



EXPORT-IMPORT BANK
of the UNITED STATES

OSVALDO L. GRATACÓS
INSPECTOR GENERAL

MEMORANDUM

TO: Jeffrey Abramson, Vice President, Trade Finance

FROM: Osvaldo L. Gratacós
Inspector General 

DATE: June 9, 2011

SUBJECT: *Review of the Export-Import Bank Nigeria Banking Facility*
(June 7, 2011, OIG-SR-11-01)

This memorandum transmits Special Report OIG-SR-11-01, *Review of the Export-Import Bank Nigeria Banking Facility*. The specific objectives of the report were to determine whether: potential exposure to fraud existed through actions taken by participating banks investigated by the Nigerian authorities (investigated banks); policies and procedures to establish credit facilities existed and were properly implemented; and requirements to report to Ex-Im Bank any corruption investigations underway, charges and/or convictions by local authorities; if so, was the information disclosed.

The review found that Ex-Im Bank conducted due diligence when establishing the facility and noted the following observations:

- transactions conducted by the two investigated banks and underwritten by Ex-Im Bank under the NBF did not demonstrate any indicia of fraud;
- Ex-Im Bank lacked policies and procedures when it established the SDA and credit facility;
- Ex-Im Bank supervisors provided email guidance to Ex-Im Bank staff stating factors to be considered under due diligence review during the selection of the fourteen participating banks; and
- participating banks were not required to provide certifications or representations to Ex-Im Bank of compliance with U.S. or Nigerian laws, including amongst other things, anti-corruption certifications or statements; and
- there is no indication that the investigated banks informed Ex-Im Bank of any Nigerian-based investigation or allegations of corruption involving senior management of the investigated banks.

We made three suggestions in our report:

- 1) develop policies and procedures clearly defining when a Special Delegation of Authority is beneficial to American exporters and to achieving Ex-Im Bank's mission;
- 2) develop policies and procedures describing how credit facilities would be established and describing the extent of credit analysis and reputation checks to be conducted; and
- 3) establish an anti-corruption hotline where allegations of corruption practices can be reported to Ex-Im Bank by project participants or others with information about possible corruption practices in any country.

We appreciate the courtesies and cooperation provided during the review. If you have any questions, please call me at (202) 565-3908.

cc: Alice Albright, Senior Vice President, Chief Operations Officer
Kenneth Tinsley, Senior Vice President, Credit and Risk Management
John McAdams, Senior Vice President, Export Finance



OFFICE OF INSPECTOR GENERAL
EXPORT-IMPORT BANK
of the **UNITED STATES**

**REVIEW OF THE
EXPORT-IMPORT BANK
NIGERIAN BANKING FACILITY**

SPECIAL REPORT

JUNE 7, 2011

OIG-SR-11-01

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Executive Summary

On July 8, 2010, the Office of Inspector General (OIG) at the Export-Import Bank of the United States (Ex-Im Bank or the Bank) was informed of allegations of possible corruption against managers of two Nigerian banks (investigated banks) participating in the Ex-Im Bank's Nigerian Banking Facility (NBF) established in 2006. In addressing these allegations, our office conducted a review to determine whether

- ❖ potential exposure to fraud existed through actions taken by participating banks investigated by the Nigerian authorities (investigated banks);
- ❖ policies and procedures to establish credit facilities existed and were properly implemented; and
- ❖ requirements to report to Ex-Im Bank any corruption investigations underway, charges and/or convictions by local authorities; if so, was the information disclosed.

This OIG review does not constitute a Government audit and was not conducted following the Generally Accepted Government Auditing Standards (GAGAS). After conducting a review of documents available to this office, including documentation on transactions under the credit facility and interviews with Ex-Im Bank personnel who participated in the establishment of the credit facility, the OIG noted the following observations:

- a) Transactions conducted by the two investigated banks and underwritten by Ex-Im Bank under the NBF did not demonstrate any indicia of fraud.
- b) Ex-Im Bank lacked policies and procedures when it established the SDA and credit facility. Ex-Im Bank supervisors provided email guidance to Ex-Im Bank staff stating factors to be considered under due diligence review during the selection of the fourteen participating banks.
- c) Participating banks were not required to provide certifications or representations to Ex-Im Bank of compliance with U.S. or Nigerian laws, including amongst other things, anti-corruption certifications or statements, and there is no indication that the two banks in question (investigated banks) informed Ex-Im Bank of any Nigerian based investigation or allegation of corruption by involving senior management.

The OIG determined that the underwriting process for the Nigerian participating banks was conducted utilizing commercial industry standards. Although some of the participating banks experienced intervention by the Central Bank of Nigeria (CBN) leading to an industry-wide consolidation of financial institutions, the NBF was not

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significantly affected by this consolidation. However, Ex-Im Bank management and Board of Directors eventually removed some of the participating banks from the NBF, including the two investigated banks, due to credit concerns arising out of the CBN intervention.

Given the nature of the credit facility, the size of the credit facility, and risk associated with credit transactions in Nigeria, the OIG issued the following suggestions to Ex-Im Bank management:

- 1) Develop policies and procedures clearly defining when a Special Delegation of Authority is beneficial to American exporters and to achieving Ex-Im Bank's mission.
- 2) Develop policies and procedures describing how credit facilities would be established and describing the extent of credit analysis and reputation checks to be conducted.
 - a. Such policies and procedures should clearly state how to calculate and determine the credit limits to be extended under such facilities.
 - b. The steps to be taken including credit and reputation factors to be considered when conducting underwriting of lenders, guarantors, buyers and any other third parties involved in the transactions.
 - c. The policies and procedures should include guidance to Ex-Im Bank credit officers about their ability to request documentation from guarantors and any other third parties relevant to determining the credit ability of such parties and the reputation of the credit facility participants (as it relates to potential fraudulent or corruption activities). Such guidance should state the requirement of statements and certifications of compliance with foreign and domestic laws including anti-corruption certifications from participating lenders' and guarantors' upper/senior managers (as stated on Ex-Im Bank's <http://www.exim.gov/pub/pdf/Due-Diligence-Guidelines.pdf>). These certifications should be required every time the credit facility is renewed.
- 3) Establish an anti-corruption hotline where allegations of corruption practices can be reported to Ex-Im Bank by project participants or others with information about possible corruption practices in any country. A similar anti-corruption hotline has been established by other U.S. government organizations such as the Overseas Private Investment Corporation (OPIC). Any information received through this hotline should be reported immediately to the Office of the General Counsel and shared with the OIG.

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Ex-Im Bank Mission

Ex-Im Bank is the official export-credit agency of the United States. Ex-Im Bank supports the financing of U.S. goods and services in international markets, allowing U.S. companies of all sizes to create and maintain jobs in the United States. Ex-Im Bank assumes the credit and country risks that the private sector is unable or unwilling to accept. Ex-Im Bank also helps U.S. exporters remain competitive by countering the export financing provided by foreign governments on behalf of foreign companies. At the same time, the Bank must safeguard taxpayer resources. To execute this mission, Ex-Im Bank offers short term, medium term, and long-term export credit financing products.

In 2010, Ex-Im Bank reached a new record level of authorizations by approving over \$24.5 billion in new transactions.

Ex-Im Bank's Credit Guarantee Facilities

Ex-Im Bank establishes credit facilities between foreign banks and Ex-Im Bank in order to facilitate the sale of American goods and services overseas. The foreign banks act as guarantors in a transaction by absorbing the repayment risk of the foreign buyer. This allows the foreign buyer to have access to capital for the acquisition of U.S. products and services. It also allows Ex-Im Bank to process transactions under the facility without the need of underwriting the lender or guarantor every time a transaction is submitted. Ex-Im Bank then guarantees the transaction and the foreign bank obligation under the credit facility. These credit facilities are normally used in support of the medium-term program (2-5 year repayment terms) but occasionally have been extended to short and long-term transactions.

More information on Credit Guarantee Facilities can be found on Ex-Im Bank website http://www.exim.gov/products/credit_guar.cfm.

Nigerian Bank Facility (NBF) - Background

In 2006, due to fundamental banking sector changes in Nigeria affecting credit and financing opportunities, Ex-Im Bank unilaterally commenced an initiative to establish credit lines with the purpose of increasing financing opportunities for American exports to Nigeria. The rationale for the initiative was to "provide the Nigerian market with a product that will accelerate the processing of individual credit requests while leaving sufficient capacity within the Nigerian banking sector to consider long-term

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transactions”.¹ Utilizing an internal program called Special Delegation Authority (SDA), Ex-Im Bank management petitioned the Board of Directors for approval of a credit framework that would expedite short and medium-term transactions. A SDA is a special vehicle that provides for a blanket internal delegation of authority, after approval by the Board of Directors, for transactions for up to a pre-determined credit limit without the need to take each individual transaction to credit committee.² Transactions over \$10 million would still require Board of Directors³ approval. The purpose of the SDA would be to expedite the approval of transactions originating by or through the pre-selected banks by eliminating the need of credit committee approval and eliminating the need to re-underwrite the pre-selected banks. The SDA would be renewed on an annual basis and all the participating banks would be re-evaluated during the renewal process.

On June 8, 2006, Ex-Im Bank staff recommended the approval of a \$300 million SDA for short and medium-term transactions to be allocated amongst the fourteen Nigerian banks pre-selected and underwritten by Ex-Im Bank staff (participating banks). The SDA would provide a framework to expedite transactions where the underlying risk and primary source of repayment is one of the pre-selected banks.⁴ Each pre-selected bank was approved an internal credit line of between \$10 million and \$25 million (See Appendix A). The special delegation for the approval of transactions would fall under Ex-Im Bank Vice President for Trade Finance and Insurance Division. The SDA required that participating Nigerian banks act as guarantors in the transactions and that U.S. based lending institutions would process and fund the transactions. The Board of Directors approved the SDA on June 19, 2006.

It is still unclear why Ex-Im Bank management arrived at that specific number of participating banks (fourteen banks were originally selected). However, the participating banks were selected by utilizing a process that combined a number of factors regularly performed during credit analysis. The process involved the analysis of the following factors:

- prior repayment experience with Ex-Im Bank;
- current Ex-Im Bank exposure and relationship;

¹ Memorandum to Board of Directors, Short and Medium-Term Special Delegated Authority for Nigeria, June 8, 2006.

² Transactions between \$1 million to under \$10 million were presented to credit committee for approval. This credit committee was eliminated in the summer of 2010.

³ Any transaction over \$10 million is presented to the Board of Directors for approval.

⁴ Memorandum to Board of Directors, Short and Medium-Term Special Delegated Authority for Nigeria, June 8, 2006.

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- size, operating performance, dividends/payout ratios, capitalization levels, and assets of the banks according to the financial information obtained through the Central Bank of Nigeria (CBN);
- reputational checks and international corporate profile reports (ICP) conducted by the U.S. Department of State personnel in Nigeria;
- bank reports obtained by credit information providers such as Bankscope; and
- participating banks debit/equity ratios.

The combined equity base of the pre-selected participating banks was approximately \$3 billion.

On June 4, 2008, Ex-Im Bank management recommended to the Board of Directors a modification of the existing SDA. The requested modification included: (i) the increase of the credit limit to \$1.045 billion; (ii) re-designation of the SDA into a credit facility; (iii) an expansion of the products to include long-term transactions; and (iv) removal of some of the participating banks.⁵ The Board of Directors, acting upon management recommendation, voted in favor of approving the modification and renamed the facility the Nigerian Bank Facility (NBF). The rationale for petitioning an increase in the credit limit by Ex-Im Bank management was the “positive impact of the Nigeria SDA in facilitating Ex-Im Bank’s penetration of the Nigeria (sic) market.”⁶ At the moment of the modification, about \$56.5 million of new medium-term transactions had been authorized under the SDA, but Ex-Im Bank’s Nigeria exposure for banks under the NBF (including non-SDA transactions) had increased to \$267 million⁷ from \$68.1 million.

During the global crisis in 2008 and 2009, like many financial and banking systems in the world, Nigeria experienced a rapid deterioration of credit standards. Given the impact of the crisis, the CBN took drastic actions to prevent further deterioration of capital and the financial system. Some of these actions included: intervention on a number of banks, the re-classification of some loans as non-performing, a \$3.75 billion capitalization into nine banks, and removal of management on eight banks (four of which were Ex-Im Bank NBF participants). Due to the intervention by the

⁵ Memorandum to Board of Directors, Renewal and Modifications of the Special Delegated Authority for Nigeria, dated June 4, 2008.

⁶ Memorandum to Board of Directors, Renewal and Modifications of the Special Delegated Authority for Nigeria, dated June 4, 2008.

⁷ The bulk of the increase on Ex-Im Bank exposure was due to the sale of Boeing aircrafts under the long-term program through the NBF. Between 2007 and 2008, approximately \$124.9 million in aircraft sales was approved under the NBF (an additional \$113.8 million since).

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CBN and the removal of management in some of the NBF participants, in October 2010, Ex-Im Bank management recommended to the Board of Directors the removal of the following banks: Afribank, Intercontinental Bank, Oceanic Bank and Union Bank.⁸ Following Ex-Im Bank management recommendation, the Board of Directors removed the above referenced banks from the NBF and decreased the NBF credit limit to \$1 billion from \$1.045 billion.

As of March 2011, the aggregate authorizations under the NBF were approximately \$544 million and exposure was \$284 million (Appendix B).

Review Objectives

The objectives of this review are (1) to evaluate how Ex-Im Bank conducted its underwriting of the banks participating in the NBF, (2) evaluate transactions conducted by the investigated banks under the NBF, (3) whether policies and procedures for establishing SDA designation exists, (4) whether policies and procedures for establishing credit facilities under SDA designation exists, and (5) whether they were properly implemented. The specific objectives are to determine whether

- potential exposure to fraud existed by actions taken by the investigated banks;
- policies and procedures to establish credit facilities exist and were properly implemented; and
- requirements to report corruption investigations, charges and/or convictions by local authorities to Ex-Im Bank were in place; if so, was the information disclosed.

⁸ Memorandum to the Board of Directors, 2010 Renewal of the Nigerian Bank Facility, October 21, 2010.

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Scope and Methodology

The scope of the review focused on the NBF established in 2006. In conducting our review, we analyzed the memoranda prepared by Ex-Im Bank management to the Board of Directors during the period of 2006-2010, reviewed initial underwriting and credit review documents, interviewed Ex-Im Bank personnel, reviewed transactions approved under the NBF involving the banks in question, and conducted research on the matter.

Review and Findings

On July 8, 2010, the OIG was informed of allegations of possible corruption involving participants of the NBF. Specifically, the allegations stated that two of the participating banks (investigated banks) had been investigated by local authorities and that members of the management team for those banks had been indicted on corruption charges by Nigerian authorities. The OIG became aware that, in October 2010, the former managing director of one of the investigated banks was convicted of such charges and sentenced to six months of prison.

Based on these allegations, the OIG undertook a review of the NBF and some of the transactions conducted under the NBF involving the two investigated banks. After conducting this review, the OIG noted the following observations:

- a) Transactions conducted by the two investigated banks under the NBF did not demonstrate indicia of fraud.
- b) Ex-Im Bank lacked policies and procedures when it established the SDA and credit facility. Ex-Im Bank supervisors provided email guidance to Ex-Im Bank staff stating factors to be considered under due diligence review during the selection of the fourteen participating banks.
- c) Participating banks, or their authorized representative(s), were not required to provide certifications or representations of compliance with U.S., foreign, or Nigerian laws to Ex-Im Bank, including amongst other things, anti-corruption certifications or statements; and there is no evidence that the investigated banks reported the investigation to Ex-Im Bank management.

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Discussion of the above observations is presented below.

a. Transactions conducted by the two investigated banks under the NBF did not demonstrate indicia of fraud.

Transactions conducted by the two investigated banks under the NBF (dating back to 2007) were reviewed to determine if any indicia of fraud could be detected. The review demonstrated that the U.S. goods were shipped and there were no indications that those transactions were fraudulent. Specifically, the OIG found that two of the transactions involved the sale of new and used aircrafts (Boeing 737s) in the amount of \$81.3 million dollars. After reaching out to the Federal Aviation Administration, the OIG was able to confirm the validity of the serial numbers and the authenticity of the Export Certificate of Airworthiness for these transactions.

Another transaction under the credit facility involved the export of garbage processing equipment to Nigeria. In this transaction, the OIG reviewed the maritime bills of lading (BOLs) submitted by the lender and the BOL appeared to be proper. Some of the equipment listed on the BOLs included trailers marked with vehicle identification numbers (VINs). The OIG ran the VINs through national law enforcement databases and found that these databases had no negative records on these VINs. Further, the OIG contacted the manufacturer and exporter of record for the transaction who confirmed the sale and export of the trailers.

It is important to highlight that since October 2010, these investigated banks are no longer part of the NBF after Ex-Im Bank Trade Finance Division recommended to the Board of Directors the removal of some participating banks, including the two investigated banks.⁹ Following Ex-Im Bank management recommendation, the Board of Directors removed the banks from the NBF and decreased the NBF credit limit to \$1 billion from \$1.045 billion.

b. Ex-Im Bank lacked policies and procedures when it established the SDA and credit facility. Ex-Im Bank supervisors provided email guidance to Ex-Im Bank staff stating factors to be considered under due diligence review during the selection of the fourteen participating banks.

In its efforts to expand the Nigerian market to more U.S. exports, Ex-Im Bank unilaterally commenced a process of selecting and analyzing Nigerian banks

⁹ Memorandum to the Board of Directors, 2010 Renewal of the Nigerian Bank Facility, October 21, 2010.

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that could accommodate expanded export credit products. In selecting the original fourteen participating banks in 2006, Ex-Im Bank utilized a process that combined a number of factors determined by senior management to be the most effective in analyzing the capacity of the participating banks. Although these factors were communicated to the staff via email, they were not documented in any policies and procedures that could be utilized in the future by other Ex-Im Bank staff. Amongst the factors considered by Ex-Im Bank were: (1) prior Ex-Im Bank experience, (2) Ex-Im Bank exposure and relationship with the participating banks, (3) size of the institution's portfolio, (4) capitalization levels and assets of the banks according to the financial information obtained through the CBN, (5) reputational checks and international corporate profile reports (ICP) conducted by the U.S. Department of State personnel in Nigeria, and (6) financial reports of the participating banks obtained from credit information providers such as Bankscope. The reputational checks were limited to the institutions as a whole, the identification of owners with more than 5% equity ownership and, at the requests of Ex-Im's Bank Office of General Counsel¹⁰, to some of the senior managers of the banks, including Managing Directors, Chairmen, CEOs, Deputy Manager Directors, Non-Executive Directors, and Board Members. The names of these individuals were then run against the U.S. list of excluded parties (Office of Foreign Asset Control or OFAC). However, it is unclear if the reputational checks were extended to all senior directors and managers of the 14 participating banks.

In conducting our review of the NBF, the OIG noticed that Ex-Im Bank did not have any policies and procedures in place when establishing the facility and selecting the participating banks. During the interview of Ex-Im Bank officials, it was disclosed that Ex-Im Bank management relied on their experience and expertise when developing the SDA, the NBF, and when conducting the underwriting of the participating banks. Email guidance communication was provided to Ex-Im Bank staff during this exercise. The rationale and explanation of how the SDA was going to be implemented was described in the Memorandum to the Board of Directors of June 2006. However, Ex-Im Bank management failed to create policies and procedures that would document and memorialize the steps to be taken to approve credits, factors to be considered when approving credit, factors that would cause denial of credit or the cancellation of the credit lines, and the extent of the due diligence efforts amongst other factors. Moreover, Ex-Im Bank management did not develop steps outlining how the banks' credits were going to be renewed, factors affecting the renewals, and reporting of facility activities to Board of Directors under the SDA granted by the Board.

¹⁰ Email from Office of General Counsel to Trade Finance staff dated 02/08/2006.

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When approving transactions for short and medium-term products either under a SDA and/or a NBF, transaction participants are subjected to the standards established by Ex-Im Bank's Transaction Due Diligence Best Practices (January 10, 2008; *Due Diligence Guidelines*).¹¹ These underwriting standards have been created with the purpose of: identifying material due diligence issues; submit applications that Ex-Im Bank can approve more quickly; and identify questionable transactions as they relate to lenders, exporters, buyers, guarantors, agents and brokers.¹² Although the *Due Diligence Guidelines* were enacted in early 2008, the Trade Finance Division has followed a similar approach when conducting due diligence of buyers and exporters under the NBF and when it conducted the credit diligence of participating banks in a way that incorporated some information requirements provided by the guidelines.

In general, Ex-Im Bank utilized available credit information to conduct the credit review of the participating banks.

- c. Participating banks, or their authorized representative(s), were not required to provide certifications or representations of compliance with U.S., foreign, or Nigerian laws to Ex-Im, including amongst other things, anti-corruption certifications or statements; and there is no evidence that the investigated banks reported the investigation to Ex-Im Bank management.

One of the factors to be determined during the underwriting process is the identification of potential fraud or corruption practices by transaction participants. Ex-Im Bank's *Due Diligence Guidelines* state in relevant part: "For this reason, Ex-Im Bank relies upon transaction participants to provide legitimate information, certifications, ... and to comply with all applicable laws – both domestic and foreign."¹³ The *Due Diligence Guidelines* have established a series of questions to be asked by the Ex-Im Bank credit officer to the different transaction participants. These questions focused on agents, exporters, and buyers, but do not have a particular focus on lenders or guarantors. As clarified in Finding b. above, these *Due Diligence Guidelines* were established in January 2008, almost two years after the original Nigerian SDA was approved by the Board of Directors. Presumably, they would have been applied to the annual renewal of the SDA and facility.

Further, in its internal guidance for due diligence and "know your customer" practices, Ex-Im Bank emphasizes safeguarding taxpayers' resources by

¹¹ <http://www.exim.gov/pub/pdf/Due-Diligence-Guidelines.pdf>

¹² <http://www.exim.gov/pub/pdf/Due-Diligence-Guidelines.pdf>

¹³ <http://www.exim.gov/pub/pdf/Due-Diligence-Guidelines.pdf> at page 3

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identifying credit, fraud, and corruption risks associated with transaction participants, including lenders and guarantors. It states that “Ex-Im Bank may decline to process or discontinue processing any application related to a transaction if Ex-Im Bank determines there is evidence of fraud or corruption or any of the participants has engaged in, or been associated with, fraud or corruption in the past.” These guidelines were also adopted almost eighteen months after the initial credit facility was established. However, Ex-Im Bank continued to renew the credit facility without applying to participating banks some of the steps and standards provided by the *Due Diligence* and *Know Your Customer Guidelines*. For example, during the credit underwriting process conducted by Ex-Im Bank officials, participating Nigerian banks were not asked to provide statements or certifications related to compliance with domestic and foreign laws. Our review of the documents and interviews of Ex-Im Bank officials have determined that Ex-Im Bank relied on the ICP reports on the participating banks and other credit information provided by the U.S. Embassy in Nigeria, the CBN, and the Bankscope reports. However, the character and reputational review was only limited to the information Ex-Im Bank received from the U.S. Embassy. No further efforts were uncovered during our review. Even after the implementation by Ex-Im Bank of the *Due Diligence* and *Know Your Customer Guidelines* in January 2008, Ex-Im Bank renewed the credit facility, extended the credit limit from \$300 million to \$1.045 billion and extended the credits to long-term transactions without requesting any direct information from the participating banks, including representations, statements or certifications of compliance with domestic and foreign laws. If required by Ex-Im Bank process, this information should have been provided by the participating bank’s management in order to keep its line of credit. This would have provided Ex-Im Bank with an earlier opportunity to remove or terminate these banks.

Moreover, our review identified that Ex-Im Bank staff had clear knowledge of the CBN intervention but conflicting recollection as to knowledge of the Nigerian investigation and eventual conviction of the managing director of one of the participating banks. A quick search on the internet about these two investigated Nigerian banks showed at least nine hits (on the first page) with press articles alluding to the investigation and eventual conviction of the former managing director of one of the NBF participating (investigated) banks. Some of these articles date back to 2009. (See Appendix D). Given the CBN intervention, in August 2009, Ex-Im Bank’s Senior Vice-President for Trade Finance and Credit instructed its staff, via email, not to extend additional credit to Nigerian banks being intervened by the CBN. Further, in October 2009, Ex-Im Bank Board of Directors approved a temporary suspension of the

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extended credit for these banks¹⁴ and extended the NBF for another year citing amongst other reasons the steps taken by the CBN, including the CBN's approach of not allow any bank to fail and promises to guarantee losses of the intervened banks.¹⁵ Despite these assurances, Ex-Im Bank eventually removed these investigated banks in October 2010, without any apparent loss to Ex-Im Bank. This move was predicated on the fact that CBN found these investigated banks to have palpable integrity, corporate governance, and transparency issues. These specific facts were known to Ex-Im Bank staff. However, at no moment did Ex-Im Bank management state or mention in its October 22, 2009 and October 21, 2010 memoranda to the Board of Directors that a local investigation for corruption charges and guilty plea of a former managing director had taken place nor cite these as reasons for removal.¹⁶ It clearly stated that the CBN intervention was the reason for the removal request.

As of the date of this review, current Ex-Im Bank guarantee exposure under these two investigated banks is approximately \$106 million, \$32.9 million of which belong to the investigated bank managed by the convicted former director (Appendix B).

¹⁴ Memorandum to the Board of Directors, 2009 Renewal of the Nigerian Banking Facility, October 22, 2009.

¹⁵ Ex-Im Bank's President's, Fred Hochberg, letter to Central Bank of Nigeria's Governor, Sanusi Lamido Sanusi, dated December 8, 2009 and Mr. Sanusi's response dated January 14, 2010. (See Appendix E).

¹⁶ Memorandum to the Board of Directors, 2010 Renewal of the Nigerian Bank Facility, October 21, 2010.

Suggestions

- 1) Develop policies and procedures clearly defining when a Special Delegation of Authority is beneficial to American exporters and helps achieve Ex-Im Bank's mission.
- 2) Develop policies and procedures describing how credit facilities should be established and describing the extent of credit analysis and reputation checks to be conducted.
 - a. Such policies and procedures should clearly state how to calculate and determine the credit limits to be extended under such facilities.
 - b. The steps to be taken, including credit and reputation factors to be considered when conducting underwriting of lenders, guarantors, buyers, and any other third parties involved in the transactions.
 - c. The policies and procedures should include guidance to Ex-Im Bank credit officers about their ability to request documentation from guarantors and any other third parties relevant to determining the credit ability of such parties and the reputation of the credit facility participants (as it relates to potential fraudulent or corruption activities). Such guidance should state the requirement of statements and certifications of compliance of foreign and domestic laws including anti-corruption certifications from participating lenders' and guarantors' upper/senior managers (as stated on Ex-Im Bank's <http://www.exim.gov/pub/pdf/Due-Diligence-Guidelines.pdf>). These certifications should be required every time the credit facility is renewed.
- 3) Establish an anti-corruption hotline where allegations of corruption practices can be reported to Ex-Im Bank by project participants or other parties with information about possible corruption practices in any country. A similar anti-corruption hotline has been established by other U.S. government organizations such as the Overseas Private Investment Corporation (OPIC). Any information received through this hotline should be reported immediately to the Office of the General Counsel and to the OIG.

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Acronyms

BOL	Bill	of Lading
CBN	Central	Bank of Nigeria
Ex-Im Bank or Bank		Export-Import Bank of the United States
ICP	Internati	onal Corporate Profile
NBF	Nigeria	Bank Facility
OFAC	Office	of Foreign Asset Control
OIG	Office	of Inspector General (Ex-Im Bank)
SDA	Special	Delegation of Authority
VIN	Vehicle	Identification Number

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Appendix A

Pre-selected Nigerian banks and their correspondent SDA credit lines during selection process in 2006

Bank	Ex-Im Bank Exposure	Recommended Line under SDA
Access Bank	\$5.8M	\$10MM
Afribank	None	\$10MM
Diamond Bank	\$22.1MM	\$25MM
Ecobank	\$16.6MM	\$25MM
First Bank	None	\$25MM
Guaranty Trust Bank	None	\$35MM
Intercontinental Bank	\$16.9MM	\$20MM
IBTC	None	\$10MM
Nigerian Int'l Bank	None	\$25MM
Oceanic Bank Int'l	\$6.89MM	\$15MM
Standard Chartered Bank, Nigeria	None	\$25MM
Stanbic Bank Nigeria	None	\$25MM
Union Bank	None	\$25MM
Zenith Bank	None	\$25MM

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Appendix B

Current NBF Utilization and Ex-Im Exposure as of March 2011

Nigerian Bank Facility SDA Utilization as of 03/09/2011

Bank	SDA Size	Transactions	Utilized Amount	Percentage Used	Average Subsidy Impact	Remaining Balance
Access Bank*	\$ 75,000,000	6	\$ 56,030,985	75%		Inactive
Afribank*	\$ 40,000,000	2	\$ 17,451,249	44%		Revoked
Diamond Bank	\$ 150,000,000	14	\$ 87,570,407	58%		\$ 62,429,593
Ecobank*	\$ 75,000,000	2	\$ 43,779,950	58%		\$ 31,220,050
First City Monument Bank*	\$ 10,000,000		\$ -			Inactive
Fidelity Bank	\$ 50,000,000	3	\$ 23,071,833	46%		\$ 26,928,167
First Bank*	\$ 150,000,000	2	\$ 74,130,544	49%		\$ 75,869,456
Guaranty Trust Bank*	\$ 100,000,000	0	\$ -	0%		Inactive
Intercontinental Bank*	\$ 100,000,000	2	\$ 73,926,037	74%		Revoked
Stanbic IBTC	\$ 50,000,000	0	\$ -	0%		Inactive
Oceanic Bank International*	\$ 100,000,000	5	\$ 32,956,107	33%		Revoked
Skye Bank	\$ 20,000,000	2	\$ 14,092,621	70%		Inactive
Union Bank*	\$ 50,000,000	2	\$ 77,444,044	155%		Revoked
Zenith Bank	\$ 150,000,000	5	\$ 44,103,679	29%		\$ 105,896,321
Totals:	\$ 1,000,000,000	45	\$ 544,557,456	54%		\$ 302,343,587

NOTES

* As per Board Action October, 2010.

Review of the Export-Import Bank Nigerian Banking Facility

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Appendix C

Ex-Im Bank country exposure in Nigeria as of June 2006 (when the facility was established)

Short-Term	Medium-Term	Long-Term	Country Total	% Total Portfolio
\$6.196MM	\$45.069MM	\$136.439MM	\$215.113MM	0.38%

Ex-Im Bank Total Exposure for Nigeria as of end of FY 2010

Short-Term	Medium-Term	Long-Term	Country Total	% Total Portfolio
\$14.5 MM	\$44.5 MM	\$231.1 MM	\$308.1MM	0.41.%

Claims in Nigeria

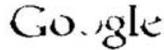
Fiscal Year	Amount
2006	\$27.408MM
2010	\$18.0 MM

Appendix D

Cecilia Ibru - Google Search

Page 1 of 2

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Cecilia Ibru

Search

About 82,500 results (0.18 seconds)

Advanced search

- Everything
- Images
- Videos
- News
- Shopping
- More

Washington D.C., DC
Change location

- Any time
- Latest
- Past 24 hours
- Past week
- Past 2 weeks
- Past month
- Past year
- Custom range...
- All results
- Sites with images
- Related searches
- Timeline
- More search tools

Showing results for **Cecilia Ibru**. Search instead for **Cecilia Ibru**

African Success : Biography of Cecilia IBRU

Sep 10, 2010 ... **Cecilia Ibru** (born on March 22, 1946) was the former Managing Director and Chief Executive Officer of Oceanic Bank and was one of the ...
www.africansuccess.org/visuFiche.php?id=256&lang=en - Cached - Similar

Former MD of Oceanic Bank, Cecilia Ibru, Convicted Of Bank Fraud ...

Oct 8, 2010 ... Mrs. **Cecilia Ibru**, the former managing director of Oceanic Bank PLC, is to spend six months in jail and forfeit over N150 billion Naira in ...
www.saharareporters.com › News & Reports › News - Cached

Images for Cecilia Ibru - Report Images



BBC News - Former Nigeria bank CEO Cecilia Ibru jailed for fraud

Oct 8, 2010 ... A former Nigerian bank chief is sentenced to six months in prison for fraud and ordered to hand over \$1.2bn (£786m) in cash and assets.
www.bbc.co.uk/news/world-africa-11506421 - Cached - Add to iGoogle

BreakingNews: Cecilia Ibru Pleads Guilty, Sentenced, Forfeits ...

Oct 8, 2010 ... According various sources the embattled former managing director of Oceanic Bank Plc entered a plea deal with EFCC prosecutors and was ...
www.republicreport.com › Archives - Cached

The Punch:: Cecilia Ibru forfeits N191bn assets, gets 18 months ...

Oct 9, 2010 ... A Federal High Court in Lagos on Friday sentenced a former Chief Executive Officer of Oceanic Bank International Plc, Mrs. **Cecilia Ibru**, ...
www.punchng.com/Article.aspx?theartic=Art20101009519651 - Cached

Cecilia Ibru's many sins

Aug 30, 2009 ... Sacked Managing Director of Oceanic Bank Plc, Mrs **Cecilia Ibru**, may have moaned, groaned and carried on like Marie Antoinette being carted ...
news.onlinenigeria.com/?a=7549 - Cached - Similar

THEWILL - Ibru Raid: The Many Assets Of Cecilia Ibru Exposed

Jan 3, 2010 ... Abuja (THEWILL) - These are not the best of times for **Cecilia Ibru**, a former managing director of Oceanic Bank Plc and wife of Olorogun ...
thewillnigeria.com/.../3372-ibru-Raid-The-Many-Assets-Cecilia-Ibru-Exposed.html - Cached - Similar

allAfrica.com: Nigeria: Cecilia Ibru Pleads Guilty, Jailed Six ...

Oct 9, 2010 ... **Cecilia Ibru** Pleads Guilty, Jailed Six Months -Forfeits Assets Worth N191bn -Loses Shares in Oceanic, Fbn, Gtb, Others. Davidson Iriekpen ...
allafrica.com/stories/201010090007.html

Cecilia Ibru powered by TodaysNigerians.com

Search for **Cecilia Ibru** on the Web - Bookmark **ceciliaibru.com** on del.icio.us. Hits: 45800.
Cecilia Ibru powered by TodaysNigerians.com ...
www.ceciliaibru.com/ - Cached - Similar

Cecilia Ibru gets six months in jail

Oct 8, 2010 ... **Cecilia Ibru**, the former managing director of Oceanic Bank PLC, is to spend six months in jail and forfeit over N150 billion naira in assets ...
234next.com/csp/cms/sites/.../cecilia_ibru_gets_six_months_in_csp - Cached

Showing results for **Cecilia Ibru**.

Search instead for the original terms: **Cecilia Ibru**

Searches related to Cecilia Ibru

- cecilia ibru profile **cecilia ibru**
- ibru organisation
- cecilia ibru arrested
- mrs cecilia ibru

http://www.google.com/search?hl=en&q=Cecilia+Ibru&aq=f&aqi=g-l1g-ls1g-l7g-lm1&aql... 3/24/2011

Appendix E

Fred Hochberg's, Ex-Im Bank's President, letter dated December 8, 2009 to Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria, and Mr. Sanusi's response dated January 14, 2010



EXPORT-IMPORT BANK
OF THE UNITED STATES

FRED P. HOCHBERG

December 8, 2009

CHAIRMAN & PRESIDENT

Sanusi Lamido Sanusi
Governor, Central Bank of Nigeria
Central Business District
P.O. Box 31, Lagos, Nigeria
Nigeria

Dear Governor Sanusi:

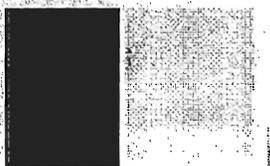
The Export-Import Bank of the United States ("Ex-Im Bank" or "we") is a United States government agency charged with financing the export of U.S. goods and services, which we accomplish in large part by providing loan guarantees to U.S. commercial banks to support export-related loans on terms, typically 5 years amortization, that such U.S. banks would be unable or unwilling to accomplish without our involvement. Ex-Im Bank has had in place for several years a USD 1 billion Nigerian Bank Facility (the "Facility") to support such loan guarantees covering fourteen Nigerian banks. On Thursday, October 23, Ex-Im Bank's Board of Directors approved a one-year renewal of the Facility, which streamlines the process of approving deals with designated Nigerian banks.

A determinative factor in the renewal of the Facility was the significant and important steps that the Central Bank of Nigeria (the "CBN") took under your leadership to strengthen the Nigerian banking sector. In particular, in determining to renew the Facility, Ex-Im Bank's Board of Directors noted and relied on the CBN's declarative statement that it will not allow any Nigerian bank to fail, the results of the CBN's special examination of various Nigerian banks, the support the CBN has provided to the banks that did not pass the review, and the CBN's guarantee of the obligations of such failing banks. Ex-Im Bank has approved the obligations of the bank listed in Schedule A to this letter, and appreciates and acknowledges the CBN's guarantee of such obligations. We will continue to monitor the actions of the CBN and, more broadly, developments in the Nigerian banking sector and are confident that the CBN will continue its vigilant scrutiny and strong support of Nigeria's banks.

We look forward to continuing to support transactions in Nigeria and our mutually beneficial working relationships with the banks of Nigeria, and I personally look forward to meeting the next time you are in Washington, DC.

Sincerely,


Fred P. Hochberg



SCHEDULE A—FX-IM EXPOSURE TO INTERVENED NIGERIAN BANKS

Bank	Principal Amount Outstanding as of September 30, 2009
Afribank Nigeria	USD 15,615,866.80
Intercontinental Bank	USD 70,358,160.20
Oceanic Bank International	USD 27,661,306.64
Union Bank of Nigeria	USD 69,231,398.40



Central Bank of Nigeria

Central Business District,
P.M.B. 0187, Garki,
Abuja - Nigeria.
Tel: +234-9-462 39425/8
www.cenbank.org

The Governor

Ref: OGD/GOV/CON/OFE/04/011

January 14, 2010

Fred P. Hochberg
Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, D.C. 20571
U.S.A.

Dear Mr. Hochberg,

I would like to thank you very much for your letter of December 8, 2009 informing me of the renewal of the USD 1 billion Nigerian Bank facility by the United States Export-Import Bank.

I am encouraged by your kind words of appreciation and support for the steps the Central Bank of Nigeria has taken to ensure the safety and soundness of the Nigerian banking sector. Your insights demonstrate a keen appreciation of the potential and mutual benefit of expanded trade relationships between the United States and Nigeria, and we will continue to provide support to Nigerian banks in this context.

I look forward to meeting with you at the next opportunity, and would very much like to invite you to visit Nigeria in the year ahead. In the meantime, please accept my firm assurance that the Central Bank remains committed to ensuring the safety and soundness of the financial system and the full protection of all depositors and creditors of intervened banks.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sanusi Lamido Sanusi'.

Sanusi Lamido Sanusi
Governor

Review of the Export-Import Bank Nigerian Banking Facility

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OIG-SR-11-01

Appendix F

Management Response, dated June 6, 2011, to Report



EXPORT-IMPORT BANK
OF THE UNITED STATES

June 6, 2011

The Honorable Osvaldo L. Gratacos
Inspector General
Export-Import Bank of the United States
811 Vermont Avenue NW
Washington, DC 20571

Dear Mr. Gratacos:

Thank you for the opportunity to comment on the Special Report "Review of the Export-Import Bank Nigerian Banking Facility" (OIG-SR-11-01) prepared by your office. We have reviewed the findings and suggestions carefully and will ensure that any similarly structured facilities that may be considered by the Bank in the future benefit from the feedback provided in this report.

The Bank's management would highlight several issues that will inform the structure, due diligence and monitoring of future facilities based on any Special Delegated Authority ("SDA") granted by the Board of Directors.

- Special Delegated Authority credit lines, such as the Nigerian Banking Facility ("NBF") provide exposure guidelines only and were created both to enable more efficient transaction processing, and as marketing tools. The lines do not commit Ex-Im Bank to any financial exposure. Ex-Im Bank incurs exposure to a given NBF bank only when Ex-Im Bank approves a specific transaction for that particular bank. Irrespective of the grant of SDA made by the Board, every transaction must be considered for authorization individually, either under Individual Delegated Authority (if less than \$10 mm), or by Ex-Im Bank's Board of Directors (if over \$10 mm) and consideration includes an evaluation of any updated financial statements on the NBF bank, as well as a reputational check of the buyer (this differs significantly from a Credit Guarantee Facility, where Ex-Im Bank exposure for the entire CGF amount is committed upfront, with no ability to review transactions on a case-by-case basis).
- Ex-Im Bank's general due diligence procedures on Special Delegated Authority (SDA) credit lines are the same as on non-SDA transactions. These procedures include conducting a Character, Reputation and Transaction Integrity ("CRTI") check on all key participants (which consists of a review of numerous debarment, law enforcement and other databases worldwide), as well as a review of the U.S. Treasury Department's OFAC database, checks with the local U.S. Embassy, and on occasion, retaining (or requiring the retention of) the services of third-party risk consultants.
- Whether the NBF bank is the borrower or the guarantor on a transaction, the NBF bank is considered the "primary source of repayment ("PSOR"). As the PSOR, the NBF bank is the primary transaction participant scrutinized by the Ex-Im Bank Loan Officer in order to determine whether a reasonable assurance of repayment exists for the amount

recommended. In the case of the NBF, staff followed well documented credit standards and then enhanced those standards to include reputational due diligence on the banks, major shareholders and their senior management and directors in view of the higher risks in this market. Also, while Ex-Im Bank generally does not take credit risk on the buyer/end-user under these structures, due diligence is performed on the buyer/end-user as well at the time that a specific transaction is reviewed, to ascertain whether there are any reputation concerns with these entities.

- Management and staff recognize that ongoing monitoring of markets, sectors and institutions covered by an SDA is crucial. With respect to the NBF, the Bank's Chief Credit Officer provided written guidance to staff after the Central Bank of Nigeria intervention instructing that transactions involving the intervened banks should not be processed.
- We are aware that certifications are advised in the 2008 document *Transaction Due Diligence Best Practices*, and that consequently, the applicant provides certain certifications on the application form, as does the exporter on the exporter certificate. However, other than these certifications, no certifications from the PSOR -- whether the PSOR is a corporate entity or a bank as in the case of the NBF-- are typically required, as our current due diligence on the PSOR is already extensive and relies on independent sources, rather than the PSOR's own statement in a certification. However, as part of its Fraud Mitigation Working Group, bank staff is considering the development of a "Borrower's Certificate" for certain transactions and this document may be applicable to SDAs.

Management recognizes the importance of addressing these and other issues related to SDAs in a comprehensive and consistent manner and to providing adequate guidance to the staff through the establishment of clear documentation of policies and procedures related to SDAs. As such, we intend to include a new section in the Transaction Processing Manual regarding specific due diligence and underwriting procedures for SDAs. We would look forward to working with your office as this guidance and documentation is developed.

Sincerely,



Jeffrey A. Abramson, CFA
Vice President
Trade Finance



Office of Inspector General
Export-Import Bank *of the* United States
811 Vermont Avenue, NW
Washington, DC 20571
202-565-3908
www.exim.gov/oig