listaned to these examents, and saked if I could have a copy of the report Frice Waterhouse had written. Mr. Waqvi said he would check to see if one was available. (It is noted that Larry Wechsler had been told personally by the Senior secount officer at Frice Waterhouse, Mr. Cowan, that the BCCI files on First Aperican ware "in order" and did not support any "necimes" theory.)

During the secting I mentioned to Mr. Magwi that I had had an appointment with Sheikh Kasal Adhan and Sdvised Magwi of Adham's views regarding the need for quertarly briefings. Mr. Magwi senceded that SCCI's function as our "semanlication link" with shareholders could be improved, and agreed that direct briefings of Adhan and Masrul would be more effective and preferable. This was particularly true given the impending move of SCCI to the Dhabi.

Mr. Nagvi noted that Matrui, who was regarded as a vary intalligent and belanced individual, may be concerned about being too proximent at First American out of fear of being unfairly dragged into investigations or media coverage.

Mr. Madvi explained in this regard that a Mr. Mohamad Rabroush of the U.A.Z. (who apparently handles the finances of the Abu Dhabi government) has expressed concern about unvarianted U.S. investigations and herasament by the media. Mr. Mabroush may urge Sheikh Said and Sheikh Khalifa of the U.A.Z. to sell First American to evoid unvanted publicity. (Sheikh Kamal Adham had sarlier speculated that some of the Arabs may react this way.) Mr. Rabroush apparently did not want Abu Dhabi to purchase SCCI, but Sheikh Khalifa had insisted. (Mabroush is a trusted advisar to Khalifa.) Mabroush's attitude may also effect Masrui. I thanked Mr. Ragvi for this insight.

Two issues were raised about First Aberican's sharehelders. Mr. Manmoud had died and I vendered what would happen to his holdings. Mr. Mayor said he would check with the estate and find our what they planned to de. In addition, sheikh Chalis of Saudia Arabis was considering the sale of most or all of his (approximately 10%) First harrican heldings. (Mm may keep 5-7,000 shares.) Sheikh Said was said to be interested in buying a portion (3-4%), and an adult sen of sheikh Chalifa may be interested in purchasing the remaining approximately S4. I said I would sheek the U.S. requistery requirements concerning any such sales and asked to be provided intermation on Enalife's son. Despite the foregoing, Sheikh Khelid has indicated be may still be interested in purchasing all of First American, but Mr. Hagvi does not know if this interest is serious. (Me apparently wants control doesn't want just to be a 10% owner.) Sheikh Enalid would doesn't want just to be a lower.) Sheikh Enalid would doesn't want just to be a lower.) Sheikh Enalid would doesn't want just to be a lower.) Sheikh Enalid would doesn't want just to be a lower.) Sheikh Enalid would doesn't want just to be a lower.) Sheikh Enalid would company, and Mr. Hagvi believes the shareholders would not well as Masrui) had expressed the view that they did not wish to consider a sale or moreor of first American at this time

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and that, apportingly, I was planning to esselude the current effort of Seldman, Sachs. Mr. Hagvi said he would let he know if he heard snything further about Sheikh Rhalid's interest in buying First American.

I said that I understood from Mr. Igbal that When Masrui indicated he (an hehalf of the Abu Dhabi Investment Authority) did not vish to bell First American, he was, undoubtedly also reflecting the current views of the various U.A.E. shareholders. Mr. Hagvi agreed with this assessment, but again said this sould be affected in the future by the advise of Mr. Mabroush. (The U.A.E. shareholders, together with Adham, even some 50t of the Stoot.) In about, while Adham and the others don't presently want to sell or mergs First American, some of them, including Sheith Baid (as a Fuler and a very wealthy men) have a strong aversion to personal publicity (such as Regardie's) and U.S. harassment, and such forcers sould sause a shift in their present outlook not to sell.

In an unrelated, concluding note, Mr. Maqvi vented to address the adequacy of BCCI's regulatory compliance efforts in the U.S. He asked Mr. Sagne to look into this matter and ensure that Price Waterhouse, Baidwin Tuttle, and other involved persons were ecertinating their compliance efforts and making certain BCCI had no further exposure to disined violations of U.S. legal requirements. Mr. Sagne said he would address this issue.

SENATE SUBPORNAS CHRONOLOGY OF EVENTS

July 27, 1988 - Subpoenas <u>duces tecum</u> issued to the Florida offices of SCCI (Overseas) Limited, and to Mr. 5.M. Shafi and Mr. Kalid A. Awan. Return date of August 11

- Matter is referred to the law firm of Clifford & Warnke.
- Subcommittee extends date for response for 30 days.

August 9, 1988 - Messrs. Robert Altman, John Kovin, and Robert Sanders of Clifford & Warnke meet with Committee staff. Staff advises of the progress in the hearings to date, including allegations of BCCI involvement in money laundering. Hessrs. Awan and Shaff are believed to be involved in these activities and in managing assets for drug dealers as well as Noriega.

Subpoena coverage is limited by the staff to documents for accounts that exceed \$5 million. Staff also directed BCCI to focus on documents located in Miami; documents in Panama and Colombia were not being sought by the Committee at the time due to problems in production.

August 11, 1988 - Staff provides counsel with transcript excerpts and exhibits from the hearings as background information.

August 16-17, 1988 - Messrs. Altman, Kovin, and Sanders meet with BCCI officers in Hiami (who have been designated as knowledgeable) to review the subpoenas. Hessrs. Shafi, Amjad Awan, and Bande Hassan are to collect responsive documents (with the assistance of others they may designate) and forward the records to the lawyers in Washington for production.

- Senate staff is informed by telephone that the subpoena served on <u>Kalid</u> Awan should be directed to <u>Amjad</u> Awan.
- Amjad Awan is identified by BCCI as the only person who knows the Noriega documents. All Noriega documents are said by Awan to be located abroad. (The Noriega records are said to be

depository accounts and are not actually covered by the specifications of the subpoenas.)

- BCCI officers advise that the Bank has strict policies against money laundering or handling illicit drug monies. It is noted the Bank's founder, Hr. Abedi, had specifically emphasized this policy at a BCCI management meeting in Hiami in October 1987.
- Concern is expressed that BCCI officers and property would be in serious danger from Norsega if he believes the Bank is disclosing information about him to the Subcommittee.
- 5. September 9, 1988 BCCI lawyers meet with Senate staff and advise them of the comments of BCCI officers in Miami. The following points, among others, are discussed with the Senate staff:
 - BCCI officers present a very different picture than that described by the Subcommittee. Counsel suggest the staff meet with BCCI senior management in London to obtain a full understanding of the Bank and its operations. The staff agrees, subject to authorization.
 - * Staff is advised that Awan is to be transferred by BCCI management to Paris. (BCCI management was reacting to Awan's repeated concerns about his personal safety and had therefore proposed to Awan the transfer.) When the Senate staff goes to London to meet senior management, Awan would be available to travel from Paris and could meet them in London. The staff concurs, and notes the Subcommittee may also want Awan for public testimony, a point to be decided later.
 - Mr. Shafi is also available for interview, but counsel do not believe he can provide useful information to the Subcommittee.
 - Staff is informed that Noringa has had accounts at BCCI, though documents are not covered by the subpoena as it was written. Awan has advised that the documents are located overseas. Staff is advised that BCCI does not want to discuss Noringa due to fear of reprisals and foreign law constraints.
 - BCCI is gathering acomputer listing of all Panamanians or Colombians who have depository

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accounts in Florida. (These are not covered by the subpoens, but were being obtained to provide a more complete view of the agency operations.

- Documents relating to deposits of Colombians and Panamanians in those countries are located where the deposits are made, not in the Miami effice of SCCI.
- Production of documents pusuant to the subpoena is to be made on September 14.

September 14, 1988 - BCCI counsel met with Sanate staff to review documents produced pursuant to the subpoena, as well as computer records of depositors and borrowers at BCCI's Florida agencies, and all the personal records of Shafi and Awan which had been requested. Oral requests for additional computer printouts of agency operations are made by the staff (covering other time periods).

- Staff requests that Nessrs. Clark Clifford and Robert Altman meet with Senator Kerry personally to discuss the legal and practical problems concerning production of the overseas Moriega account records.
- Staff is interested in scheduling the London trip for leter in the month.

September 15, 1988 - By letter dated September 14, 1988. Awan tenders his resignation from BCFI, citing unexplained mistreatment.

September 19, 1988 - BCCI counsel forwards/copies of documents designated by the Subcounittee. There is further discussion with the staff concerning scheduling the trip to London.

September 21, 1988 - Telephone discussion with the staff to plan the meetings in London for early October.

September 26, 1988 - Hesers. Clifford and Altman meet with Senator Kerry and Jack Blum, Special Counsel to the Committee. The Moriega document matter was discussed; the foreign law constraints and concern about the safety of BCCI personnel are presented. Senator Kerry advised he would take the matter under consideration.

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[Mote: The Mashington Times later carries a front page story that (Contends Mr. Clifford had sought at this meeting to get Senator Kerry to back off his investigation. Senator Kerry flatly denies the allegation.]

- allegation.)

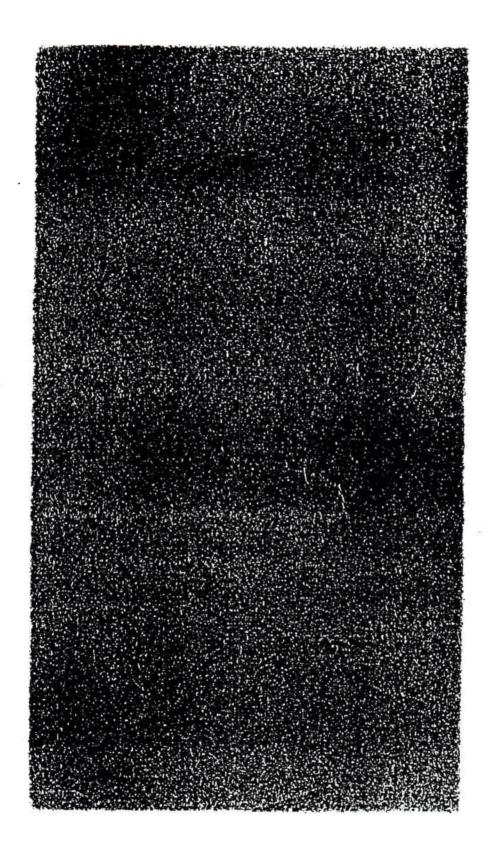
 11. September 30, 1988 | Kr. Awan accompanied by his personal attorney Jake Grabox (a lavyer recommended to Awan by the Senate staff), appears for a confidential deposition with special security arrangements.
 - Staff confirms the threat to Awan's life from Moriega,
 - Awan denies under oath any knowledge of money laundering at SCCI, or any other illegal activity at the Bank.
- 12. October 8, 1988 Indictment against SCCI is returned in Tampa. Senate staff subsequently advises counsel the Subcommittee is dropping its investigation in light of the criminal case. No further production of documents is to be made, nor will the London trip be presented.

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