

Citigroup, JP Morgan helped Enron hide debts, arranged similar deals for others

US Senate investigators tell hearing

AFP, Washington

Two major US banking groups arranged Enron-style transactions for a number of companies that were in essence loans disguised as commodity trades, a congressional investigator said Tuesday.

Robert Roach, chief investigator for the Senate permanent subcommittee on investigations, told a hearing into Enron finances that Citigroup and JP Morgan Chase have worked out similar deals with firms other than Enron.

Earlier, subcommittee chairman Senator Carl Levin called the Enron transactions "an accounting sham" that hid loans from the company's balance sheet and claimed that Enron did this with "the help and knowing assistance of the biggest financial institutions in our country,

including JP Morgan Chase and Citigroup."

"Enron is not the only company obtaining loans disguised as commodity trades, and recording cash flows from operations instead of from financing," Roach told the panel.

"Major financial institutions are knowingly assisting and even promoting such transactions, which would not be possible without their willingness to provide the funds, the paperwork, and a sham offshore trading partner."

Roach said that Citigroup "shopped" this type of deal to 14 companies, successfully selling it to at least three.

JP Morgan Chase "apparently entered into Enron-style prepays with seven companies apart from

Enron," Roach added.

The investigation showed that over a six-year period, Enron obtained at least eight billion dollars by using these sham loans from big financial services companies including Barclays, Credit Suisse First Boston, FleetBoston, Royal Bank of Scotland, and Toronto Dominion.

"This eight billion dollar figure is a conservative estimate for the six year period, based on the documents we were able to review," he said.

Explaining the deals, Roach said that "when all the bells and whistles are stripped away, the basic transaction... is a loan to Enron using a bank and an obligation on Enron's part to repay the principal plus interest."

As a result, "the proceeds of the so-called prepay transaction should have been booked as debt and cash flow from financing, not as a trading liability and cash flow from operations."

"If Enron had properly accounted for these transactions, its total debt would have increased by about 40 per cent to about 14 billion dollars, and its funds flow from operations would have dropped by almost 50 per cent to about 1.7 billion," he said.

Representatives of the banking firms defended the use of the deals at the hearing.

Maureen Hendricks of Citigroup unit Salomon Smith Barney said these arrangements protect companies from swings in commodity prices and have been frequently

used in the energy industry.

"I believe the decision to approve these transactions was an appropriate one, based on the information that had been provided to me and my team," Hendricks said.

"I continue to believe that structured finance -- if used by honest companies whose books are reviewed by responsible auditors -- serves a valuable function in our nation's economy. However, with the benefit of hindsight and the raft of recent disclosures about Enron and its financial misdeeds, I deeply regret that our firm ever entered into transactions with this company."

Lynn Turner, a former chief accountant of the Securities and Exchange Commission, said some these financial deals obscured Enron debts and should be investi-

gated by the SEC and the Department of Justice.

Turner said Citigroup's and Enron's use of one particular transaction called "Yosemite" was particularly disturbing.

In 1999, Enron selected Citigroup unit Salomon Smith Barney to create a security structure that would allow the issue of obligations that looked like corporate bonds. Enron's objectives in wanting the structure were to limit rating agency disclosure, according to panel documents.

The Yosemite issue was in effect a bond that was offered to the market.

"I also share the concerns of the staff of the subcommittee on the Yosemite transactions," Turner said.

US economic situation bound to get worse: Americans

AFP, Washington

The majority of Americans believe the economic situation in the United States is bound to get worse amid corporate accounting scandals and the plummeting stock market, a new opinion poll released Tuesday showed.

The survey by NBC News and the Wall Street Journal found that 68 per cent of respondents believe the United States had already fallen into a recession or will within a year, even though official figures show the economy has been growing strongly since January.

Fifty-seven per cent said they expected conditions to remain the same or get worse. Forty-one per cent said they expected them to get better.

But the poll showed President George W. Bush still retained support of American voters.

By a margin of 49 per cent to 43 per cent, the respondents approved of Bush's handling of the economy,

and 67 per cent approved of his overall job performance.

With the accounting scandals still rocking the business world, 70 per cent of respondents said they were "not confident" in the financial information that firms and corporations provided to the public, and 93 per cent said they were "hardly confident" or "only somewhat confi-

dent" in the executives running major companies.

Sixty-one per cent said the scandals at corporations like Enron and WorldCom were a "widespread problem" in American business, compared to 33 per cent who said the problem was confined to only "a few corrupt individuals."



PHOTO: SCANCEMENT

ScanCement organised "Best Sellers Award" giving ceremony in the city on Monday. Picture shows ScanCement MD Ola Schippert, Chittagong Cement MD Martin Schjolberg, Zahid Uddin, GM (M&S), and Ramakanta Bhattacharjee, DGM (M&S) of Heidelberg Cement Group Bangladesh, at the function.

ScanCement awards best sellers

ScanCement International Limited (SIL) awarded its best sellers at a function held in the city Monday, says a press release.

Martin Schjolberg, managing director of Chittagong Cement Clinker Grinding Company Ltd, Ola Schippert, MD of ScanCement International Ltd, KM Zahid Uddin-GM (S&M), Ramakanta Bhattacharjee, DGM (S&M), and Quazi Shafayet Hossain, marketing manager of Heidelberg Cement Group, Bangladesh, were present at the award giving ceremony.

The programme was a part of SIL's quarterly competition among the retailers and dealers. This time the main participants were Dhaka city retailers. In this programme ScanCement awarded three best sellers.

Among retailers the first prize winner was Bikrampur Steel House who get an air conditioner. Second prize was a colour TV set which went to Safa Traders and the third prize -- refrigerator -- was won by ERA Enterprise. There were also five consolation awards for the retailers.

CURRENCY

Following is yesterday's foreign exchange rate statement by Standard Chartered Bank.

Selling	Currency	Buying
TT/OD	BC	TT Clean
58.5500	58.5800	57.6000
58.8954	58.9256	56.1946
92.5558	92.6033	89.2800
32.1908	32.2073	30.7181
0.5023	0.5025	0.4877
40.3292	40.3499	38.8848
6.1574	6.1605	5.9634
37.1911	37.2102	36.1968
7.5141	7.5180	7.3772
33.7620	33.7793	32.9293
16.09724	16.0806	15.5566
15.7371	15.7452	15.2377

Exchange rates of some currencies against US dollar						
Indian rupee	Pak rupee	Lankan rupee	Thai baht	Nor kroner	NZ dollar	AUD
48.67	60.15	96.04	41.015	7.6410	0.4727	0.54155

The local interbank foreign exchange market was active on Wednesday. Demand for dollar was steady. Demand for BDT for overnight borrowing at call was steady and the call rate ranged between 4.25 and 4.75 per cent for the day.

Dollar stabilised in the international market despite the continuing slide of the stocks in Wall Street. Euro went below the 99 cents against the dollar after dollar's rally Tuesday. Analysts commented that the upsurge of dollar was driven by position adjustment. Market is still sceptical about the future of the greenback as the negative sentiment on the currency still prevails. Probability of new corporate scandals by Citigroup and JP Morgan Chase may strike another blow to the dollar.

At 1530 hours, euro traded at 0.9901/04 against dollar, pound sterling at 1.5664/74 and yen traded at 117.25/32 against US dollar.

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SHIPPING

Chittagong port

Berth No.	Name of vessels	Cargo	L Port call	Local agent	Date of arrival	Leaving	Imprt disc
J/1	Botong Gang	Sugar (P)	Tuti	CCNL	27/6	28/7	X
J/2	Elmwood	GI/GL	Pipa	RML	11/7	-	552
J/3	Jat na Mu	Sugar(P)	Sing	USL	8/7	25/7	200
J/4	J. Lucky	Sugar(P)	Bang	Mutual	14/7	27/7	525
J/5	Iligan(72)	GI(HR.C)	Yang	H&S	21/7	25/7	311
J/6	Min Jiang	GI	P Kel	BD Ship	16/7	26/7	358
J/7	Win Song	GI (BIT)	B. ABB	RK Ship	5/7	28/7	106
J/8	Nand Shishti	C Clink	Sikka	BSL	6/7	27/7	396
J/9	Orient Queen	C Clink	Sing	Unique	25/6	30/7	X
J/10	Xuan Cheng	Sugar(P)	Bank	MSA	15/7	30/7	430
J/11	Jaya Mars	Cont	Hald	Everbest	19/7	25/7	153/X
J/12	Banglar Shikha	Cont	Sing	Bsc	22/7	26/7	X/314
CCT/1	Banga Bijoy	Cont	Col	Baridhi	19/7	25/7	126/X
CCT/2	Xpress Manaslu	Cont	P.Kel	RSL	19/7	25/7	-
CCT/3	Banga Birol	Cont	Sing	Bdship	20/7	27/7	X(484/
RM/14	Khaleda	IDLE	Sant	AMBL	18/6	26/7	-
GSJ	Banglar Robi	Repair	Sing	BSC	14/7	-	-
TSP	Ja Ganga	R.Phos	Col	Litmond	14/7	26/7	-
RM/3	Monalisa	CPO	Indo	Seacom	21/7	25/7	-
DD	Banglar Kallol	Repair	Yang	BSC	13/6	30/7	-
RM/9	Banglar Gourab	C.Clink	Krabi	OWSL	22/5	30/7	-
RM/10	Supreme	Repair	Yang	Uniship	6/7	26/7	-
BB	Pai Hai Jun No.2	Ballast	Taiw	Transglobal	6/7	-	-

Vessels due at outer anchorage

Name of vessels	Date of arrival	L Port	Local agent	Cargo	Loading por
AA Ventree	24/7	Ind	Cla	GI	-
An Shung Jlang	24/7	Sing	BD Ship	GI	-
Deep Sea-03	24/7	-	SRL	Fishing Trawler	-
Hartford-10	24/7	-	SRL	Fishing Trawler	-
Chennai Polivu	24/7	*Krabi	SSA	C Clink	-
Banga Barla (cont) 11/7	24/7	P Kel	BD Ship	Cont	Sing
QC Honour (Cont) 12/7	24/7	P Kel	QCSL	Cont	Sing
Orange Breeze (Roro/24)	24/7	-	Everett	Vehi	-
Pacific Emerald	24/7	Sing	Alseas	GI (Copro)	-
Xpress Resolve (Cont) 16/7	25/7	-	Everbest	Cont	Col
Banga Bonik (Cont) 16/7	25/7	CBO	Baridhi	-	-
Asimont (Cont) 18/7	25/7	-	Seabone	Cont	Sing
Xpress Renown(Cont)21/7	27/7	-	Everbest	Cont	Col
Banglar Moni (cont) 18/7	27/7	Sing	BSC	Cont	Sing
Feng	26/7	Rouen	Mutual	GI (Y.Peas)	-
Banglar Doot	26/7	Tuti	BSC	Sugar	-
Amalia	6/7	Avon	RSA	ST.Scrap	-
Kota Naga (Cont) 17/7	28/7	Sing	Pil (BD)	Cont	Sing
Orient Freedom (Cont) 20/7	28/7	Sing	PSL	Cont	Sing
Banga Borat (Cont) 15/7	27/7	-	Bd Ship	Cont	Sing
Banga Lanka (Cont) 8/7	29/7	Sing	Baridhi	Cont	Col
Kuo Hsiung (Cont) 17/7	26/7	Pkel	QCSL	Cont	Sing
Aissia Prima	28/7	Sing	OTBL	-	-
Walter	28/7	Sing	OTBL	-	-
Phumy (Cont) 20/7	29/7	Sing	OTBL	Cont	Sing
Yong Jiang (Liner)	29/7	-	Bdship	GI	-
Alice (48) 23/7	29/7	Yang	H&S	GI (Hr. Coil)	-
Shun Cheng (Liner)	30/7	Yang	Everett	GI(ST.C)	-
Bang Biraj(Cont)21/7	31/7	-	BdShip	Cont	Sing
QC Dignity(Cont)21/7	1/8	P.Kel	QCSL	Cont	Sing
QC Lark (Cont) 23/7	1/8	P.Kel	QCSL	Cont	P.Kel
Kota Singa (Cont) 20/7	2/8	Sing	Pil (BD)	Cont	Sing
QC Teal (Cont)21/07	3/8	P.Kel	QCSL	Cont	-
QC Pintail(Cont)21/7	10/8	P.Kel	QCSL	Cont	Sing

The above are shipping position and performance of vessels at Chittagong Port as per berthing sheet of CPA supplied by HRC Group, Dhaka.

STOCK