

*Up John*

# Fed Document Challenges Clifford, Altman

## Questions Are Raised on BCCI-Backed Stock Deal, Management Policies at 1st American

By Jim McGee  
Washington Post Staff Writer

The names Clark M. Clifford and Robert A. Altman are barely mentioned in the Federal Reserve's 100-page document alleging that their bank company, First American Bankshares Inc. of Washington, was secretly and illegally controlled by the Bank of Credit and Commerce International (BCCI).

But on two key questions, the Fed document, released July 29, appears to directly challenge past statements by the two Washington lawyers describing how they ran First American for a decade.

■ Did the loans BCCI made to Clifford and Altman in 1986 to buy \$18 million in First American stock violate a formal commitment they made to the Fed in 1981? The Fed was wary of the Luxembourg-based bank having any role in financing the purchase of shares in First American's bank holding company. Before it would approve the takeover by a group of foreign investors in 1981, the Fed demanded a promise that BCCI loans would not be used to buy shares in the Washington-based company.

The Fed alleges, however, the pledge was violated when BCCI financed First American stock pur-

chases from 1982 to 1990, a period that would include the BCCI loans to Clifford and Altman. Representatives for Clifford and Altman have argued that the 1981 restriction on BCCI loans applied only to the original takeover of First American, not to any subsequent stock purchases.

■ Was BCCI involved in the management of First American through participation in hiring decisions and key acquisitions despite assurances to the Fed from Clifford and Altman that BCCI would have no role in running First American?

The Fed report said BCCI was involved with First American in ways that violated the 1981 commitments. Clifford and Altman have said BCCI never influenced their running of the bank. Clifford is the chairman of First American and Altman is the president.

The Fed document is a kind of civil indictment that seeks to bar BCCI officials and four First American shareholders from the American banking industry and proposes a \$200 million fine against BCCI, which has seized by regulators overseas and were indicted by a New York grand jury for fraud and brib-

ery.

As part of its investigation of the BCCI-First American relationship, the Fed is continuing to examine the actions Clifford and Altman. The Fed last Monday did not charge Clifford and Altman with wrongdoing.

But the Fed regulators, who have questioned Clifford and Altman for several days and listened to arguments from their team of defense lawyers, did allege that BCCI controlled First American, Washington's biggest bank holding company.

Legally there are two kinds of control a bank can have over another: it can own a controlling block of stock, and it can exercise what the Fed calls "controlling influence" over management decisions.

In its charges against BCCI, the Fed cited examples of both kinds of BCCI control over First American, beginning in 1981 when BCCI secretly financed the acquisition of First American through the use of Middle Eastern front men.

Through their lawyers, both Clif-

ford and Altman declined to be interviewed for this article and their testimony before the Fed has not been released.

In an interview last year with reporters from The Washington Post, Clifford said: "At no time has BCCI interfered in any way in any judgments we have made on behalf of First American Bankshares."

Altman, in the same interview, said: "We think that the Fed totally understands the relationship with BCCI and the function BCCI would perform."

Carl Rauh, a Washington attorney who represents Clifford and Altman, said last week: "None of the charges that the Federal Reserve has leveled against BCCI suggests to us that

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BCCI controlled any decision by Mr. Clifford or Mr. Altman or the First American boards of directors. BCCI did not in any way control those decisions. And the Fed order does not suggest to us the contrary."

As to BCCI's illegally acquired ownership of First American, Clifford and Altman have said that if BCCI did gain secret control, they had no knowledge of it and were duped.

But if Clifford and Altman were duped, it was by clients and business associates with whom they dealt regularly, and who had arranged for them to earn many millions of dollars, according to the Fed report and previous Washington Post interviews with the two lawyers.

The Fed identified former BCCI president Agha Hasan Abedi, former BCCI chief executive Swaleh Naqvi and First American shareholder Kamal Adham as the architects of the secret takeover of First American. Clifford and Altman have said they dealt frequently with these men in

guiding the affairs of First American.

During extended interviews with reporters for The Washington Post in 1990 Clifford and Altman said they met about four times a year with senior BCCI executives, in either London or New York, to brief them on First American's budgets, performance, future plans and any need for additional capital. They said BCCI was their "communications link" with the Middle Eastern shareholders.

"Naqvi sat in a lot with Abedi," Clifford said. "Abedi was the dreamer, the conceptualist. And Naqvi was the numbers man." Clifford said that "what we were doing was reporting to our owners and to our investors, who were represented by Kamal Adham and Mr. Abedi."

Clifford said last year he was offered the post of First American chairman in 1980 over lunch in London with Abedi and Adham. He said Adham told him: "Mr. Clifford, we would like you to operate the property." The veteran Washington lawyer said he accepted immediately on

one condition: "I will take the responsibility if I am also given total control and authority."

In August 1981 the Fed approved the takeover of First American based on assurances from Clifford that BCCI would have "no role" in the ownership or management of First American beyond serving as an adviser to individual shareholders.

Clifford said the promise was honored.

One instance in which the Fed said BCCI did intrude, however, was the creation of a First American subsidiary in New York in 1983. Altman said in The Washington Post interviews that he oversaw the creation of the First American Bank of New York (FABNY), including the hiring of key executives and negotiating the acquisition of established bank branches from Bankers Trust Co.

"What we were, in effect, doing is starting a bank from scratch," Clifford said last year. He said Altman took a hands-on approach during the early years. "Bob did most of it," Clifford said.

Altman hired Khsuro Elley, then head of BCCI's New York office, and Aijaz Afridi, a former general man-

ager at BCCI.

"During his tenure at FABNY, Afridi continued to keep in close contact with BCCI, speaking almost daily with BCCI's London office," the Fed alleged.

"We were looking for individuals who had foreign experience," Clifford said last year. During this period Bruno Richter, a veteran New York banker, was named FABNY chief executive after three meetings with Abedi. The Fed said Richter and Afridi had been recruited by Abedi.

When Richter tried to hire an assistant, the Fed claimed, "before the individual could be hired he had to go through two sets of interviews: one with Elley and Altman, and another in London with Abedi, Afridi and Naqvi."

Altman and Clifford said last year they consulted BCCI on the hiring of Richter and others because they wanted BCCI's advice and hoped to win more BCCI business; but they made the final decision. "There has been no participation, directly or indirectly, by BCCI," Clifford said last year.

Under a section titled "BCCI Participated in the Purchase of Branches for FABNY," the Fed said, Elley "continued to negotiate for the acquisition of the branches, ostensibly on behalf of FABNY. BCCI, however, continued to control the negotiations, including such terms as price." Clifford and Altman said last year they were in charge of the negotiations.

After Elley became a First American executive he continued to receive a "financial benefit" from BCCI, the Fed said, and provided regular reports on First American's performance to BCCI's "Americas Coordinating Committee."

At one such meeting, according to the Fed, Elley told the assembled BCCI executives, "In America we are sitting on \$7 billion [in] assets and this is just the beginning." The combined assets of First American, National Bank of Georgia and BCCI's U.S. operations were \$7 billion, the Fed said.

In September 1990 a Washington Post reporter asked Clifford if he or Altman attended meetings of a BCCI coordinating committee. "Neither Mr. Clifford nor I ever attended any meeting of such a group, nor, for that matter, have we ever heard of such a committee," Altman said.

The second First American acquisition cited by the Fed involved the December 1986 decision to buy National Bank of Georgia (NBG). The Fed alleged that BCCI decided to have First American acquire the Georgia bank, which it owned secretly through Saudi Financier Ghaith Pharaon, as a way of improving BCCI's balance sheet and warding off Pharaon's creditors.

"BCCI caused [First American's holding company] to agree to purchase the shares of NBG from Pharaon for \$220 million" the Fed alleged, and BCCI funded the purchase through loans.

The acquisition of what became First American Bank of Georgia was the holding company's biggest acquisition. Clifford told The Post last year that buying NBG was his idea, which he got from reading the trade press. "I started it, in a call to Abedi," said Clifford, who stressed that First American had to bid against a competing bank.

Another section of the Fed's summary addresses the question of how long a commitment is good for.

The Fed approved the 1981 takeover of First American's holding company based on assurances that BCCI was not funding the purchase of shares.

In 1986 and 1987 Clifford and Altman purchased shares in First American with \$18 million lent to



**CLARK M. CLIFFORD**  
... chairman of 1st American

them by BCCI. Within 18 months Clifford and Altman sold a portion of their shares to another First American shareholder for \$32 million. They earned a cash profit of \$9.8 million on the sale and gained full ownership of their remaining shares—valued at \$7.4 million to \$22.9 million.

The Fed's allegations described BCCI's manipulation of the stock price just before the sale to Clifford and Altman, which enabled them to buy the shares at a markedly low price. "BCCI financed each purchase and the acquired shares were pledged to secure the loans," the Fed said.

Clifford and Altman's representatives insisted the 1981 promise that BCCI would not fund the acquisition of shares in First American's holding



**ROBERT A. ALTMAN**  
... president of 1st American

company applied only to the original takeover and not to any subsequent purchases of shares in First American's holding company.

But a senior Fed official has said the Fed viewed that commitment as permanent. The Fed's allegations described at length the representations that "BCCI not fund the acquisition" of shares. The Fed quoted the original application, which said "Neither is it [BCCI] a lender, nor will it be." The Fed also cited a 1981 letter from the comptroller of the currency that noted assurances that BCCI would not be involved in financing the acquisition.

"This commitment is critical, both now and in the future," said the comptroller's letter, which was referred to during a 1981 Fed hearing on the takeover attended by Clifford and Altman.

## Thornburgh: More BCCI Indictments Coming

Associated Press

Additional indictments against the Bank of Credit and Commerce International are expected "very soon," the first of them probably in a month or six weeks, Attorney General Dick Thornburgh said yesterday.

The Luxembourg-based bank, the center of a growing international uproar, was indicted by a state grand jury in New York last week on charges of bribery and fraud. The bank's operations have been shut by regulators in a number of countries, including the United States.

Thornburgh, appearing on CBS's "Face the Nation," said the forthcoming indictments would be in the areas of money laundering and bank regulatory violations, but he declined to give details.

Federal grand jury investigations of BCCI are underway in Tampa,

Miami, Washington and Atlanta, Thornburgh said.

Thornburgh declined to say whether any federal officials are under investigation. He also said he has no indication that the CIA, which has said it moved large amounts of money through BCCI, was involved "in any illegal actions relative to BCCI."

Thornburgh said there is no truth to criticism that the Justice Department was slow to pursue wrongdoing by the bank.

William von Raab, customs commissioner in the Reagan administration, said on CNN's "Newsmaker Sunday" that both the Justice and Treasury departments "should have done more than they did."

He said no customs agents had said "they thought anyone was actively discouraging them from in-

vestigation—only that nobody was encouraging them and they got a feeling this was not going to help their careers."

"We don't have a villain. We don't have someone to string up," von Raab said. "We also don't have a champion. We don't have a U.S. attorney who is on this case."

Thornburgh, in a sharp response to such criticism, said: "We don't deal in sound bites. We have to present evidence in court."

He said the cases are complex, but the investigation is continuing and "I expect we will reach indictments very soon."

"I expect in the next month or six weeks we will have the first of the indictments," he said. "I am satisfied we have had a vigorous and proper investigation of every allegation that is credible."