

# Credit Suisse escapes harsh criticism on 'tuna bond' affair

US prosecutors seem to take sympathetic view of bank in Mozambique scandal



Mozambique first sold bonds to international investors in 2013 to finance a new state-owned fishing company © Getty

			Share	Save
--	--	--	-------	------

**Kadhim Shubber, Caroline Binham and Stephen Morris** in London and **Joseph Cotterill** in Johannesburg  
JANUARY 4, 2019

13

The arrest of three former [Credit Suisse](#) bankers in connection with the \$2bn “tuna bonds” scandal in Mozambique has turned the spotlight on the Swiss bank — but the charges suggest US prosecutors have taken a sympathetic view of the lender.

The [indictment](#) filed by the US attorney’s office for the eastern district of New York highlighted failings by Credit Suisse’s compliance department, even as prosecutors seemed receptive to the bank’s argument that it had been the victim of rogue employees.

“The indictment adopts, frankly, the bank’s narrative that these are rogues, they lied to us, they did this in secret, etc,”

said Patrick Cotter, a former US federal prosecutor. He noted that the charging document said the former bankers had acted “secretly” and “withheld” or “conspired to withhold” information from their compliance team.

---

“Those are all phrases that warm the heart of any attorney,” said Mr Cotter, a partner at Greensfelder.

Prosecutors in Brooklyn [unveiled charges](#) on Thursday against Andrew Pearse, Detelina Subeva and Surjan Singh, the former bankers, plus a former Mozambique finance minister, and a fifth man.

The three former Credit Suisse employees each face four charges of conspiracy: to commit money laundering; to violate the US Foreign Corrupt Practices Act; to commit wire fraud; and to commit securities fraud.

“The seriousness of these offences, particularly in the United States, cannot be underestimated,” said one lawyer involved in the case. Last year the UK Financial Conduct Authority [downgraded a criminal probe](#) into the matter to a regulatory one.

The trio were arrested in London on Thursday. They have yet to decide whether they will fight extradition. All three were released on conditional bail until their next hearing at Westminster Magistrates’ Court in London in early March, according to the court.

London-based solicitors for Mr Singh, Mr Pearse and Ms Subeva declined to comment.

The \$2bn loans at the heart of [the case](#) were marketed to international investors in 2013, ostensibly for financing Mozambique’s fishing industry and coastal security. But they

allegedly had a darker purpose and at least a tenth of the money was used for bribes and kickbacks, according to the indictment.

The allegations indicated that Credit Suisse identified red flags around the Mozambique deals but either failed to investigate them aggressively enough or was misled by Mr Pearse, Ms Subeva and Mr Singh.

In one incident, a senior executive in the investment bank objected to the involvement of an executive at Privinvest, an Abu Dhabi-based supplier of boats and gear to the projects, according to the indictment.

A due diligence report maintained by the bank described the unidentified executive as a “master of kickbacks”, prosecutors alleged.

However, an unnamed Credit Suisse employee did not tell the compliance department about the senior executive’s concerns “and the compliance department failed to pursue its inquiry further”, the indictment claimed.

“This was not expected and the allegations made are being investigated by the group,” a spokesperson for Privinvest said of the indictment.

On another occasion, Mr Pearse and Ms Subeva allegedly altered loan documents to remove provisions Credit Suisse had put in place to ensure the financing met its internal controls, according to the indictment.

“I cannot believe that it is possible that those modified loan agreements were not approved by a higher level of management at Credit Suisse,” said Mr Cotter, the former federal prosecutor.

Insiders at Credit Suisse said they were encouraged the bank had avoided the heavy criticism prosecutors from the same office levelled at the culture at Goldman Sachs when they indicted the US bank's former employees in connection with [Malaysia's 1MDB scandal](#) last year.

Credit Suisse's compliance failures detailed in the US indictment and the profit it made on the controversial bond issues are likely to infuriate ordinary Mozambicans saddled with paying back debts that are widely regarded as illegitimate.

“Credit Suisse has to face up to its own responsibility in this case. It is Credit Suisse which lent money to three companies with no income, and without the approval of the Mozambican parliament,” said Tim Jones, policy officer at the Jubilee Debt Campaign, a UK charity.

*Additional reporting by Lauran Noonan in New York and Max Seddon in Moscow*