



FEDERAL RESERVE BANK
OF DALLAS

ROBERT D. McTEER, JR.
PRESIDENT
AND CHIEF EXECUTIVE OFFICER

August 20, 1991

DALLAS, TEXAS 75222

Notice 91-68

TO: The Chief Executive Officer of each member bank and others concerned in the Eleventh Federal Reserve District

SUBJECT

Formal Enforcement Proceedings Against
Bank of Credit and Commerce International (BCCI)

DETAILS

The Federal Reserve Board has commenced a formal enforcement proceeding against BCCI Holdings (Luxembourg) S.A., two subsidiary banks of BCCI in Luxembourg and the Cayman Islands, a Cayman Islands bank related to BCCI, and several individuals associated with BCCI, for violations of U.S. banking laws. The Board's enforcement proceeding includes the following:

- The assessment of civil money penalties in the amount of \$200 million against BCCI and its related banks and companies; and
- Actions seeking to permanently bar the individuals listed below from any involvement with U.S. banking organizations in the future:
 - Agha Hasan Abedi, the founder and former president of BCCI;
 - Swaleh Naqvi, the former chief executive officer of BCCI;
 - Hasan Mahmood Kazmi, a former senior officer of a company controlled by BCCI; and
 - Kamal Adham, Faisal Saud Al-Fulaij, A. R. Khalil, Sayed Jawhary, Ghaith R. Pharaon, and Khusro Elley, each of whom had relationships with BCCI.

The enforcement proceeding is based on evidence of secret arrangements between senior officials of BCCI and customers of BCCI that were designed to allow BCCI to acquire shares of Credit and Commerce American Holdings, N.V.

(CCAH). The arrangements typically included loans to BCCI's customers for the purpose of acquiring shares in CCAH companies. The loans were extended with the understanding that the customer would not be required to repay the loans. BCCI was given authority to sell the shares purchased and retain any profits. In return, BCCI agreed to indemnify each customer and paid fees to the customers for their participation in the transactions. Evidence obtained during the Board's investigation shows that BCCI resorted to these arrangements because BCCI could not obtain the necessary approvals from the Board to acquire a U.S. bank. Evidence of the loans and nominee arrangements with BCCI customers was kept outside the United States and concealed from regulators.

The Board's action does not affect the operations of any of the banks in the United States over which BCCI gained control. Earlier this year, the Board issued supervisory orders prohibiting transactions between these banks and BCCI and directing BCCI to divest any shares held in the banks.

MORE INFORMATION

For additional information, please contact Dean Pankonien, Assistant General Counsel, Federal Reserve Bank of Dallas, (214) 651-6228. For copies of the Board's Notice of Charges or for additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 651-6289.

Sincerely yours,

Robert D. McTeer, Jr.