

# US fraud charges hit French banking executives

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Six French executives have been indicted for fraud in the United States over the illegal acquisition of failed California insurer Executive Life by French bank Credit Lyonnais.

The six include former chairman Jean Peyrelevade, his right-hand man Dominique Bazy, former chief executive Jean-Yves Haberer, former managing director Francois Gille, Jean-Francois Henin, who ran the bank's Altus Finance operation, and external consultant Eric Berloty.

The indictments were released alongside hundreds of pages of documents covering a deal between US prosecutors and other parties involved in the affair.

This includes Gucci tycoon Francois Pinault, his holding company Artemis, Credit Lyonnais itself and CDR, a government agency set up to deal with the bank's bad debt.

Mr Peyrelevade, who joined the bank after the acquisition in 1993, was charged with making false statements to regulators, conspiracy to defraud the US and criminal violation of banking rules. The other five were charged with fraud, conspiracy to commit fraud and criminal violation of banking rules.

The settlement, the largest of its type in the US, will see Credit Lyonnais paying a \$100m (£57m) fine and \$100m civil penalty, CDR will pay \$375m, French insurer MAAF will pay \$10m, while MAAF chairman Jean-Claude Seys will pay a \$250,000 fine and be banned from the US for five years.

Unlike the bank and MAAF, which was involved in the consortium prosecutors say acted as a front to enable Credit Lyonnais to buy Executive Life, Artemis is not criminally charged.

However, Artemis, which bought Executive Life and its junk bonds from Credit Lyonnais, will pay \$185m.

Mr Pinault also faces no criminal charges but Artemis managing director Patricia Barbizet will pay \$1m and is banned from the US for three years, while former Artemis lawyer Marie-Christine de Percin faces a three-year ban from the US.

A large proportion of the \$770m settlement will be made available to former Executive Life policyholders subject to a pending civil action on behalf of the California Insurance Commissioner represented by US lawyer Gary Fontana.

US prosecutors say that beginning in 1990s Credit Lyonnais and its subsidiaries used a network of front companies, including MAAF, to illegally gain control of Executive Life and its lucrative junk bond portfolio. They also say that the bank lied about the involvement of Credit Lyonnais in the consortium. At the time, under US law, Credit Lyonnais was barred from owning more than 25pc of a US insurer.

The illegal dealings only came to light in 1998 after a whistleblower alerted the US authorities. The decision by the French Government to settle has averted what could have been a hugely embarrassing trial. Credit Lyonnais had also been threatened with the loss of its banking licence. The French Government has so far indicated that it will not extradite the six to stand trial in the United States.

Mr Peyrelevade has always vehemently denied wrong doing in connection with the case and has aggressively pursued the Economist after the weekly news magazine alleged that he knew Credit Lyonnais' actions were illegal.

Mr Pinault, whose son said he made \$800m from selling the bonds, is a close friend of French President Jacques Chirac. The case became a diplomatic hot potato which threatened to further sour relations between France and the US.

Credit Lyonnais, which is now owned by Credit Agricole, declined to comment.