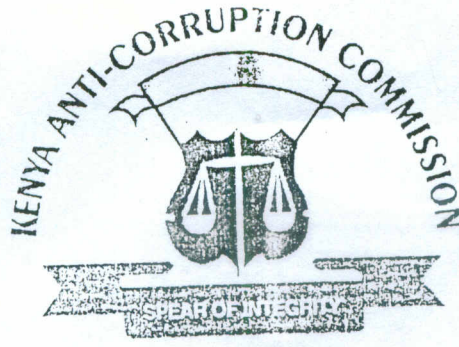


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Cur Re: i<ACC/INQ/6/2/2/(38)

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T:"\8 GO";ernor
Central Bank of Kenya
P.O. Box GQOOO-00200
NAIROBI

REF: INTER AGENCY INVESTIGATION "ON ECONOMIC CRIMES BY
CHARTERHOUSE BANK LTD AND RELATED COMPANIES

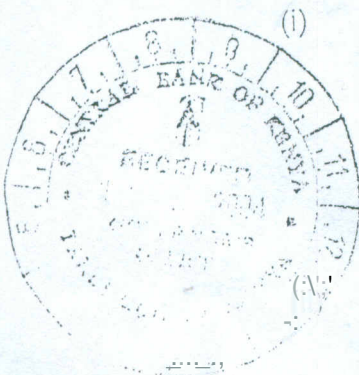
Reference is made to the interim report of the Task Force carrying out the above
referenced investigation.

I would like to bring to your attention the hurdles we are facing especially with
respect to obtaining records, information and explanations from the Charterhouse
Bank Ltd, which could delay the expeditious conclusion of our investigations and
probably affect tile eventual outcome.

The bank is central to our investigations as we try to establish commissions of
economic crimes by related companies in the first phase and illegal money
transfers and violation of banking regulations in the second phase.

The foliO\,ying are some of the dmicullies we are experiencing with the bank.

- 1. The bank does not maintain sufficient bank opening documents and other
documentation for its client's account. For instance;



(i) No bank opening documents and other records were made
available to us for the account of Sailesh Prajapati Account No.
CA 01-00148 with over 2 billion worth of dealings. The
explanation by the bank was that the documents were burnt in a
go-down fire in industrial Area. However this explanation may
not be true since documents such as account opening
documents are kept witf.in the bank for ease of reference

No sufficient documentstion eg photographs of account holder,
copies of IO/Passport has been provided for the Account of D.
Shall No. CA 01-000374 such that it has become difficult to
trace tile identity of the account holder. No documentation has
teen made available to support over Kshs. 600 million worth of
Transfers from the account.

(iii) One of their clients, Creative Innovations Ltd maintains four current accounts with the bank but has only one set of account opening documents. The bank claims that the other three are operated by the same set. Curiously, two of the bank accounts for this client are not disclosed to the Kenya Revenue Authority yet there is evidence that sales proceeds are deposited into these accounts. The accounts for this company were initially opened by the current Managing Director of the bank and there is suspicion that though he resigned as a director of the company, he still remains a signatory to the accounts.

Huge sums, converted into foreign currency in excess of Kshs.157 Million were transferred from one of the secret accounts to unspecified foreign destinations through Telegraphic Foreign Exchange transfers between May 2003 to October 2004."

(iv) The bank gave us the account opening form of Capricon SRL for the accounts of Paolo Sattanino. No other documents were made available to us for all the three foreign currency accounts of Paolo Sattanino. Huge foreign exchange transfers to the tune of Ksh.89,000,000 were effected through these accounts to foreign destinations between May 2003- October 2004.

2. We have evidence that the bank prepared a Bankers Cheque of Ksh.879,000 and purported to have cleared it through Middle East Bank. Our investigations have established that Middle East Bank never cleared the Cheque but was instead stamped cleared with a fake Middle East Stamp within Charterhouse bank and the amount of the cheque withdrawn in cash to unknown destination. We suspect this type of forgery could be going on a larger scale within Charterhouse Bank as a means of siphoning cash out of the Bank.

3. The bank has consistently resisted investigations into the accounts of Kariuki Muigua (clients accounts) citing court orders barring any party from accessing them. We however have evidence that the bank acts on unsigned instructions to operate the accounts of Kariuki Muigua. It is suspected that these instructions are prepared within the bank and that the accounts are operated on behalf of big businesses as parallel accounts for illegal purposes.

4. Information with the task force indicates that this bank mainly runs fictitious accounts for some of the big businesses in town for purposes of tax evasion, siphoning of money out of the country into offshore accounts and probably money laundering. Some of the bank accounts mentioned above are actually run by big business in assumed names, hence the lack of proper documentation.

The task force has considered various options, some of which would be to apply for court orders to demand documents or contest some of

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The court orders their "clients" have obtained to bar any party from investigating their accounts. We observed that either of the options would be fraught with delays and counter court actions which would further hinder our progress.

The team is also concerned that while the bank and its clients place hurdles on our way, they could in the meantime be destroying all trace of evidence and even liquidating some of their assets and moving them offshore thus rendering our efforts even more futile.

The Task Force feels that the bank, being at the centre of this investigation is at the same time the biggest obstacle to the investigation. It is for the above reasons that I am writing to you as the Regulator to seek your intervention on this matter.

Dr. J. P. Mutonyi

DR. J. P. MUTONYI, MBS
FOR: DIRECTOR/CHIEF EXECUTIVE

cc. Director
Kenya Anti Corruption Commission

JPM/ea