

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

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In the Matter of	)	Docket Nos. 98-013-E-I
	)	98-013-B-I
RICARDO CARRASCO	)	
	)	Notice of Intent to Remove
An Institution-Affiliated	)	and Prohibit from
Party of	)	Participation and Notice of
	)	Charges and of Hearing Issued
BANKBOSTON INTERNATIONAL	)	Pursuant to the Federal
Coral Gables, Florida	)	Deposit Insurance Act, as
<hr/>	)	Amended

The Board of Governors of the Federal Reserve System (the "Board of Governors") is of the opinion, or has reasonable cause to believe, that:

A. Ricardo Carrasco ("Carrasco"), the general manager of the New York branch of BankBoston International, Coral Gables, Florida (the "BBI-NY Branch"), an Edge corporation, has recklessly engaged in violations of laws and regulations, unsafe and unsound practices and acts that constitute breaches of his fiduciary duties to BankBoston International ("BBI").

B. BBI is a wholly owned subsidiary of BankBoston, N.A., Boston, Massachusetts, which, in turn, is a wholly owned subsidiary of BankBoston Corporation, Boston, Massachusetts, a bank holding company.

C. By reason of the violations, practices and breaches set forth in paragraph A above, BBI has suffered financial loss and Carrasco has been unjustly enriched.

D. The violations, practices and breaches set forth in paragraph A above demonstrate personal dishonesty and willful disregard for the safety and soundness of BBI by Carrasco.

Accordingly, the Board of Governors hereby institutes this proceeding by issuing this combined Notice of Intent to Remove and Prohibit from Participation and Notice of Charges and of Hearing (the "Notice") pursuant to Sections 8(b) and 8(e) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1818(b) and (e)):

(I) For the purpose of determining whether an appropriate order to cease and desist should be issued under Section 8(b) of the FDI Act requiring Carrasco to cease and desist from violations of applicable laws and regulations, from engaging in unsafe and unsound practices, from breaching his fiduciary duties and to take other affirmative action, including making restitution to BBI, pursuant to Section 8(b) of the FDI Act (12 U.S.C. 1818(b)); and

(II) for the purpose or determining whether an appropriate order should be issued under Section 8(e) of the FDI

Act removing Carrasco from his position at BBI and permanently barring Carrasco from participating in any manner in the conduct of the affairs of any institution specified in Section 8(e)(7)(A) of the FDI Act (12 U.S.C. 1818(e)(7)(A)).

In support of this Notice, the Board of Governors alleges as follows:

### **JURISDICTION**

1. BBI is an entity organized and operating under Section 25(a) of the Federal Reserve Act (12 U.S.C. 611 et seq.). BBI is a wholly owned subsidiary of BankBoston N.A., a nationally chartered bank, which in turn is wholly owned by BankBoston Corporation, a bank holding company organized and operating under the Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.). At all times relevant to the charges herein, BBI was subject to the FDI Act (12 U.S.C. 1811 et seq.), the Federal Reserve Act (12 U.S.C. 221 et seq.) and the rules and regulations of the Board of Governors (12 C.F.R. 201 et seq.).

2. From June 1988 until the date of this Notice, Carrasco has been an employee of BBI at the New York branch. Between June 1995 and February 1998, Carrasco was the general manager of the BBI-NY Branch. By reason of these positions, Carrasco was at all times relevant to the charges herein an institution-affiliated party of BBI, as defined in Sections 3(u)

and 8(b)(3) of the FDI Act (12 U.S.C. 1813(u) and 1818(b)(3)). As an institution-affiliated party of BBI, Carrasco was subject to the FDI Act, the Federal Reserve Act and the rules and regulations of the Board of Governors at all times relevant to the charges herein.

### **FACTUAL ALLEGATIONS**

3. Carrasco was the private banking relationship manager responsible for opening and servicing the accounts maintained by Oldemar Carlos Barreiro ("Barreiro") at the BBI-NY Branch.

4. Between 1994 and 1997, Carrasco opened at least 26 accounts for Barreiro in Barreiro's name, as well as in the names of other individuals and companies (the "Barreiro Accounts").

5. In violation of BBI policy, Carrasco did not prepare documentation for many of the accounts he opened for Barreiro, including evidencing Barreiro's relationship to and control over the accounts.

6. Carrasco instructed BBI-NY Branch employees that Barreiro controlled the Barreiro Accounts even though no documentation evidencing Barreiro's relationship to each of the Barreiro Accounts was placed in the files. Carrasco further

instructed BBI-NY Branch employees to carry out any instructions received from Barreiro pertaining to the Barreiro Accounts.

7. From on or about May 27, 1994, through on or about March 1, 1998, Carrasco caused the Barreiro Accounts to accumulate approximately \$73 million in overdrafts.

8. During the period that the overdrafts occurred, BBI policy required all overdraft lines of credit to be fully secured by liquid assets. Because the overdrafts extended to Barreiro exceeded Carrasco's lending authority, Carrasco needed the approval of his immediate superior.

9. Carrasco obtained his supervisor's approval for the overdrafts in the Barreiro Accounts by submitting documentation stating that the overdraft lines of credit were fully collateralized by liquid assets. The assets Carrasco listed as collateral for the overdraft lines of credit in the Barreiro Accounts consisted of assets in the accounts of other BBI-NY Branch customers. These other BBI-NY Branch customers did not give Carrasco approval to pledge their assets for use as collateral securing the overdraft lines of credit on the Barreiro Accounts.

10. Carrasco's supervisor, relying on Carrasco's misrepresentations regarding the collateral securing the

overdraft lines of credit on the Barreiro Accounts, approved overdrafts totaling approximately \$73 million.

11. During the time period that the overdrafts occurred, Carrasco used proceeds from the overdrafts on the Barreiro Accounts for his own use.

12. As of the date of the Notice, BBI has not been able to collect any of the \$73 million in overdrafts paid to the Barreiro Accounts.

**VIOLATIONS OF LAW AND REGULATION, UNSAFE AND UNSOUND  
PRACTICES AND BREACHES OF FIDUCIARY DUTY**

13. Carrasco engaged in unsafe and unsound practices by, among other actions, allowing overdrafts that exceeded applicable lending limits and violated BBI's policies and standards of prudent banking and by knowingly providing false and misleading information regarding the nature and extent of the overdrafts to the Barreiro Accounts and then knowingly providing false and misleading information regarding the adequacy of collateral for the Barreiro Accounts that BBI management relied on in approving the continuing overdrafts in the Barreiro Accounts.

14. Carrasco breached his fiduciary duties of care and loyalty to BBI by placing his self interest ahead of the

interests of BBI by making false and fraudulent misrepresentations regarding the nature and extent of the overdrafts to the Barreiro Accounts and the adequacy of collateral for the Barreiro Accounts.

15. Carrasco knowingly and recklessly violated various federal criminal statutes relating to bank fraud and the maintenance of accurate bank records in connection with his misapplication of funds and the other illegal activities described in this Notice. These include 18 U.S.C. 656, 1005, and 1344.

16. As a result of Carrasco's reckless violations of law and regulation, unsafe and unsound practices and breaches of fiduciary duty, BBI suffered financial loss in the amount of at least \$73 million.

17. As a result of Carrasco's reckless violations of law and regulation, unsafe and unsound practices and breaches of fiduciary duty, Carrasco benefitted and was unjustly enriched from the proceeds of the overdrafts to the Barreiro.

#### **RELIEF REQUESTED**

#### **Prohibition Action and Cease and Desist Proceeding**

18. Notice is hereby given that a hearing will be held on \_\_\_\_\_, 1998, in New York, New York, at the Federal

Reserve Bank of New York, for the purpose of taking evidence on the charges hereinbefore specified in order to determine whether:

(a) An appropriate order should be issued, pursuant to Section 8(b) of the FDI Act (12 U.S.C. 1818(b)), requiring Carrasco to reimburse BBI for the loss incurred as the result of the overdrafts to the Barreiro Accounts and providing for such other relief as may be appropriate under the circumstances of this matter to redress the violations of law and regulation, unsafe or unsound practices and breaches of fiduciary duty as set forth in this Notice; and

(b) an appropriate order should be issued, pursuant to Section 8(e) of the FDI Act (12 U.S.C. 1818(e)), 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)), another federal financial institution regulatory agency, the future participation of Carrasco in the affairs of any insured depository institution, any holding company thereof, 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, employee or consultant, or voting the shares of, any such insured depository institution, any holding company thereof, or other institution.



19. The hearing referred to above will be held before an administrative law judge to be appointed by the Office of Financial Institution Adjudication ("OFIA"), and shall be conducted in accordance with the provisions of the FDI Act and the Board of Governors Rules of Practice for Hearings (12 C.F.R. 263 et seq.). The hearing will be public, unless the Board of Governors shall determine that a public hearing would be contrary to the public interest.

20. Carrasco is hereby directed to file an answer to this Notice concerning the prohibition and cease and desist proceedings within 20 days of the service of this Notice, as provided by Section 263.19 of the Rules of Practice for Hearings (12 C.F.R. 263.19) with the OFIA, 1700 G Street, N.W., Washington, D.C. 20551. Pursuant to Section 263.11(a) of the Rules of Practice for Hearings (12 C.F.R. 263.11(a)), any answer filed with the OFIA shall also be served on the Secretary of the Board of Governors. As provided in Section 263.19(c)(1) of the Rules of Practice for Hearings (12 C.F.R. 263.19(c)(1)), the failure to file an answer shall constitute a waiver of the right to appear and contest the allegations of this Notice, and authorization for the presiding officer, upon proper motion, to find the facts to be as alleged in this Notice and to file with the Secretary of the Board of Governors a recommended decision containing such findings of fact and appropriate conclusions of law.

Delegation of Authority

21. Authority is hereby delegated to the Secretary of the Board of Governors to take any and all actions that the presiding officer would be authorized to take under the Rules of Practice for Hearings with respect to this Notice and any hearing conducted thereon, until such time as a presiding officer shall be designated by OFIA as provided herein.

Dated at Washington, D.C., this \_\_\_\_\_ day of May, 1998.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By: \_\_\_\_\_  
William W. Wiles  
Secretary of the Board