

British Judge Delays Plan to Dismantle BCCI

7/31/91

By Steven Mulson
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LONDON, July 30—A British court today delayed dissolving the Bank of Credit and Commerce International for four months to give the ruler of Abu Dhabi time to come up with a rescue plan for the allegedly fraud-riddled institution.

The court decision dealt a blow to the Bank of England, which wanted to permanently shut down BCCI immediately, but elated BCCI employ-

ees and BCCI depositors, who hope that Abu Dhabi's Sheikh Zayed bin Sultan al-Nahyan will save their jobs and savings.

The government of Abu Dhabi and its ruler today deposited 50 million pounds (\$84 million) in the London branch of the National Bank of Abu Dhabi to cover partial payments to BCCI's small depositors and to resume the payment of salaries to BCCI employees in Britain.

Government officials in Britain, Luxembourg, the Cayman Islands

and several other countries took control of BCCI operations on July 5 after officials said audits and investigations showed widespread evidence of wrongdoing. New York authorities announced the indictment of BCCI Monday on fraud charges, and the Fed said it was seeking \$200 million in fines from BCCI.

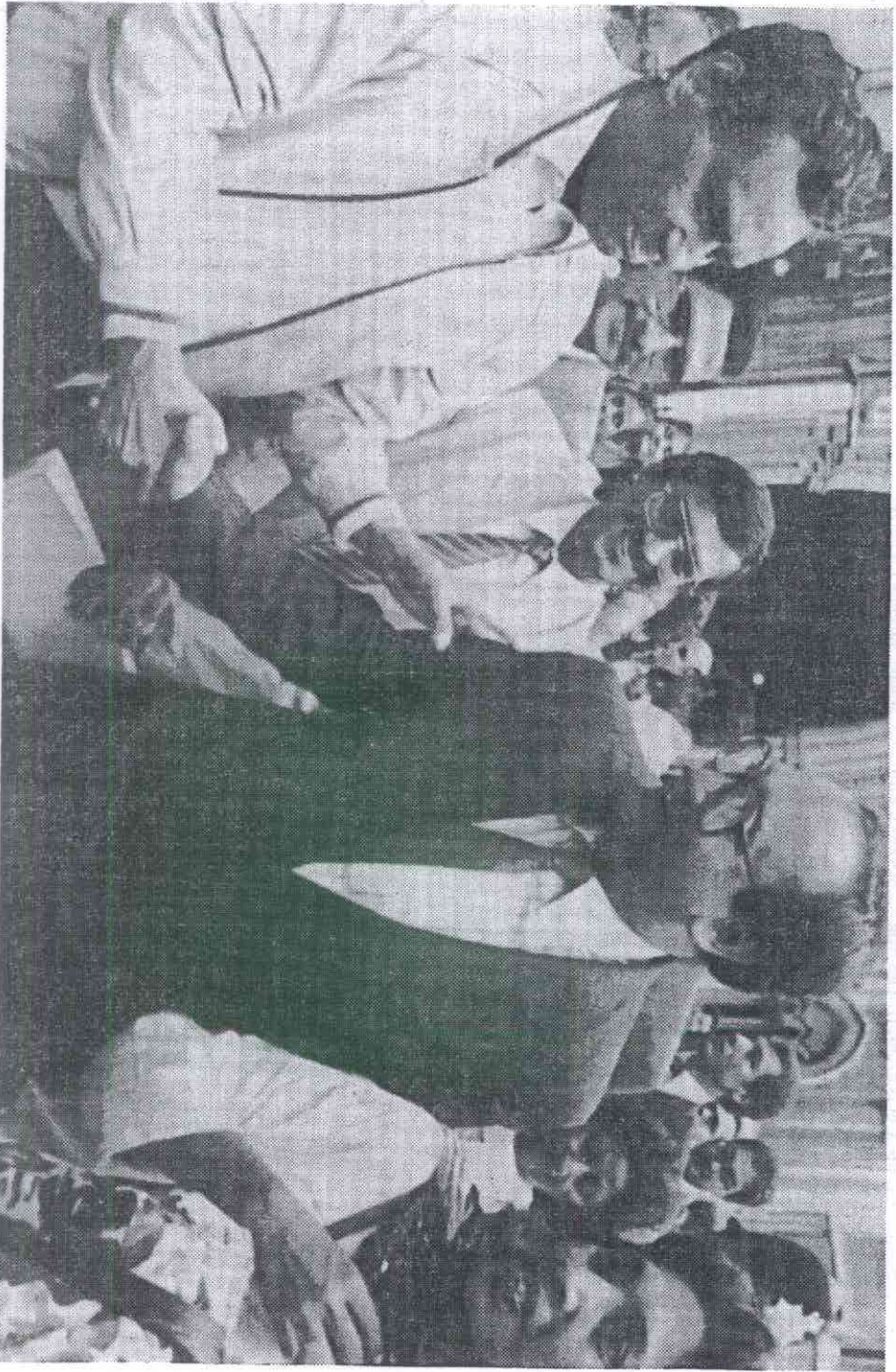
Since the July 5 seizures, the future of the banks has been in question.

The judge, Vice Chancellor Sir Nicolas Browne-Wilkinson, said he had

"no hesitation" in brushing aside the Bank of England's objections to the delay and said that giving more time for a rescue plan was "in the interests of the depositors as a whole."

Rakesh Shah, a BCCI employee in London who has money deposited in the bank, said he was "relieved" at the outcome. "It is a great psychological victory against the Bank of England . . . [which] is only interested in closing down BCCI and is not interested in its depositors or share-

See BCCI, A6, Col. 1



British lawmaker Keith Vaz is congratulated by BCCI employees in London yesterday after court ruling. Vaz supported the employees in an effort to restructure bank.

REUTERS

BCCI, From A1

holders," he said after cramming himself into the crowded courtroom.

The fate of BCCI now rests with Sheikh Zayed, his son and the government of the Persian Gulf emirate. They now own 77 percent of BCCI, having increased their stake last year in an effort to rescue the troubled bank.

So far, they have injected more than \$1 billion into BCCI, and billions more may be required to save the institution, rife with bad loans.

Sheikh Zayed's willingness to consider further cash infusions for BCCI has become as much a matter of honor as of business, bankers and political analysts say. Although angered by the sudden seizure of BCCI, the Abu Dhabi ruler is being portrayed as wanting to maintain his good business name, and he has the oil wealth with which to do it.

"The Arabs never like to lose face," said a British bank executive who has talked to Abu Dhabi officials about joining a restructured BCCI. He said that Abu Dhabi was consid-

ering salvaging part of the BCCI network, which extended to 69 countries.

Other bankers, however, were skeptical about whether the bank could ever be reopened without a run on deposits after so much adverse publicity.

Similar to Britain's legislated deposit protection plan, the Abu Dhabi fund for BCCI will give depositors in the United Kingdom three-quarters of their money up to a maximum of 5,000 pounds (\$8,250). Under British law, depositors could receive as much as 15,000 pounds (\$24,750) from a fund raised from other British banks. The Bank of England had demanded that Abu Dhabi match the maximum set in British legislation. That would have required an additional 39 million pounds (\$65.5 million).

The former head of BCCI, Swaleh Naqvi, who allegedly kept 6,000 files that were the accounts of the "bank within a bank" at the heart of the alleged BCCI fraud, is in Abu Dhabi. Although housed in luxurious quarters, it is not clear whether he is free to leave the emirate. One report said his passport has been confiscated, but Naqvi has refused to comment to reporters there.

The irony of the Bedouin ruler of Abu Dhabi, once a British protectorate, coming to the aid of the Bank of England and British citizens has not been lost on the British public. Several members of parliament and British newspapers have commented on the spectacle of the Bank of England closing BCCI, then dispatching its governor, Robin Leigh-Pemberton, to Abu Dhabi to ask for money to pay off depositors and creditors.

Sheikh Zayed was born in 1917, long before oil was discovered in his desert realm. He came to power in 1966 when he overthrew his brother, who is said to have kept his money in his tent.

In 1971, when Britain withdrew from its protectorate role for the

small Arabian Peninsula states, Sheikh Zayed played an important part in bringing together seven of the states into the new nation of the United Arab Emirates. Rulers of two of the seven have been named by the Federal Reserve as acting as fronts for BCCI in the covert and illegal acquisition of Washington-based First American Bancshares. Sheikh Zayed has not been named. Although the UAE rulers are familiar with one another, relations between them can be strained and their interests often differ, political analysts note.

Abu Dhabi is the biggest of the seven emirates, the biggest oil producer and the richest in oil reserves. Together, the UAE exported \$15.7 billion worth of oil in 1990 and Abu Dhabi accounted for 82 percent of total production. Its production capacity is expected to nearly double by the mid-1990s.

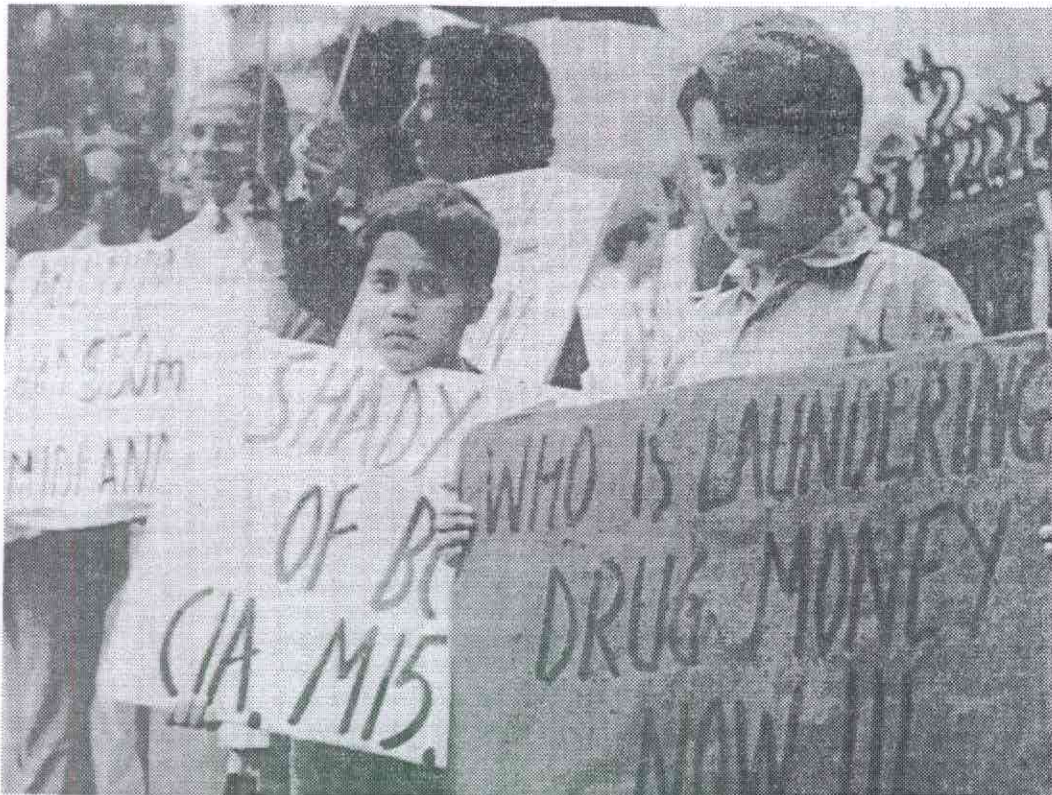
Sheikh Zayed's rule has been relatively progressive. His city state has good educational and health facilities. His old palace is a national archive housing documents on the history of the gulf states. He has planted more than a million trees and lush gardens.

Zayed, however, is a man of the desert and it is an old custom for the wealthy sheikhs of the Persian Gulf to go to Pakistan with their trained hawks and hunt the hubara bird, the desert pheasant. It is a newer custom, dating from the boom in Persian Gulf oil wealth, for the sheikhs to turn into the prey of business people who are more fox than pheasant.

In the early 1970s, when Pakistani banker Agha Hasan Abedi needed money to found BCCI, he flew to Abu Dhabi to enlist Sheikh Zayed's support.

Although Sheikh Zayed has been an important shareholder in BCCI since its founding in 1972, he is believed to have kept a passive interest until last year.

Though his financial support was



REUTERS

Families of BCCI employees demonstrate outside London court. A judge delayed for four months dismantling of the bank.

crucial to the growth of BCCI, he has not been implicated in any wrongdoing, according to the Bank of England.

In 1990, as the magnitude of BCCI's troubles began to emerge in reports of its auditors, the Bank of England turned to Abu Dhabi for help in restructuring BCCI.

In consultation with the British central bank, Sheikh Zayed and the Abu Dhabi government injected about \$1.1 billion into BCCI and increased their stake to 77 percent.

They pledged to restructure the bank and move the headquarters out of the relatively unregulated bases

of the Cayman Islands and Luxembourg. Three new units would be based in London, Abu Dhabi and Hong Kong.

Abu Dhabi also gave BCCI \$1.4 billion in deposits and agreed to take responsibility for \$3 billion to \$4 billion worth of shaky loans.

New executives were recruited from respected major banks in London, including two high-ranking officials of Lloyd's Bank. Final talks were to be held with the Bank of England on the same day British authorities moved to close down BCCI.

Analysts say that Abu Dhabi may have wanted to buy BCCI to help

build up the non-petroleum sector of its economy. Abu Dhabi has become a reexport zone, importing fabrics from Pakistan and India, making textile goods and reexporting them. It is also a major distribution and service center for the Persian Gulf region.

And it had some ambitions to become an offshore banking center like Hong Kong or Singapore. The Abu Dhabi government "was going to build BCCI up as a flagship bank," said one of the executives who was to become a key financial officer of the restructuring plan scotched by the July 5 shutdown.