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FEDERAL RESERVE press release



For immediate release

September 17, 1991

The Federal Reserve Board today announced it has assessed a \$37 million civil money penalty against Ghaith R. Pharaon for violations of U.S. banking laws in connection with BCCI's illegal acquisition of the Independence Bank, Encino, California.

In its Notice the Board charged that BCCI, acting through Pharaon as a nominee or agent, acquired secretly and in violation of the Bank Holding Company Act, 85 percent of the voting shares of the Independence Bank. On July 12, 1991, the Board initiated administrative action to ban Pharaon and others from U.S. banking for participation in the acquisition.

The Department of Justice, acting on behalf of the Board, has filed suit in U.S. District Court in New York to freeze Pharaon's assets in the United States pending the completion of the Board's enforcement actions against him, and the U.S. District Court today issued a temporary order freezing Pharaon's assets. The case is being handled for the Board by Assistant U.S. Attorneys for the Southern District of New York.

The U.S. District Court action is being brought under recently enacted provisions contained in the Crime Control Act of 1990.

The civil money penalty assessment and U.S. District Court actions were taken after close consultation with the Department of Justice. The Department fully supports the Board's actions against Pharaon.

The Board earlier assessed a \$200 million fine against BCCI and took action to bar Pharaon and eight other persons from any involvement with U.S. banks. These actions are described in Notices issued by the Board on July 12 and 29, 1991. At the request of the Department of Justice, the Board has temporarily deferred the assessment of civil money penalties against the eight other individuals pending completion of the Department's criminal investigations. The eight include Agha Hasan Abedi and Swaleh Naqvi, the former chief executive officers of BCCI.

A copy of the Board's Notice is attached.

Attachment

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

In the Matter of	)	Docket Nos.	91-037-E-I1
	)		91-037-CMP-I1
GHAITH R. PHARAON,	)		91-037-E-I2
	)		91-037-E-I3
AGHA HASAN ABEDI,	)		91-037-E-I4
)		
SWALEH NAQVI, and	)	Notice of Assessment of a	
	)	Civil Money Penalty Issued	
KEMAL SHOAIB,	)	Pursuant to Section 8(b) of	
	)	the Bank Holding Company Act	
Institution-Affiliated Parties	)	of 1956, as Amended, and	
of BCCI Holdings (Luxembourg)	)	Amended Notice of Intent to	
S.A., Luxembourg, and the	)	Prohibit Issued Pursuant to	
Bank of Credit and Commerce	)	Section 8(e) of the Federal	
International S.A., Luxembourg	)	Deposit Insurance Act, as	
	)	Amended	
)		
)		

SUMMARY OF CHARGES

The Board of Governors of the Federal Reserve System

(the "Board of Governors" or the "Board") is of the opinion that:

A. BCCI Holdings (Luxembourg) S.A., Luxembourg ("BCCI Holdings"), and its subsidiary, the Bank of Credit and Commerce International S.A., Luxembourg ("BCCI S.A.") (collectively, "BCCI"), acting through International Credit and Investment Company (Overseas) Limited, George Town, Cayman Islands ("ICIC Overseas") and Ghaith R. Pharaon ("Pharaon"), illegally acquired ownership and control of the voting shares of Independence Bank, Encino, California ("Independence") without the prior approval of the Board of Governors as required under the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 et seq.) (the "BHC Act"), and filed false regulatory reports with the Board that concealed its ownership of Independence.

B. ICIC Overseas, on behalf of, at the direction of, and with the assistance of BCCI, entered into a nominee or agency contract with Pharaon regarding Independence. The contract provided that Pharaon would hold 85 percent of the shares of Independence as a fiduciary for ICIC Overseas. ICIC Overseas in turn held the shares of Independence for and on behalf of BCCI. BCCI conceived the idea of acquiring Independence to further its business purpose, negotiated the acquisition, provided management support for Independence, continued to provide employee-type

benefits to the then-chairman of Independence, who was previously a senior BCCI official, and provided the financing for the acquisition of virtually all of the shares of Independence and for periodic capital contributions.

C. Pharaon made several false statements in his notice of a change in bank control filed with the Federal Deposit Insurance Corporation (the "FDIC") in connection with his purported acquisition of Independence, by intentionally concealing the fact that he was acting as nominee or agent for BCCI and ICIC Overseas, indicating that he was the acquiring party, and concealing that the acquisition was being funded by BCCI.

D. Pharaon violated the provisions of the BHC Act and Regulation Y by participating in and aiding and abetting the unlawful acquisition of Independence shares by BCCI and ICIC Overseas, and caused, brought about, or participated in the filing of false and misleading regulatory reports with the Board.

E. Agha Hasan Abedi ("Abedi"), the president and founder of the BCCI organization, Swaleh Naqvi ("Naqvi"), a principal officer of BCCI, and Kemal Shoaib ("Shoaib"), a former principal officer of BCCI and the former chairman of Independence, violated the BHC Act by causing, bringing about, participating in, and aiding and abetting the above-described violations of the BHC Act and Regulation Y by BCCI and ICIC Overseas.

Accordingly, the Board of Governors hereby issues this Notice of Assessment of a Civil Money Penalty and Amended Notice of Intent to Prohibit (the "Amended Notice"):

(I) for the purpose of assessing a civil money penalty against Pharaon for his violation of the BHC Act and Regulation Y pursuant to the provisions of Section 8(b) of the BHC Act (12 U.S.C. 1847(b)); and

(II) for the purpose of determining whether an appropriate order permanently prohibiting Pharaon, Abedi, Naqvi, and Shoaib from participating in any manner in the affairs of an insured depository institution should be issued against each of

them under the provisions of Section 8(e)(1) of the Federal Deposit Insurance Act (the "FDI Act") (12 U.S.C. 1818(e)(1)).

In support of this Amended Notice, the Board of Governors alleges the following:

JURISDICTION

1. BCCI S.A. is a foreign bank existing and doing business under the laws of Luxembourg, and is a company for purposes of the BHC Act. BCCI S.A. operates agencies in New York and California. On July 5, 1991, the Directorate of the Luxembourg Monetary Institute took action to secure control over the assets of BCCI S.A.

2. BCCI Holdings is a foreign company existing and doing business under the laws of Luxembourg, and is a company for purposes of the BHC Act. BCCI Holdings owns or controls BCCI S.A., other subsidiaries, and, through nominees, Independence.

3. ICIC Overseas is a foreign bank existing and doing business under the laws of the Cayman Islands, and is a company for purposes of the BHC Act. On July 5, 1991, the Inspector of Banks and Trust Companies, Cayman Islands, took action to secure control of the assets of ICIC Overseas. ICIC Overseas operated under the control of and at the direction of senior BCCI management, including Abedi and Naqvi, to further the business

objectives of BCCI, and acted as the alter ego or agent for BCCI in connection with the acquisition of Independence and a number of other transactions.

4. By virtue of their operation of agencies in the United States, BCCI Holdings and BCCI S.A. are and have been, at all times pertinent to the charges herein, subject to the provisions of the International Banking Act of 1978 (12 U.S.C. 3101 et seq.) (the "IB Act"), Regulation K (12 C.F.R. Part 211), and Sections 8(b)-(s) of the FDI Act (12 U.S.C. 1818(b)-(s)). By virtue of their ownership or control of the voting shares of Independence, BCCI Holdings, BCCI S.A., and ICIC Overseas also are and have been, at all times pertinent to the charges herein, bank holding companies subject to the provisions of the BHC Act (12 U.S.C. 1841 et seq.) and Regulation Y (12 C.F.R. Part 225).

5. Pharaon is and has been, at all times pertinent to the charges herein, an institution-affiliated party, as defined, for purposes of this Amended Notice, by Sections 3(u) and 8(b)(3) and (4) of the FDI Act (12 U.S.C. 1813(u) and 1818(b)(3) and (4)), by virtue of his activities as an agent or nominee for BCCI and ICIC Overseas. As such, Pharaon is subject to the removal and prohibition provisions of the FDI Act (12 U.S.C. 1818(e)), and the civil money penalty provisions of the BHC Act (12 U.S.C. 1847).

6. Abedi was, at all times pertinent to the charges herein, an officer and director of BCCI Holdings and BCCI S.A., and a director of ICIC Overseas. By virtue of these positions, Abedi was at all times pertinent hereto an institution-affiliated party. As such, Abedi is subject to the removal and prohibition provisions of the FDI Act.

7. Naqvi was, at all times pertinent to the charges herein, general manager of BCCI S.A and a principal officer of ICIC Overseas. By virtue of these positions, Naqvi was an institution-affiliated party, and is subject to the removal and prohibition provisions of the FDI Act.

8. Shoaib was, at all times pertinent to the charges herein, an institution-affiliated party of BCCI, subject to the removal and prohibition provisions of the FDI Act, by virtue of his activities as an officer or employee of BCCI S.A. and as an agent of BCCI while employed as chairman of Independence, and the Board of Governors's determination, in this particular case, that Shoaib is an institution-affiliated party who participated in the conduct of the affairs of BCCI.

9. Pursuant to Section 3(q) of the FDI Act (12 U.S.C. 1813(q)) and Section 8(a) of the IB Act (12 U.S.C. 3106(a)), the Board of Governors is the appropriate federal banking agency with jurisdiction over Pharaon, Abedi, Naqvi, and Shoaib, and has the

authority to bring the prohibition and civil money penalty actions set forth in this Amended Notice against such parties under Sections 8(b)(3) and (4), (e), and (i) of the FDI Act, and Section 8(b) of the BHC Act.

FACTUAL ALLEGATIONS

Acquisition of Independence Through Pharaon

10. During the early and mid-1980s, BCCI believed that it could not obtain the approval of the Board of Governors to acquire a bank under the BHC Act because the consolidated BCCI organization worldwide was not subject to supervision by its home country and because BCCI could not meet the regulatory disclosure, financial and managerial standards, and other requirements of the BHC Act and the IB Act.

11. Prior to November 1984, Abedi, president of BCCI, expressed an interest in BCCI acquiring a medium-sized bank in California to officials of BCCI S.A.'s representative office in San Francisco, California. BCCI officials, including Shoaib, investigated at least three possible acquisition targets in California during 1983 and 1984. On November 13, 1984, BCCI employees wrote to Abedi, as president of BCCI, to recommend that BCCI acquire Independence. The letter explained that BCCI's existing agencies in California operate subject to constraints such as an inability to accept local deposits, and that "our acquiring 'Independence Bank' will give us much required

'freedom' for our future growth and progress in this part of the world." The letter went on to state: "The size of [Independence] fits into the BCCI plan for acquiring a well managed conservative financial institution on the West Coast of the U.S.A."

12. Independence is an insured bank that is not a member of the Federal Reserve System, and is a "bank" for purposes of the BHC Act.

13. On November 30, 1984, BCCI employees, after discussions with representatives of Independence, provided a letter of intent to Independence confirming the willingness of an unnamed purchaser to acquire all of the shares of Independence for a price not to exceed \$23 million. During the months preceding and for some time following the letter of intent, BCCI refused to disclose the identity of the purchaser to the sellers of Independence.

14. Between November 30, 1984, and April 30, 1985, officers or employees of BCCI negotiated the terms of the sale with representatives of the owner of Independence. During this period, the BCCI officers or employees advised Independence that Pharaon was the proposed purchaser. Counsel who represented Pharaon with respect to the acquisition of Independence did not communicate with Pharaon directly, but through these BCCI officers or employees, and obtained all information provided to

regulatory authorities in connection with the acquisition from such officers and employees. The BCCI representatives told Pharaon's counsel that BCCI was serving as investment advisor to Pharaon.

15. On or about April 30, 1985, Pharaon executed an agreement (the "Stock Purchase Agreement") with the then-current owner of Independence pursuant to which Pharaon agreed to pay a total of \$23 million for all the voting shares of Independence.

16. On May 17, 1985, ICIC Overseas, acting for and on behalf of BCCI and at the direction of BCCI's principal officers, entered into an agreement with Pharaon (the "Nominee Agreement") in which Pharaon agreed to act as a nominee or agent for ICIC Overseas in the acquisition of Independence. The Nominee Agreement, which was signed on behalf of ICIC Overseas by Naqvi, the general manager of BCCI S.A., provided, in pertinent part, that:

(a) Pharaon and ICIC Overseas would acquire 100 percent of the voting shares of Independence, and all of the shares of Independence would be transferred to and held in the name of Pharaon;

(b) only 15 percent of the shares would be held by Pharaon as beneficial owner thereof;

(c) Pharaon would hold the balance of the shares, 85 percent, in a fiduciary capacity for ICIC Overseas;

(d) ICIC Overseas would provide the funds or obtain financing for the purchase of its 85 percent share of the purchase price, and Pharaon would have no liability for principal, interest, or the costs of such financing; and

(e) at such time as ICIC Overseas desired to do so, it could purchase from Pharaon the 85 percent interest he held in a fiduciary capacity, by paying him the price paid to the seller of Independence.

The Nominee Agreement was never made available to Federal or state regulators until the Board staff discovered it in the course of its recent investigation into BCCI's activities.

17. On June 10, 1985, Pharaon filed a notice of proposed acquisition of control (the "CBC Notice") with the FDIC, the primary Federal regulator of Independence, pursuant to the Change in Bank Control Act (12 U.S.C. 1817(j)) (the "CBC Act"). The CBC Act governs the acquisition of control of banks by individuals, not by companies. Counsel who prepared the CBC Notice on behalf of Pharaon obtained the information in the CBC Notice from officers or employees of BCCI.

18. In the CBC Notice, Pharaon made the following false statements and material omissions:

(a) In response to a question concerning the identity of the acquirer of Independence, and any beneficial owner thereof, Pharaon falsely stated that he was the sole acquiring party of Independence, and that he was acquiring 100 percent of the shares of Independence.

(b) In the portion of the CBC Notice calling for information concerning the terms and conditions of the acquisition, Pharaon failed to disclose the existence of the Nominee Agreement.

(c) In response to a question concerning financing for the acquisition, Pharaon failed to disclose ICIC Overseas's commitment to arrange financing for the acquisition and its agreement that Pharaon would not be liable for repayment of the portion of any such loan

related to the 85 percent of Independence's shares held by Pharaon as a fiduciary for ICIC Overseas.

19. According to documents provided to the California State Banking Department in connection with Pharaon's acquisition of control of Independence, Pharaon was to pay a portion of the purchase price, \$8.4 million, from his own funds, without financing, and was to obtain a loan for the major portion of the acquisition cost from The First National Bank of Boston, Boston, Massachusetts ("FNBB"). In connection with the portion of the purchase price that was to come from Pharaon's own funds, the California State Banking Department required a statement from a bank to confirm that Pharaon had the funds available to make the purchase.

20. On August 30, 1985, BCCI disbursed a loan to Pharaon of \$8.5 million, and transferred the proceeds to Pharaon's account at Banque Arabe et Internationale d'Investissement, Paris, France ("BAII"), a commercial and investment bank. BCCI then sent a telex to BAII stating that Pharaon's deposit of \$8.5 million was to be held by BAII for the purchase of Independence, and instructing BAII to send a telegram to the California banking authorities stating that Pharaon had deposits of that amount with BAII that were being held for the purchase of Independence. BAII sent the requested telegram to the California State Banking Department on September 4, 1985.

The California banking authorities were not informed that the deposit was financed by a loan from BCCI to Pharaon.

21. By letter dated September 12, 1985, the FDIC advised Pharaon's counsel that, based on the information provided in the CBC Notice, it would not disapprove the acquisition. The FDIC's letter warned "the authorization to proceed with the acquisition is based on the specific information contained in the Notice," and that "[a]n acquisition which is inconsistent with the information provided in the Notice may be viewed as a violation of the Change in Bank Control Act of 1978 (12 U.S.C. 1817(j)) and may be subject to civil money penalties or criminal prosecution." The FDIC required that "[a]ny changes to the information provided in the Notice such as the . . . financing of the proposal, . . . must be reported to this office" prior to the consummation of the transaction.

22. On September 30, 1985, FNBB and Pharaon entered into a loan agreement for a loan of \$12.6 million to Pharaon to finance a portion of the purchase price of Independence. The loan was secured by 100 percent of the stock of Independence, but FNBB insisted on additional security for the loan in the form of a letter of credit in the amount of \$5 million. In negotiations surrounding the loan, an officer of BCCI purporting to represent Pharaon suggested that BCCI provide the letter of credit. FNBB

rejected the suggestion, but agreed to accept a letter of credit issued by BAII.

23. BCCI induced BAII to issue its letter of credit to FNBB by issuing a counter-guarantee, under which BCCI agreed to hold BAII harmless against any claim that might arise under the BAII letter of credit. Neither Pharaon nor BCCI informed Federal banking regulators prior to May 1991 concerning BCCI's involvement in financing the acquisition of Independence, as was required by the FDIC's letter.

24. On October 1, 1985, pursuant to the Stock Purchase Agreement, all voting shares of Independence were transferred to Pharaon.

25. BCCI and ICIC Overseas never sought approval of the Board of Governors in connection with their acquisition of control of 85 percent of the shares of Independence through Pharaon, and intentionally and deliberately concealed their control of Independence from the Board of Governors from 1985 through 1991.

26. On June 25, 1986, Pharaon wrote to Naqvi, reaffirming the existence of the Nominee Agreement and suggesting that it be maintained in light of Pharaon's then-current financial difficulties.

27. The \$12.6 million loan from FNBB to Pharaon had a term of eight years, and no principal payments were due until March 31, 1989. In July 1986, however, BCCI refinanced the loan and paid off FNBB in full. When FNBB released the Independence shares it had held as collateral, BCCI personnel arranged for 100 percent of the shares of Independence to be transported to BCCI's London office. As of the date of this Amended Notice, BCCI is still in possession of, and claims a security interest in, 100 percent of the shares of Independence. The loans extended to Pharaon by BCCI to finance the acquisition have not been, and are not likely to be, repaid in full.

Relationship Between BCCI and Independence

28. Following the acquisition of the voting shares of Independence by Pharaon acting for ICIC Overseas and BCCI, BCCI exercised or attempted to exercise control over Independence, as demonstrated by the following events:

(a) Shoaib, who had been instrumental in the acquisition of Independence, was appointed its chairman immediately following the acquisition. Shoaib had previously been General Manager of BCCI's United Kingdom Group in London, and had also been head of BCCI's Group Planning Division. Shoaib had solicited the position as chairman of Independence from Abedi, rather than from Pharaon. Abedi then appointed Shoaib as chairman. Shoaib was not interviewed by Pharaon prior to becoming chairman of Independence. Although Federal and state authorities were aware that Shoaib, a former BCCI officer, would become chairman of Independence, they were not informed that the decision regarding his position was made by BCCI, and not by Pharaon.

(b) While chairman of Independence, Shoaib continued to act on behalf of BCCI, reported to senior BCCI

officials concerning Independence, and continued to receive benefits, including a subsidized home mortgage loan and accrual of pension benefits, from BCCI. BCCI conditioned those benefits upon Shoaib remaining employed at Independence.

(c) In March 1986, Shoaib wrote to Naqvi at BCCI S.A. listing a number of "points that need to be discussed" with Naqvi concerning Independence, including its budget, capital position, and strategy and planning. Among the issues Shoaib raised was the need for three or four additional managers at Independence. Shoaib urged that at least one of these new managers should come from BCCI, and suggested the name of an employee of BCCI's agency in Miami. He also indicated that a treasury officer should come from BCCI, and that other BCCI-trained officers be appointed to Independence.

(d) In June 1986, Shoaib wrote to Naqvi at BCCI S.A. to inform him of the departure of one director of Independence and of the need to appoint a new director expeditiously. Shoaib's letter enclosed the resume of a proposed director, and asked for Naqvi's approval of the director before forwarding the resume to Pharaon.

(e) In July 1987, Shoaib wrote to Naqvi enclosing the resume of an individual being considered for a position as executive vice president at Independence. Shoaib informed Naqvi that the individual had been alerted that someone from BCCI would contact him to arrange a meeting with Abedi. That meeting, with Abedi and Naqvi, occurred in or about August 1987.

(f) In November 1987, Independence needed an infusion of capital. Shoaib wrote to Pharaon recommending that he contribute \$7.5 million of additional capital. Rather than sending the request directly to Pharaon, however, Shoaib attached the original of the request letter to a note to Naqvi, informing Naqvi of the need for additional capital and requesting that Naqvi "forward [the letter] to Dr. Pharaon after you have examined and agreed."

(g) On December 29, 1987, Pharaon contributed \$3.5 million in capital to Independence. BCCI provided the funds for that capital injection in the form of a loan to Pharaon.

(h) On May 16, 1988, Pharaon contributed an additional \$4 million in capital to Independence. BCCI provided the funds for that capital injection in the form of a loan to Pharaon.

(i) On or about June 28, 1989, BAII extended a short-term loan of \$10 million to Pharaon for the purpose of making a capital injection into Independence. The loan was repaid in August 1989 with the proceeds of a loan from BCCI to Pharaon. In addition, BCCI paid the interest due on the BAII loan from its own account at BankAmerica International, New York.

VIOLATIONS OF LAW AND REGULATION

Illegal Bank Holding Company

29. Section 3(a) of the BHC Act (12 U.S.C. 1842(a)) makes it unlawful for any company to own or control, directly or indirectly or acting through one or more other persons, 25 percent or more of the voting shares of a bank, or for any bank holding company to acquire direct or indirect ownership or control of more than 5 percent of the voting shares of any bank without the prior approval of the Board of Governors. In acting on applications for approval under Section 3(a), the Board must consider the financial and managerial resources of the companies and banks concerned, as well as the activities of the applicant company under the BHC Act and the IB Act. See 12 U.S.C. 1842(c) and 3106(c).

30. As set forth in this Amended Notice, BCCI violated Section 3(a) of the BHC Act in connection with the acquisition of Independence by:

(a) acquiring through agents or nominees (ICIC Overseas and Pharaon), without the prior approval of the Board, ownership

or control of at least 85 percent of the voting shares of the bank; or

(b) participating in and aiding and abetting ICIC Overseas's violation of Section 3(a) of the BHC Act by, inter alia, identifying Independence as the target for an acquisition, negotiating the terms of the acquisition, providing financing for the acquisition of the shares of Independence by ICIC Overseas through Pharaon, providing management support for Independence after its acquisition, continuing to provide employee-type benefits to a BCCI employee who was made chairman of Independence, and providing financing for periodic capital contributions; or

(c) acting together with ICIC Overseas and other affiliates as an "association" or "company" within the meaning of Section 2(b) of the BHC Act (12 U.S.C. 1841(b)), as detailed in paragraphs 31 and 32 herein, that acquired ownership and control of 85 percent of the shares of Independence without the prior approval of the Board of Governors. The violation of Section 3(a) of the BHC Act has been outstanding since October 1, 1985.

31. In connection with the acquisition of Independence, and in other connections, BCCI Holdings, BCCI S.A., and ICIC Overseas, together with their other affiliates and

subsidiaries, acted together and were for all practical purposes, and for the purposes of the BHC Act, one and the same "company," referred to herein as the "BCCI Group." The ownership, management, and business activities of BCCI and the ICIC companies were intermingled and interrelated in such a way that the two groups generally operated as a single entity.

32. The treatment of the BCCI Group as a "company" for purposes of the BHC Act is supported by the fact that as a matter of practice, BCCI used ICIC Overseas and its parent company, ICIC Holdings Limited, George Town, Cayman Islands ("ICIC Holdings") (collectively, "ICIC"), as agents or nominees to further the business objectives of BCCI. ICIC operated under the control of and at the direction of senior BCCI management, including Abedi and Naqvi. Often the transactions in which it was involved were transactions in which BCCI was unable or unwilling to participate directly, or in which it was necessary to conceal the fact that BCCI was the real party in interest. Among the facts that indicate the relationship between BCCI and ICIC are the following:

(a) ICIC Holdings, ICIC Overseas and other ICIC-related entities were established and used by the founders of BCCI, including Abedi and Naqvi, to acquire shares of BCCI Holdings and disguise the ownership of such shares. For example, in addition to the nominee arrangement referred to in this Amended Notice

between ICIC Overseas and Pharaon with respect to Independence shares, Pharaon had also agreed, at least as early as November 1984, to act as a nominee to hold stock of BCCI Holdings for ICIC Overseas. ICIC Overseas and ICIC Holdings had similar arrangements with other nominee shareholders of BCCI.

(b) In the early 1980s, ICIC Holdings was a substantial shareholder, directly and through its wholly-owned direct and indirect subsidiaries, of BCCI Holdings. In addition, another BCCI Holdings affiliate and shareholder, ICIC Foundation ("Foundation"), which had been established in 1982 by, among others, Abedi and Naqvi to acquire shares of BCCI Holdings, borrowed substantial sums from ICIC Overseas in 1982 to finance the acquisition of BCCI Holdings shares from ICIC Overseas, and, by 1984, Foundation had pledged its entire holdings of BCCI Holdings shares, comprising approximately 8.6 percent of BCCI, to secure the loan.

(c) Prior to 1981, all of the shares of ICIC Holdings were held by three individuals who were officers or employees of BCCI. Until at least October 1986, on information and belief, over 25 percent of the shares of ICIC Holdings were held for the benefit of the employees of BCCI. As such, these shares of ICIC Holdings were deemed to be controlled by BCCI under the BHC Act. See 12 U.S.C. 1841(g)(2).

(d) BCCI documents listing BCCI's exposure to various borrowers include loans to such borrowers from both BCCI and ICIC Overseas, and in 1990, BCCI Holdings's external auditors concluded, based upon their audit and investigation, that ICIC Overseas "cannot be regarded as independent of" BCCI.

33. ICIC Overseas violated Section 3(a) of the BHC Act by acquiring, through an agent or nominee (Pharaon), without the prior approval of the Board, control of at least 85 percent of the voting shares of Independence. The violation of Section 3(a) of the BHC Act has been outstanding since October 1, 1985.

Violations of Reporting Requirements

34. Section 5(c) of the BHC Act (12 U.S.C. 1844(c)), Section 8(a) of the IB Act (12 U.S.C. 3106(a)), and Section 225.5 of Regulation Y (12 C.F.R. 225.5) require bank holding companies and foreign banks with U.S. branches or agencies and their parent companies to submit periodic reports to the Board, including, under certain circumstances, quarterly, semi-annual and yearly reports on Federal Reserve Forms Y-6, Y-7, and Y-9. In part, these reports require the disclosure of a bank holding company's interests in its subsidiaries.

35. In each annual filing from the date of the acquisition of Independence to the date of this Amended Notice, in violation of Section 5(c) of the BHC Act, Section 8(a) of the

IB Act, and Section 225.5 of Regulation Y, BCCI has, knowingly or with reckless disregard for the accuracy of such reports, submitted false and misleading reports on Federal Reserve Form Y-7 in that it never disclosed its interest in and control of Independence in any required regulatory filing with the Board. The first such false and misleading report was filed by BCCI on May 20, 1986 with respect to the 1985 calendar year; thereafter, false and misleading reports have been filed on May 20, 1987, May 20, 1988, May 20, 1989, and May 23, 1990, for the years 1986, 1987, 1988, and 1989 respectively. As of the date of this Amended Notice, these reports have never been corrected.

Participation in Violations

36. Pharaon caused, brought about, participated in, or aided and abetted:

(a) the violation described in paragraphs 30 and 33 hereof by agreeing to act as a nominee or agent for BCCI or ICIC Overseas in the acquisition of the voting shares of Independence, and in making false statements in his CBC Notice, including asserting that he was acquiring 100 percent of the shares of Independence in his own capacity; and

(b) the violations described in paragraph 35 hereof in that Pharaon's secret, undisclosed agreement with BCCI concerning Independence permitted BCCI to conceal its ownership of the bank in regulatory filings and caused or brought about these violations.

37. Abedi and Naqvi caused, brought about, participated in, or aided and abetted the violations of the BHC Act and Regulation Y set forth in paragraphs 30, 33, and 35 hereof in that, as principal officers of BCCI and as persons directing the affairs of ICIC Overseas, they made the determination to acquire Independence without the prior approval of the Board of Governors, to enter into the nominee or agency agreement with Pharaon, and to file false and misleading regulatory reports.

38. Shoaib caused, brought about, participated in, or aided and abetted the violation described in paragraph 30 and 33 hereof by assisting in the identification and acquisition of Independence on behalf of BCCI and by acting on behalf of BCCI while employed as chairman of Independence to facilitate BCCI's illegal exercise of control of Independence, by, inter alia, seeking BCCI's approval of staffing and board of director appointments, and of capital injections into Independence.

PROHIBITION ACTIONS AGAINST PHARAON, ABEDI, NAQVI AND SHOAIB
Pharaon

39. As set forth in this Amended Notice, Pharaon (a) violated the BHC Act and Regulation Y by causing, bringing about, or participating in the violations of the BHC Act and Regulation Y by BCCI and ICIC Overseas set forth in paragraphs 30, 33, and 35 of this Amended Notice, and (b) violated a federal criminals

statute by filing a false notice with the FDIC pursuant to the CBC Act in order to conceal the acquisition of ownership or control of Independence shares by BCCI or ICIC Overseas.

40. By reason of the violations of law and regulation committed by Pharaon set forth in this Amended Notice, Pharaon received financial gain or other benefit when (a) Pharaon was able to reduce substantially his financial obligation to purchase 100 percent of the shares of Independence under the Stock Purchase Agreement, (b) Pharaon obtained the full benefits and privileges attendant to ownership of 100 percent of Independence while only having to pay for 15 percent or less of the shares pursuant to the Nominee Agreement, (c) BCCI provided the financing for the portion of Independence's shares Pharaon was to own beneficially under the Nominee Agreement; (d) BCCI and ICIC Overseas undertook responsibilities for staffing Independence's management and approving certain directors, and (e) pursuant to his arrangements with BCCI and ICIC Overseas, Pharaon was relieved of his obligation to enhance periodically the capital of Independence, or to pay interest on loans used to make capital injections into Independence. By reason of the violations, BCCI has suffered or will probably suffer financial loss or other damage in that a substantial portion of the loans made by BCCI to Pharaon to finance the acquisition of Independence has not been, and is not likely to be, repaid, and the value of the collateral

securing such loans is insufficient to ensure full repayment thereof.

41. The violations of law and regulation committed by Pharaon set forth in this Amended Notice involve personal dishonesty on the part of Pharaon, including the falsification of official filings with U.S. government agencies and the willful concealment of the control of Independence by BCCI and ICIC Overseas.

Abedi

42. As set forth in this Amended Notice, Abedi violated the BHC Act and Regulation Y by causing, bringing about, or participating in the violations of the BHC Act and Regulation Y by BCCI and ICIC Overseas set forth in paragraphs 30, 33, and 35 hereof.

43. By reason of the violations of law and regulation committed by Abedi set forth in this Amended Notice, (a) Abedi has received financial gain or other benefit in his position as president of BCCI through at least 1990, and (b) BCCI has suffered or will probably suffer financial loss or other damage, in that a substantial portion of the loans made by BCCI to Pharaon to finance the acquisition of Independence has not been, and is not likely to be, repaid, and the value of the collateral

securing such loans is insufficient to ensure full repayment thereof.

44. The violations of law and regulation committed by Abedi set forth in this Amended Notice involve personal dishonesty on the part of Abedi, including the falsification of official filings with U.S. government agencies, the willful concealment from regulatory authorities of the control of Independence shares by BCCI or ICIC Overseas through Pharaon, and causing the willful violations of the BHC Act by BCCI and ICIC Overseas.

Naqvi

45. As set forth in this Amended Notice, Naqvi violated the BHC Act and Regulation Y by causing, bringing about, or participating in the violations of the BHC Act and Regulation Y by BCCI and ICIC Overseas set forth in paragraphs 30, 33, and 35 hereof.

46. By reason of the violations of law and regulation committed by Naqvi set forth in this Amended Notice, (a) Naqvi has received financial gain or other benefit in his position as a senior officer of BCCI through 1991, and (b) BCCI has suffered or will probably suffer financial loss or other damage, in that a substantial portion of the loans made by BCCI to Pharaon to finance the acquisition of Independence has not been, and is not

likely to be, repaid, and the value of the collateral securing such loans is insufficient to ensure full repayment thereof.

47. The violations of law and regulation committed by Naqvi set forth in this Amended Notice involve personal dishonesty on the part of Naqvi, including the falsification of official filings with U.S. government agencies, the willful concealment from Federal and state regulatory authorities of the control of Independence shares by BCCI or ICIC Overseas through Pharaon, and causing the willful violations of the BHC Act by BCCI and ICIC Overseas.

Shoaib

48. As set forth in this Amended Notice, Shoaib caused, brought about, or participated in the violations of the BHC Act and Regulation Y set forth in paragraph 30 and 33 hereof.

49. By reason of the violations of law and regulation committed by Shoaib set forth in this Amended Notice, Shoaib received financial gain or other benefit when he was appointed chairman of Independence and was compensated for such services from October 1985 to January 15, 1989. By reason of the violations, BCCI has suffered or will probably suffer financial loss or other damage in that a substantial portion of the loans made by BCCI to Pharaon to finance the acquisition of Independence has not been, and is not likely to be, repaid, and

the value of the collateral securing such loans is insufficient to ensure full repayment thereof.

50. The violations of law and regulation committed by Shoaib set forth in this Amended Notice involve personal dishonesty on the part of Shoaib, including participating in the falsification of official filings with U.S. government agencies, and the willful concealment from regulatory authorities of the control of Independence shares by BCCI or ICIC Overseas through Pharaon.

51. With respect to any act or practice alleged herein on the part of any foreign bank or any officer, director, employee, or agent thereof that occurred outside the United States, the Board of Governors believes that such act or practice has been, is, or is likely to be a cause of or carried on in connection with or in furtherance of an act or practice within any one or more States which, in and of itself, would constitute an appropriate basis for action by the Board of Governors under Section 8 of the FDI Act.

52. Notice is hereby given that a hearing will be held on November 5, 1991, at the offices of the Federal Reserve Bank of New York, for the purpose of taking evidence on the charges hereinbefore specified in order to determine whether an appropriate order should be issued under Section 8(e) of the FDI

Act to prohibit, without the prior written approval of the Board of Governors and, where necessary pursuant to Section 8(e)(7)(B) of the FDI Act (12 U.S.C. 1818(e)(7)(B)), of another federal financial institution regulatory agency, the future participation of Pharaon, Abedi, Naqvi, and Shoaib in the affairs of any federally insured United States bank, bank holding company, or other institution or agency specified in Section 8(e)(7)(A) of the FDI Act (12 U.S.C. 1818(e)(7)(A)), including serving as an officer, director, or employee of, or voting the shares of, any such bank, bank holding company, or other institution.

CIVIL MONEY PENALTY ACTION AGAINST PHARAON

53. Section 8(b) of the BHC Act authorizes the assessment of a civil money penalty against any company or any individual who participates in a violation of the BHC Act or any regulation, including Regulation Y, issued pursuant thereto. Until its amendment as of August 9, 1989, Section 8(b) of the BHC Act authorized civil money penalties of \$1,000 per day for each day of violation; thereafter, Section 8(b) of the BHC Act authorizes civil money penalties of \$25,000 per day.

54. The violation, as defined, for the purpose of this Amended Notice, by Section 8(b)(5) of the BHC Act (12 U.S.C. 1847(b)(5)), of Section 3(a) of the BHC Act by Pharaon, which commenced with acquisition of Independence by BCCI or ICIC Overseas on October 1, 1985, has been outstanding for a period of

2168 days on September 9, 1991. Of these, 1408 days were before and 760 days were after August 9, 1989.

55. Pharaon's violations of Section 5(c) of the BHC Act and Section 225.5 of Regulation Y commenced with the first filing of a false and misleading report on May 20, 1986, with respect to the 1985 calendar year, and continued through the filing of false and misleading reports for the years 1986, 1987, 1988, and 1989. Each filing of a false or misleading report constitutes a separate, continuing violation of Section 5(c) of the BHC Act. As of the date of this Amended Notice, the violation with respect to the 1985 report has been outstanding for 1936 days; the violation with respect to the 1986 report has been outstanding for 1571 days; the violation with respect to the 1987 report has been outstanding for 1206 days; the violation with respect to the 1987 report has been outstanding for 841 days; and the violation with respect to the 1989 report has been outstanding for 473 days.

56. After taking into account the size of Pharaon's financial resources, his good faith, the gravity of the violations, the history of previous violations, and such other matters as justice may require, the Board of Governors hereby assesses a civil money penalty of Thirty-Seven Million Dollars (\$37,000,000) against Pharaon for his violations of Sections 3(a) and 5(c) of the BHC Act set forth in this Amended Notice.

Pharaon shall forfeit and pay the penalty as hereinafter provided.

57. The penalty set forth in paragraph 56 hereof is assessed by the Board of Governors pursuant to Sections 8(b) of the BHC Act and Subparts A through C of the Board of Governors' Rules of Practice for Hearings as amended, 56 Federal Register 38052 (August 9, 1991), to be codified at 12 C.F.R. 263.1-263.64. Remittance of the penalty set forth herein shall be made within 30 days of the date of this Amended Notice, in immediately available funds, payable to the order of the Secretary of the Board of Governors, Washington, D.C. 20551, who shall make remittance of the same to the Treasury of the United States.

58. (a) Notice is hereby given, pursuant to Section 8(i)(2) of the FDI Act (12 U.S.C. 1818(i)(2)), made applicable to these proceedings by Section 8(b)(2) of the BHC Act (12 U.S.C. 1847(b)(2)), and Section 263.19(a) of the Board of Governors's Rules of Practice for Hearings (12 C.F.R. 263.19(a)), that Pharaon is afforded an opportunity for a formal hearing before the Board of Governors concerning the civil money penalty assessment.

(b) The hearing described in paragraph 58(a) hereof may, at the discretion of the Board, be combined with the other matters set forth in this Amended Notice, including those

concerning the issuance of an order of prohibition pursuant to Section 8(e) of the FDI Act.

59. The hearing referred to in paragraph 52 and the hearing, if requested, referred to in paragraph 58 hereof will be held before an administrative law judge to be appointed by the Office of Financial Institution Adjudication, and will be conducted in compliance with the provisions of the FDI Act and the Board of Governors's Rules of Practice for Hearings. The hearing will be public, unless the Board of Governors shall determine that a public hearing would be contrary to the public interest, and in all other respects will be conducted in compliance with the provisions of the BHC Act and the Board of Governors's Rules of Practice for Hearings.

60. With respect to his own proceeding, any respondent may submit, within 20 days after the issuance and service of this Amended Notice, to the Secretary of the Board of Governors a written statement detailing his reasons why the hearings described in paragraphs 52 and 58 hereof should not be public. Any respondent's failure to submit such a statement within the aforesaid period will be deemed a waiver of any interest he may have to a private hearing.

61. Pursuant to Section 263.19 of the Board's Rules of Practice for Hearings, each respondent is required to file an

answer to the charges set forth herein, and Pharaon is required to file a request for a hearing, within 20 days of service of this Amended Notice on him. Such answer or request for a hearing shall be filed with the Office of Financial Institution Adjudication, 1700 G Street N.W., Washington D.C. 20552, and a copy shall be served on the General Counsel of the Board.

Pursuant to Section 263.19(c) of the Board's Rules of Practice for Hearings, if a respondent fails to file an answer within the time set forth herein within the time provided, he is deemed to have waived his right to appear and contest the allegations in the Amended Notice, and if Pharaon fails to request a hearing within the time provided, this Notice of Assessment constitutes a final and unappealable order, and the Board may refer it for collection to the Department of Justice.

62. The orders of prohibition with respect to all respondents and the assessment of a civil money penalty sought by this Amended Notice against Pharaon are without prejudice to any future action the Board may take to assess civil money penalties against the other respondents in connection with the violations of law and regulation set forth in this Amended Notice, and to any future action the Board may take to remove, prohibit, or assess civil money penalties against any respondent.

63. Authority is hereby delegated to the Secretary of the Board of Governors to designate the time and place and

presiding officer for any hearing that may be conducted on this Amended Notice and to take any and all actions that the presiding officer would be authorized to take under the Board of Governors's Rules of Practice for Hearings with respect to this Amended Notice and any hearing to be conducted hereon, until such time as a presiding officer shall be designated.

Dated at Washington, D.C., this 13th day of September, 1991.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By:



William W. Wiles
Secretary of the Board