

Suisse Security Bank & Trust

(In Liquidation)
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PROVISIONAL LIQUIDATOR:
Raymond Winder
of Deloitte & Touche

November 11, 2002

Dear Client:

Re: Suisse Security Bank & Trust Limited

As you may be aware, the Governor of the Central Bank of The Bahamas, in exercise of his powers under Section 14(1)(a)(i) of the Banks and Trust Companies Regulations Act, 2000 revoked the banking and trust license of Suisse Security Bank & Trust Ltd. on 2nd April, 2001.

Consequent upon such revocation of licence and by Order of the Supreme Court of the Commonwealth of The Bahamas, I was appointed the Provisional Liquidator of Suisse Security Bank & Trust Ltd. ("the Bank") on 9th April, 2001.

The Court has not as yet appointed an Official Liquidator of the Bank, as the former principals of the Bank have launched a legal challenge to the Revocation Order of the Central Bank and the subsequent winding-up proceedings. The hearing of the statutory appeal was scheduled to resume on Monday 11th November 2002 in the Supreme Court before the Honorable Mr. Justice Austin Davis, but has been adjourned until 9th January, 2003.

In the Order of appointment as Provisional Liquidator, the Court expressly restricted my powers as follows:

1. To forthwith take possession of, collect, and protect the assets of the said Company, but not to distribute or part with the same until further order.
2. To discharge rents, salaries, and other current expenses
3. To require of any person who has in his possession documents or information in relation to the accounts, assets and securities or affairs of the Company and its clients, to produce the same.



Financial Industry

Off-shore financial institution loses case against Central Bank

By The Nassau Guardian
Jul 20, 2001, 07:17

Suisse Security Bank and Trust Ltd. has lost its case against the Central Bank of The Bahamas, which revoked its license earlier this year amidst allegations of money-laundering.

The judgment was handed down by Supreme Court Justice Hartman Longley, two days before Suisse chairman Mohammed Harajchi paid out an additional \$600,000 to the over 40 Bahamian employees.

On July 17, Justice Longley, in his ruling stated that provisions under the Banks and Trust Companies Act does not violate article 27 of the Constitution and therefore dismissed the action.

During a press conference Thursday at the office of People's Labour Movement, chairman Obie Ferguson, also president of Trade Union Congress said it was also a special day for the 167,000 workers of The Bahamas.

"We see now capital and labour co-existing in the best interest of all parties," Ferguson said.

Chairman of Suisse Security Bank and Trust employees Mohammed Harajchi and his counsels were present at the press conference.

"When I opened the bank, it was not just to make a business," Harajchi said. "It was more than that. It was to get involved with the people."

Following the revocation of the bank's license on March 5, by Central Bank Governor Julian Francis, Harajchi awarded the 45 employees -- including 43 Bahamians -- an excess of \$600,000.

"We said then and we say now, that is the kind of investor, the kind of employer we in The Bahamas ought to be encouraging to invest in this country," Ferguson said.

According to the trade unionist, Harajchi had no legal obligation to pay that money; he was only required to give two weeks severance pay.

"But the workers were good to him and he thought to demonstrate that by giving them what I considered to be good notice," Ferguson said.

The union was able to negotiate another \$600,000 for the workers, totaling over one million dollars in compensation.

Suisse's license was suspended by Central Bank Governor Julian Francis, who claimed that the institution failed to formally fulfill certain prudential requirements and satisfy the Central Bank of The Bahamas as to its affairs.

Police officers seized physical control of the bank's documents ordering all employees out of the building at Orissa House on East Bay Street. Francis appointed chartered accountant and banker Raymond Winder as receiver, with a mandate to control the bank's affairs in the interest of the bank's creditors.

Subsequently, the new Bank and Trust Companies Regulations Act came under attack in an action filed in the Supreme



Court by Suisse Security Bank and Trust. The institution is asking the court to declare the act unconstitutional, thereby eroding some of the powers given to the Central Bank Governor under the act.

The bank is further challenging the Central Bank's authority to suspend its license, and to appoint a receiver.

Mr. Harajchi, who has lived in The Bahamas for 21 years, vowed to continue to fight for justice, saying his institution has never been involved in money-laundering activities nor named in any cases of corruption.

****Harachji also charged that Francis acted out of spite, in that he did not comply with a special request asked of him.

He explained that four years ago, he and the Central Bank governor held a meeting at the bank and spoke about private banking and other personal matters.

Following this meeting, Harachji said he received frequent letters from Francis for more than a year, until he started to feel pressure. Harachji did not reveal what the letters were about, when asked by the press to do so.

He then said: "We became the only bank in The Bahamas never involved in money-laundering or any other cases about corruption."

Harachji said he also refused Francis' request for a private document, which led to more pressure from the Central Bank.

Harachji said he warned Francis that if he is going to continue to attack them, he will file action in court.

On March 2, the bank received Central Bank's letter after Supreme Court Justice Hartman Longley granted an injunction against the Central Bank.

The power to license banks and trust companies and to oversee generally the financial services industry in the public interest, which was once vested in the Minister of Finance is now vested in the Governor of the Central Bank of The Bahamas.

Based on a decision involving a regional case, Justice Longley, in his judgment felt compelled to the conclusion that a power which is to be exercised in the interest of creditors of a licensee whose license had been suspended is a power which is in essence regulatory and not confiscatory.

However, Christopher Lunn, chief executive officer of Suisse

and a former employee of Central Bank for 15 years, said the situation can have a negative impact on the banking system in The Bahamas.

"We believe that that it is a sharp violation of our constitutional rights in this country," said Lunn at the press conference.

He also concluded that the case exposed some of the serious aspects of the new legislation, even though it is up for amendment in parliament.

"We don't know whether the powers of the governor (Central Bank) will be reduced or any changes will take place," Lunn said. "What we do know is that smaller institutions like ourselves are at risk."



**NOTICE OF SUSPENSION
SUISSE SECURITY BANK & TRUST LIMITED**

It is hereby notified that the Governor is of the opinion that the banking and trust licence granted on 20th July 1993 to Suisse Security Bank & Trust Limited should be revoked on the ground that the licensee is carrying on its business in a manner detrimental to the public interest and to the interests of its depositors and other creditors.

It is further notified that the Governor, pursuant to Section 14(2) and 14(4) of The Banks and Trust Companies Regulation Act, 2000, hereby suspends the said banking and trust licence of Suisse Security Bank & Trust Limited.

The Suspension Order results from the inability of the said bank, at this time, to formally fulfill certain prudential requirements and satisfy The Central Bank of The Bahamas as to its affairs.

Suisse Security Bank & Trust Limited is hereby invited to submit to the Governor of The Central Bank of The Bahamas on or before the 15th March A.D., 2001, a written statement of any objection it may have to the proposed revocation of its licence.

Given at Nassau this 5th day of March, A.D., 2001.


GOVERNOR

COMMONWEALTH OF THE BAHAMAS