

Audit Shows BCCI Paid Front Men \$47 Million

Price Waterhouse Report Details Payments in 1st American Acquisition, Other Activities

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LONDON, Aug. 3—Seven Arab business executives and companies received as much as \$47 million for acting as front men for the illegal takeover of Washington's First American Bankshares Inc., according to an audit for the Bank of England, details of which were reported today by the British press.

The audit by the accounting firm of Price Waterhouse provides the first complete details of how much the Bank of Credit and Commerce International (BCCI) paid the seven to act as phony stockholders to mask its

control of First American Bankshares.

The Federal Reserve Board last week filed a civil action seeking \$200 million from BCCI. Further, the Fed sought to bar BCCI as well as its seven front men and the bank's top two executives, Agha Hasan Abedi and Swaleh Nagvi, from any future involvement in U.S. banking.

Abedi and Nagvi also were indicted last week on criminal charges of fraud and money laundering in New York.

The new details of BCCI's global fraud were contained in an audit that was released Friday to the bank's creditors in a sanitized version, with all the names blanked out, although it

was possible to determine some of the names and institutions from the context of the material. The Bank of England cited the audit as triggering the July 5 decision to shut down the bank.

Details of the audit were reported today in three London newspapers—the Daily Telegraph, the Financial Times and the Independent.

The Price Waterhouse report is written in the dry, dusty and arcane language of accountants—broken by the use of code names for BCCI, its branch in the Cayman Islands and Washington's First American.

But it provides new details about a banking scandal the stretches around

the world and has touched governments and political leaders in the United States, Great Britain, Peru, Argentina and other countries.

In a detailed synopsis of the report carried in today's edition of the Financial Times, Price Waterhouse said the top management of BCCI was involved "in a massive and complex web of fictitious transactions in what is probably one of the most complex deceptions in banking history."

This was all done to cover up "total losses of several billions of dollars," although Price Waterhouse said the deception was so massive "that the true financial history" of the 19-year-

old BCCI "is unlikely to be able to be recreated."

The purchase of Washington's First American Bankshares, code-named "WXYZ," involved the use of loans by BCCI that were never intended to be repaid, the report said. The Fed, in its civil complaint, had listed the seven fronts in the purchase as Kamal Adham, Faisal Saud Al-Fulaij, A.R. Khalil, Sayed Jawhary, Mashrig Holding Co., Humaid Bin Rashid Al Naomi and Ali Mohammad Shorafa. In addition to loans, they all received various payments and fees.

The Price Waterhouse audit said one of the seven was paid \$1,006,000, with most of the money received last August. A second man received \$1.664 million from 1985 to 1990 while a third was paid \$2.4 million during the same period.

The report was less clear on how much another nominee was paid. It said he received \$15 million plus a

possible \$1 million to \$2 million a year. Another man was paid a possible \$5 million, while the other two received \$15.8 million and \$6.5 million, respectively.

The audit blamed the massive deception squarely on the ailing, 68-year-old Abedi, the Pakistani who founded BCCI in 1972 and dreamed of its becoming a global Islamic financial institution, and Naqvi, his chief executive.

The audit said 11 unnamed senior officials—general managers or account officers—aided Abedi and Naqvi. The audit, according to the Financial Times, said Abedi "surrounded himself with a core team" that was responsible for the "creation and falsification of documentation and fraudulent account entries and fund flows."

Although some executives took part in the fraud out of "blind loyalty," the report noted that senior manag-

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ers "have been provided with significant loans... that are not necessarily repayable on leaving employment."

Other revelations of the audit, as detailed in the Financial Times, include:

- The manager of BCCI's London-based investment operations reported increased profits throughout the 1980s when in fact his department "incurred significant losses." As the losses rose, the staff misappropriated deposits and trust funds and created phony loans to make it appear they were generating a profit for BCCI. The losses—and the phony profits—amounted to \$849 million.

When the manager was forced to leave in 1986, he took his records with him and two years later he forced BCCI to pay him \$32 million to keep quiet about his activities.

- The fraudulent activities became so pervasive in the BCCI operation that the bank set up a special department that did nothing but falsify records of deposits and loans to make the bank look richer than it was.

- One of the biggest coverups involved the Gulf Group, a shipping empire owned by the Gokals, originally a Pakistani family, that was BCCI's largest single customer. Unrepaid loans to that group were so extensive that the account was shifted to the bank's Cayman Islands branch, code-named "Fork," to avoid Bank of England regulation.

Over a 15-year period, BCCI used



AGHA HASAN ABEDI
... blamed for massive deception

750 different accounts to hide the losses from the Gulf Group as money was moved from one account to another to make it appear that interest was being paid on loans. The bank reportedly was concerned that if it did not cover up the Gulf Group's debts, the shipping operation would fail and bring down BCCI with it.

- In its audit, Price Waterhouse said it had been "informed" that the majority stockholder of BCCI with 77 percent of its shares, the government of the oil-rich emirate of Abu Dhabi, learned about BCCI's fraudulent activities in April 1990 but never informed the Bank of England.

Price Waterhouse left it unclear, however, whether Abu Dhabi's ruler, Sheikh Zayed bin Sultan Al Nahyan, knew about BCCI's activities.