

Name: Alert ID: TMML2024034315103 It took 21 years and \$656m (£415m) of fees paid to two firms of lawyers and accountants but on Thursday the files were finally closed on the banking scandal that was the Bank of Credit and Commerce International. It ranged from arms trafficking to prostitution and ended with a \$20bn collapse. Liquidators and lawyers acting for creditors to BCCI held a final meeting with victims of Britain's biggest banking scandal. About 150 creditors sat in silence at Westminster's Central Hall as liquidators from Deloitte and lawyers from Hogan Lovells explained how the battle for recoveries had taken them around the world, to "desert warehouses" and remote locations where "documents were rotting in damp, humid and rat-infested rooms". On some occasions the inspection of papers was only permitted under armed guard. Deloitte amassed a library of 95,000 box files containing about 100m chaotically ordered documents – material that spawned a welter of litigation around the world, including the unprecedented decision, eventually aborted, to sue the Bank of England, which was responsible for bank regulation at the time of the BCCI collapse, for misfeasance in public office. The failure of BCCI also revealed a nest of corruption, money laundering and other secretive activities. Organisations such as the CIA, Manuel Noriega and mujahideen guerrillas were linked to BCCI. A damning report was produced by Lord Bingham in Britain, while in the US Senator John Kerry's report to the foreign relations committee delivered his verdict: "BCCI's criminality included fraud by BCCI and BCCI customers involving billions of dollars; money laundering in Europe, Africa, Asia, and the Americas; BCCI's bribery of officials in most of those locations; support of terrorism, arms trafficking, and the sale of nuclear technologies; management of prostitution; the commission and facilitation of income tax evasion, smuggling, and illegal immigration; illicit purchases of banks and real estate; and a panoply of financial crimes limited only by the imagination of its officers and customers." A string of more than 60 prosecutions followed, including, in Britain, that of Abbas Gokal, a businessman with intimate ties to the bank, who received a record 14-year jail sentence. BCCI, which at its peak had 417 offices in 73 countries, collapsed in July 1991 with liabilities estimated at close to \$20bn. Adding to efforts by Deloitte and Hogan Lovells on behalf of English creditors, legal and liquidation costs for other divisions of BCCI took the total bill for lawyers and insolvency professionals to \$1bn. Angus Martin, one of three joint liquidators dealing with BCCI's UK estate, told the Central Hall meeting that the \$369m bill from Deloitte represented value for money. He pointed to a recovery rate for creditors of 90p in the pound. "I think it has been very successful. I don't think anybody in the early days thought we were going to get anywhere near that figure." After the meeting Martin accepted the recovery figure had been flattered greatly by the passage of time and that a pound in 1991 would have a value today of £1.76. "Even that conservative calculation gives a figure of about 50%, which is still a good result is liquidations go." An inflation-adjusted recovery rate is not given by Deloitte in the 78-page final report. Many attending the meeting were elderly figures from an Asian background, reflecting the bank's deliberate decision in the 1980s to target British communities with links to India, Bangladesh and Pakistan. Almost two decades ago, many of them had been among the thousands who descended on the first creditors' meeting at Wembley Arena, a more angry affair. At the 1994 meeting Keith Vaz MP, who had seen many Leicester East constituents caught up in the BCCI scandal, emerged as one of the loudest voices of scepticism at the huge sums of money being taken by Deloitte liquidators and their advisers. On Thursday Vaz was again in attendance. He said: "This process has made millionaires of the liquidators. What we need is a proper inquiry into these liquidation fees. Why is this still important? It has lasted 21 years; Lehmans [the US investment bank which failed in 2008] is going to be even longer. Government seems to think it has no role in this. That's got to change." Martin said the liquidation process was helped by the collaborative approach to asset recoveries taken by Deloitte and counterparts responsible for liquidating BCCI operations overseas. That position is in marked contrast to the legal feuding which has characterised the early years of the Lehmans insolvency process, which in Europe is being carried out by PricewaterhouseCoopers. While Lehman was not infected with widespread criminality in the same way as BCCI, some of its investment banking activities represent a much greater challenge in terms of their complexity.