

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. 311 OF 2001

IN THE MATTER OF THE COMPANIES LAW (2001 SECOND REVISION)

AND IN THE MATTER OF M.A. BANK LIMITED



PETITION

TO HER MAJESTY'S GRAND COURT OF THE CAYMAN ISLANDS

The Humble Petition of THE GOVERNOR-IN-COUNCIL OF THE CAYMAN ISLANDS (the "Petitioner")

SHOWETH as follows:

1. M.A. Bank Limited (hereinafter called the "Company") was incorporated as an Exempted Company on the 23rd September 1991 under the Companies Law as a company limited by shares.
2. The registered office of the Company is situate at Coutts (Cayman) Limited, Coutts House, West Bay Road, Grand Cayman, Cayman Islands, B.W.I.
3. To the best of the Petitioner's knowledge the nominal capital of the Company is US\$5,000,000 divided into 500,000 shares of US\$10 each. To the best of the Petitioner's knowledge the issued and paid up capital is US\$5,000,000.
4. The objects for which the Company was formed are delimited in the Memorandum of Association of the Company.

NOTE: This Petition is intended to be served on the Company and the Registrar of Companies

5. To the best of the Petitioner's knowledge sixty percent (60%) of the Company's shares are held by Mercado Abierto S.A. (hereinafter known as "MASA"), an over-the counter securities broker- dealer chartered in 1983. The remaining forty percent (40%) of the company's shares are held by Sigma Financial Corporation, (hereinafter known as "SIGMA") a Cayman Islands company. Both MASA and SIGMA are owned and managed by the same individuals. The company held a Category "B" Banking Licence granted on 22nd October 1991.

6. In June of 1999 the Enforcement and Special Investigations unit of the Board of Governors of the Federal Reserve System contacted the Cayman Islands Monetary Authority ("CIMA") to alert CIMA that the Company was being investigated in the United States. CIMA wrote a letter to the bank requesting details of said investigation. On 7th June 2000 a written response was received confirming that there was an ongoing investigation by the U.S. Customs Service into funds deposited into M.A. Banks account with Cititbank in New York. CIMA was further advised that pursuant to a request made by the U.S. Customs Service to the Federal Court of the Central District of California, there was a seizure of US\$1,596,110.34 from an account established on behalf of a third party. The letter further stated that the customer had given his consent to the Company to disclose all of the details pertaining to transfers of the seized funds to the U.S. Customs Service.

7. On 3rd June 1999 CIMA wrote to the company requesting details of the investigation and on 17th June the Company's attorneys responded advising CIMA that the Company was continuing to cooperate with the U.S. Customs Service.
8. On the 26th May 2000 representatives of the Company met with CIMA to provide an update on the ongoing investigation.
9. In June 2000 the Company advised CIMA by way of a letter that the legal action referred to in clause 6 against the Company had been dismissed as the parties had reached a settlement. They further stated that the settlement was not deemed as an admission of guilt but rather a convenient and less costly end to the matter.
10. CIMA was advised that the Company had hired the professional services of a Consultant to assist them in adapting and upgrade of its anti-money laundering policies and procedures.
11. In October 2000, a representative of the Company met with CIMA and provided an update on the Company's Compliance programme and issued an invitation to CIMA to visit Buenos Aires to review MASA.
12. In November 2000 CIMA received and reviewed a copy of the consent judgment with regard to the matter between the United States of America and the Company. Based on the aforesaid review and having reviewed the proposed scope of the Compliance

programme, CIMA wrote a letter on the 24th of November recommending that the scope be expanded and that a detailed report be prepared by a firm of auditors.

13. On February 5 2001 the Minority Staff of the U.S. Senate Permanent Subcommittee (the "Senate Committee") released a report entitled 'Report on Correspondent Banking: A Gateway to Money Laundering' in which it cites the Company along with other Non-Cayman Islands entities as examples of "shell banks" which had "poor to non-existent administrative and money laundering controls, yet handled millions of dollars in suspect funds, and compiled a record of dubious activities associated with drug trafficking, financial fraud and other misconduct."
14. On 28th February 2001 the Senate Committee then published a case study on the Company which asserted, inter alia that the Company was used to facilitate money laundering through a U.S. correspondent bank account, had lax controls and was engaged in illegal and unsound banking practices in Argentina.
15. Upon receipt of recommendations made by CIMA on 2nd March 2001 the Governor in Council appointed Mr. Michael J. Wright of the firm Arthur Andersen LLP as Controller of the Company pursuant to s. 13(1)(v) of the Banks and Trust Companies Law (2000) Revision having been satisfied that the Company is carrying on business in a manner detrimental to the public interest, the interest of its depositors or other creditors.

16. In the First Interim report and subsequent Addendum to the First Interim Report of the Controller outlines the difficulty in gaining control of the Company. The conclusions summed up in the reports specifically states the following:

- (a) Lack of documentation in the customer files relating to Know Your Customer and customer acceptance procedures. Such absence of documents has made it impossible to determine whether the Company has complied with the Proceeds of Criminal Conduct Law (2000 Revision) and Money Laundering Regulations, 2000;
- (b) Routine destruction of records. The failure to retain basic records prevents Management from demonstrating proper control over the administration of the Company and from responding to internal or external enquiries;
- (c) Difficulty in segregating the assets of the Company from those of MASA. This substantially undermines the Company's expected ability independently to research, analyze, determine and validate the accuracy of its reported capital position, assets and liabilities. One example of this was Management's provision of various trial balances for dates in March showing very significant changes from one to another; and ,
- (d) Difficulty in segregating the Company's operations from that of MASA. This inhibits its ability to assess risk (including fraud, money laundering etc.) or to take independent steps to limit such risk.

17. The Controller recommended that one of the options available to the Governor in Council was the revocation of the Company's licence and the winding up of the Company

pursuant to Section 13(4)(d) of the Banks and Trust Companies Law (2000 Second Revision).

18. On 10th April 2001 the Governor in Council of the Cayman Islands met and advised the following be ordered:

- (a) revocation of the appointment of Mr. Michael J. Wright of the firm Arthur Andersen LLP as Controller of the Company pursuant to Section 13(4)(a) upon his appointment as Provisional Liquidators;
- (b) revocation of the licence of the Company pursuant to section 13(4)(d);
- (c) that the Honourable Attorney General be instructed to present a petition for the winding up of the Company;
- (d) that the Honourable Attorney General be instructed to make an application for Mr. Michael J. Wright of the firm Arthur Andersen LLP to be appointed as Provisional Liquidators;
- (e) that Mr. Michael J. Wright of the firm Arthur Andersen LLP be appointed as Liquidators by the Grand Court with express power for CIMA and the Cayman Islands Government to apply to the Court at any time, amongst other things, to remove the Liquidators.

YOUR PETITIONER THEREFORE HUMBL Y PRAYS as follows:-

- (a) That the Company be wound up by the court subject to the provisions of Part V of the Companies Law (2000 Revision);

- (b) That Mr. Michael J. Wright and Kenneth M. Kryss of Arthur Andersen LLP, and Mr. Ian Paget-Brown of Paget-Brown & Company Ltd. Chartered Accountants, be appointed Official Liquidators of the Company and that the Official Liquidators be authorised to do any acts or things considered by them to be necessary or desirable in connection with the liquidation of the Company and the winding up of its affairs;
- (c) That the Official Liquidators be authorized to exercise all the powers set out in Section 109 of the Companies Law (2001 Second Revision) without further sanction or intervention of this Honourable Court;
- (d) That the Official Liquidators do file with the Clerk of the Court a report in writing with regard to the position and the progress made with the winding up of the Company and with the realisation of the assets thereof and as to any other matters in connection with the winding up of the Company, at least every six calendar months or as the Court may from time to time direct;
- (e) That the Official Liquidators be at liberty to employ attorneys, counsel and professional advisors whether in the Cayman Islands or elsewhere as they may consider necessary to advise and assist them in the conduct and performance of their duties and on such terms as they may think fit;

(g) Such further and/or other relief as this Honourable Court deems appropriate.

AND YOUR PETITIONER WILL EVER PRAY etc

DATED this day of , 2001



Stephen D. Hall-Jones
Senior Crown Counsel (Civil)
for the Attorney General

INDORSEMENT

This Petition having been presented to the Grand Court of the Cayman Islands on the 25th day of May, 2001 will be heard by the Grand Court of the Cayman Islands on the day of , 2001.

DATE:

TIME:

(or as soon thereafter as the petition can be heard).

This Petition is filed by the Attorney General and on behalf of the Governor-in Council whose address for service is Government Legal Department, 4th floor, Tower Building, George Town, Grand Cayman.