

## **LIQUIDATOR CRITICIZES CROZIER : MR. MARCHANT KEEPS QUIET**

Subscribers to Mr. Marchant's Offshore Alert, published by KYC News, formerly OBNR, may once again feel themselves short changed by the latest edition, published on 30 September 2003.

For whilst Mr. Marchant devotes a full two pages to the latest administrator's report on one of the Imperial Consolidated group of companies, he makes NO mention of the critical initial report of the liquidator of Bank Crozier Ltd, Grenada.

In fact subscribers to KYC News might experience a bizarre "Groundhog Day" feeling as each month brings re-runs of Mr. Marchant's particular favorite topics – Marc Harris, Imperial Consolidated, FIBG (First International Bank of Grenada) with nothing new on the Crozier saga now unfolding further a field with police investigations in Spain and Sweden.

Mr. Marchant said in August: "Peter Johansson is a good friend of mine. I have absolutely no evidence that he has done anything wrong. But if I get that I will report it fairly and accurately."

Yet in his latest Offshore Alert, published almost four weeks after the liquidator's report, Mr. Marchant is STILL refusing to tell his few readers that the report criticizes many aspects of Bank Crozier of which the sole shareholder and owner is Peter Johansson.

The Report by Mr. Garvey Louison, court –appointed liquidator of Bank Crozier, was filed at the Grenada Registrar's office on 4 September 2003, by Amicus Attorneys of Upper Church Street, St George, Grenada, legal practitioners for the liquidator.

Mr. Garvey's report is critical of many aspects of Bank Crozier, which lost its banking license in April this year and was placed into liquidation by a court order in July.

Mr. Garvey said in his report that the, Bank is wholly owned by Mr. Peter Johansson. Mr. Johansson bought out the remaining 50% of shares from the other original shareholder, Mr. Olof Hogstrom.

According to Mr. Garvey, Mr. Johansson also appears to be the sole member of the Board of Directors.

One of Mr. Louison's first acts as liquidator was to write to Mr. Johansson, on 6 August 2003.

In his letter, addressed to all directors and consultants to the board of directors, Mr. Louison wrote: "Since my appointment it has come to my attention that numerous

investments have been made using monies either emanating from the Bank or from the clients of the Bank either directly or indirectly through the bank's investment facility.

"It is also apparent that many millions of dollars have been transferred to Mr. Peter Johansson and others, either directly or through vehicles in which the aforesaid have or had a beneficial interest in, either directly or indirectly.

"I also note that the original documents for many investments are not in the safekeeping of the Bank nor are they readily accessible. It would appear that the realizations to these investments are not immediately feasible so as to make funds available to meet outstanding claims in the event of a distribution. This clearly is a breach of your fiduciary duties at best and at worst a fraudulent misrepresentation to whoever is relying upon the value of these investments and any returns thereon,"

Mr. Louison went on to say: "Further I am also aware that many millions of dollars have been transferred to Stourbridge whose only significant asset is its investment in Exchange Bank and Trust Inc, which is currently itself being liquidated."

Mr. Louison concluded his letter: "I hope to proceed in a way which is conducive to the best interest of the Bank and would expect your fullest cooperation. Failing this I shall have no alternative but to ensure your attendance here in Grenada for a public examination."

Prior to Mr. Louison's appointment, the Bank was under the controllership of PricewaterhouseCoopers (PWC) for 12 months, during which time they reported experiencing difficulties in getting cooperation from the Bank.

Mr. Louison report includes a letter to him from the Controller, Daryl Sands of PWC, which states: "During my time as controller the bank did not divulge the full details with respect to all of the Bank's assets and so my comments and assessment are incomplete."

Throughout PWC's controllership they, the Bank, GIFSA (Grenadian Financial Services Authority) and Mr. Marchant were all anxious to stress that their control was purely routine.

But documents included with Mr. Louison's report show that as early as August of last year, PWC was looking into the long-term solvency of the Bank and were meeting obstruction from the Bank in not providing information requested.

A letter to Peter Johansson from Daryl Sands, dated 6 September 2002, referred to the decision by GIFSA that it was in the best interests of depositors to allow operations at the Bank to continue in the short term while a detailed assessment was being carried out in respect of the long-term solvency of the Bank.

Mr. Sands stated: "We note that our sixty-day appointment by the Minister of Finance as Controller expires on September 29, 2002, and to date we have not received the vast

majority of the information we require in order to complete our long-term solvency assessment.”

He added: “In addition, we note that we have still not received your action plan, including a time frame, detailing the steps you intend to take to bring the Bank within the regulations as outlined in the Offshore Banking Act...”

In his report, Mr. Louison highlighted a number of breaches in the Offshore Banking Act and the International Companies Act concerning the establishment and running of Bank Crozier Ltd.

Dealing with compliance issues, he states: “ The Due Diligence agreement dated September 30<sup>th</sup> 1997 was incomplete, bearing the signature of the Attorney for Bank Crozier and the witness Tara Glery. The agreement was not complete because a government official did not sign it.”

Dealing with the granting of the offshore banking license, he set out a number of points of concern which could spell out further embarrassment for the government of Grenada if they prove to be correct. He reported:

- Financial reputation and standing of the applicant – There was no record on file that the financial reputation of the applicant was examined.
- Record of international banking business - there was no evidence that a check was done of the international banking business carried on by Bank Crozier Limited, prior to their activity in Grenada.
- Verifiable records preceding the date of their application - there was no evidence of records prior to the date on which the application for an Offshore Banking License was made.
- Financial net worth of the directors, associated etc - There was no evidence suggesting that a check was made to determine the financial net worth of the aforementioned parties.
- Records of the character of the Directors and senior staff - All of the records consisting of the general information on the Directors and senior staff members was dated after the license was granted. There was no information concerning their character.

- Display of license - The license was not displayed at the premises.

Perhaps of particular concern is his observation under “Conditions for grant and retention of license”, in which he stated: “Establishment and Maintenance of an Accounting system – no records were found detailing the accounting system that was used. Indeed the quarterly accounts submitted to GIFSA by the Bank often didn’t balance.”

That GIFSA had some serious concerns about Mr. Johansson’s banking credentials is suggested by a fax sent by him to GIFSA in December last year and copied to Brian Terry, Cora Felix, Scott Wilson and Erik Ahrsjo.

Erik Ahrsjo is Crozier’s Executive Vice-President Business Development, who was sentenced in 1996 to six years in prison for tax fraud. He served four years of the sentence.

Mr. Johansson told GIFSA’s Sharon Griffith: “The Board of Directors will be increased and strengthened with experienced quality bankers who will assist in the long-term development of the Bank. We will present the credentials and plan in January to your office.”

This is despite claims in Crozier literature that Mr. Johansson is an experience banker and Mr. Marchant’s assertions that: “Bank Crozier is a highly respectable bank that is in the business of providing professional services to legitimate clients.”

Perhaps Mr. Marchant will reveal his own due diligence on Bank Crozier and Mr. Johansson at his second Due Diligence and Asset Recovery Symposium in Florida next month.

No doubt Crozier creditors would be delighted to hear how they should go about recovering their assets.

**REPORT BY: LESLEY TITHER**