Fraudulent money transfers: a case from Turkey

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Abstract

Purpose – The purpose of this paper is to show to the public in general and auditors in particular that the money deposited to the banks that operate in an uncontrolled medium can be misused by owners of the banks.

Design/methodology/approach – The paper has been designed based on a fraud theory. The theory has been developed on financial analysis and audit tests. The theory then revised and the existence of a bogus company and its intermediary role in the fraud scheme has been proven.

Findings – The paper explores that banks controlled by unreliable owners can lead to misuse of public's funds in accordance with the directives of the owner. Public's money can be transferred to other group companies in an illegal manner-in excessive amounts and never returned to the bank by means of applying different accounting techniques.

Practical implications – Auditors, who may audit group companies that include a bank or banks with deposit receiving and lending rights should pay attention to the transactions between the group's bank and the other group companies. The lending may be excessive in amount and/or never paid back and various accounting malpractices may exist.

Originality/value – The case that the paper covers reflects the author's own audit experiences. The names of the companies have been changed but not the essence of the events. From this perspective it sheds light onto the path of an auditor who happens to be in a similar situation.

Keywords Fraud, Money, Banks, Turkey

Paper type Case study

1. Conditions for fraud

Three conditions of fraud arising from fraudulent financial reporting and misappropriations of assets are described in Section 5135.012 of the Canadian Institute of Chartered Accountants Assurance Handbook titled "The auditor's responsibility to consider fraud and error". As shown in Figure 1, these three conditions are referred to as the fraud triangle:

(1) *Incentives/pressures.* Management or other employees have incentives or pressures to commit fraud.

(2) *Opportunities.* Circumstances provide opportunities for management or employees to commit fraud.

(3) *Attitudes/rationalization.* An attitude, character, or set of ethical values exists that allows management or employees to intentionally commit a dishonest act, or they are in an environment that imposes pressure sufficient to cause them to rationalize committing a dishonest act (Arens *et al.*, 2005).

The cost of all frauds is extremely high. For example, when a company manipulates its financial statements, the market value of that company's stock usually drops considerably, sometimes by as much as 500 times the amount of fraud. To further

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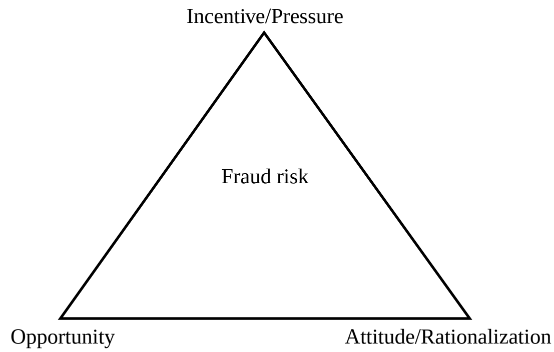

Figure 1.

illustrate the cost of financial fraud, Table I lists the ten largest corporate bankruptcies in US history, the amount of each bankruptcy and the month and year each bankruptcy was declared.

The four companies whose names are italicized in Table I, Worldcom, Enron, Global Crossing and Adelphia, were companies associated with massive financial statement frauds. In addition, six of the top ten bankruptcies in US history occurred in 2002. In total, there was a record 186 companies with combined $369 billion in debt that filed for bankruptcy in 2002 (Albrecht *et al.*, 2007).

2. Fraud theories

The fraud examination process centers on the fraud theory approach, which has four sequential steps: analyzing the available data, developing a fraud theory, revising it as necessary and confirming it:

(1) *Analyze the data.* Analyzing the books for an auditor/accountant is a familiar ground: analyzing financial information stemming from the books and records. The auditor, typically would gather documents-evidence depicting all of the business the company did with the new vendor: i.e. invoices, purchase orders, vendor files, shipping and receiving reports and cancelled checks. Then he/she would closely examine these data, conduct ratio analyses, vouch and trace transactions and perform other audit tests to look for anomalies.

Table I.
Largest corporate bankruptcies in US history

Company	Assets ($ billions)	When filed
1. *Worldcom*	101.90	July 2002
2. *Enron*	63.40	December 2001
3. Texaco	35.90	April 1987
4. Financial Corp. of America	33.90	September 1988
5. *Global Crossing*	25.50	January 2002
6. *Adelphia*	24.40	June 2002
7. United Airlines	22.70	December 2002
8. PG&E	21.50	June 2002
9. Mcorp.	20.20	March 1989
10. Kmart	17.00	January 2002

(2) *Develop a fraud theory.* Based on what is discovered during his/her analysis, a fraud examiner will develop a theory – always assuming a worst-case scenario – of what could have occurred. The theory addresses one of the three major classifications of occupational (internal) fraud: asset misappropriations, corruption or fraudulent financial statements.

(3) *Revise the theory.* If the facts do not point to a kickback scheme, the fraud examiner will look for the possibility of a billing scheme. Although both schemes have several common elements, the latter raises its own red flags.

(4) *A shell company.* The most likely scenario for this particular fraud might involve a bogus company formed by the crooked employee. If such a shell exists, it probably would not be listed in the phone book or have a credit rating. A quick check can answer this question (Wells, 2003).

3. Why individual control frauds are uniquely dangerous

Control frauds pose unique dangers because the CEO has unique powers. First, the CEO has the ability to suborn internal and external controls, e.g. the outside auditor. Control frauds almost invariably pick a top tier audit firm, and the auditor becomes the CEO's most valuable ally because accounting fraud is a looter's "weapon of choice". Second, the CEO can optimize the company as a weapon of fraud. It is far easier to inflate asset values for investments that have no readily ascertainable market value. The CEO can cause the company to invest heavily in such assets. Accounting fraud is a sure thing. The other key to optimization of accounting fraud is rapid growth – a Ponzi scheme. CEO can cause the company to grow extremely rapidly. Third, by employing accounting fraud as his weapon, the CEO can use seemingly legitimate corporate mechanisms to convert company assets to his personal use. This makes it very difficult to detect and prosecute a looting control fraud (Black, 2006).

In order to familiarize, the readers with the case, it would be better to start with the most recent economic crises in Turkey.

4. Economic crises in Turkey in 2000 and 2001

In May 2001, the International Monetary Fund (IMF) agreed to lend \$8 billion to Turkey to ease the country's financial bottleneck, stabilize its economy and reduce a sharp slide in the value of its currency. This was the third time in two years that the international lending institution had arranged a loan program for Turkey, and it was the 18th program since Turkey became a member of the IMF in 1958.

The government was forced in February to abandon the currency peg that had been the anchor of its strategy, sparking an immediate devaluation of its currency, the lira, by around 30 per cent. The program had started out with unprecedented political backing, achieved impressive initial results and was widely believed to have a far better chance of success than many previous internationally supported programs for Turkey. So what went wrong?

In retrospect, a weak banking system and an over-reliance on inflows of hot money (foreign exchange brought from abroad for short-term investments) made the country highly vulnerable to crises of confidence, so that when the inevitable tensions of a rapid adjustment emerged, the currency peg could not hold. The devaluation shock will delay the achievement of single-digit inflation, and with a simultaneous interest rate shock, implies large bank balance sheet losses and severe fiscal stress.

The authorities now have no choice but to try to limit the damage with judicious macro-economic policies, find a solution for banking system problems, and re-establish market confidence by continued implementation of the structural reform and privatization programs.

5. Weak banking system

The tensions that culminated in a crisis in late November 2000 were deeply rooted in Turkey's economic system, but the immediate cause was a combination of portfolio losses and liquidity problems in a few banks, which sparked a loss of confidence in the entire banking system. When the central bank decided to inject massive liquidity into the system in violation of its own quasi-currency board rules, it created fears that the program and currency peg were no longer sustainable, and the extra liquidity merely flowed out via the capital account and drained reserves.

The situation seemed to stabilize in early 2001, as virtually all of the $6 billion in capital that had exited in the crisis flowed back and reserves were reconstituted. However, investors were demanding much higher interest rates than before, indicating an upward shift in the country risk premium.

The result was record overnight interest rates, which peaked at close to 5,000 per cent on 21 February 2001. The banking system, already greatly weakened by the first crisis, faced breakdown as the interbank payments system ceased to function altogether. The next day the government decided to float the lira, spelling the end of the exchange rate-based stabilization program.

Under the circumstances, floating the currency was probably the only solution available. The market confidence that would have been required to sustain the crawling peg strategy was not present (Bibbee, 2001).

With regards to its commitment to IMF, the government took action. After November 2000 and February 2001 crises, the total number of banks that either have been merged with other banks or liquidated by the semi governmental agency-Saving Deposits Insurance Fund (the fund) has reached 24. The total number of branches closed was 1,790 (www.tumgazeteler.com/haberleri/ABC-bankasi).

6. ABC bank's case

My case is related to one of those banks who was taken into custody by the fund, namely ABC Bankasi or ABC Bank (ABC; the real name is changed). Empowered by the law, the fund did not only take the banks in custody but also all related party companies within the same group. The events that led me to write this paper had similarities described in Well's and Black papers. We started in auditing the companies that we were assigned as auditors. We first conducted interviews with the existing personnel of the companies and performed regular controls required by law. As we held interviews with personnel, we understood that were many irregularities, fraudulent misrepresentations of financial statements in the group. We then decided what companies to start with. From public governance point of view it was also a case of "control fraud" as the group's bank misappropriated the funds deposited to it by general public by means of transferring the funds to its group-satellite companies and used it inappropriately in its futile investments and purchase of personal assets for CEO's own pleasures. I was assigned by the fund as an internal auditor on the basis of my previous audit and banking experience. We were two auditors being responsible for approximately 60 companies in the group under the umbrella of A&A Holding Company (A&A: the name is changed). The other auditor was a friend of mine from my past banking days. These banks had liquidity problems and were taken over by the government in order to reestablish the public confidence in the system. The total loss caused by ABC in Turkish Lira (TL) terms was TL726.1 trillion, the US dollar equivalent of this amount at the time (15 March 2001) when the bank was taken over by the fund was $721 million. The total loss of the banks that were taken over by the fund as at the end of 2004 was $27.8 billion which excluded interest. This resource has been provided as a loan to the fund by the treasury. The amount doubled with the interest. ABC's case occupied a 2.5 per cent of the total amount of principal losses.

Our task was to uncover the fraudulent operations that occurred within the group companies and determine their viability. Our reports made a base for the decision of their liquidation.

Black case, as explained below, was one of the interesting cases that showed how the public's money was used in group companies and never returned.

7. Illegal money transfers

The company's name is Black (Black Printing Company; name is changed) was established on 2 July 1998 with a TL5 billion capital, an equivalent of $1.8 million. Two months after its establishment, on 10 August 1998, Black borrowed $1.65 million from Brian Investments (Brian; name is changed) of Ireland. According to the loan agreement, Istanbul courts were authorized in case of a dispute between the parties. That was an interesting finding that an Irish bank lends money to a newly established company in Turkey almost as much as its paid up capital and still authorizing the courts of Istanbul in case of a dispute. On the other face of the coin, a Turkish company totally serving the domestic market in local (TL) currency, borrowing money in US dollars and exposing itself to foreign exchange risk. The loan expected to be utilized in publishing activities of Black, was instead used by other group companies. About 50 days later, on 29 September 1998 Black borrowed for its working capital needs another $17,630,000 from Deposit Bank (TDB, name is changed) of Turkish Republic of Northern Cyprus (TRNC), TDB was another subsidiary of A&A. The interest rate was 17.5 per cent per annum. This rate was evaluated as fair on the basis of high-risk premium of the country. The money was deposited in Black's account with ABC. This second borrowing is also interesting as such that a bank residing in TRNC is lending a company residing in Turkey almost ten times as much as its paid up capital and with debt equity ratio of 92 per cent. We then started to follow the money in Black's accounts. Same they of the borrowing from TDB, 29 September 1998, a little more than the borrowed amount, $17,715,790 was divided into three slices:

(1) About 31 per cent of the loan, $5,461,286 was split between 16 real persons who had minority shares with Black. The reason of the money transfer was to contribute in the capital increase of A-TV (name is changed, another subsidiary of A&A).

    A question can be asked "why Black as being a subsidiary of A&A, itself did not contribute in the capital increase of A-TV?" The reason was that according to the radio and TV establishment and Broadcasting Law (Law Number 3984, item 29) any company within the same group or otherwise would not be allowed to own more than 20 per cent ownership in any TV or radio company (the rule has later been relaxed to 50 per cent if the market share exceeds 20 per cent). And this was

A&A's solution to the law. Bringing the money from its own source (in fact it was public's deposits in the bank) and splitting it among the people that you know well and circumvent the law. The law's objective was to free the TV and radio companies from the influence of a particular group.

(2) About 42 per cent of the loan, $7,490,748 was split between 15 real persons who had minority shares with Black. The reason of the money transfer was to contribute in the capital increase of C5 TV (another subsidiary of A&A).

(3) About 27 per cent of the loan, $4,763,756 was split between 12 real persons who had minority shares with Black. The reason of the money transfer was to contribute in the capital increase of S&C TV (S&C) (another subsidiary of A&A).

Despite the fact that each shareholder held no more than 20 per cent of the shares of the three TV companies, the transactions were still against the spirit of the Law and the money used in this operation was not from A&A's cash, it was from one of the group banks and the bank's lending to a group company was excessive in terms of the borrowing company's paid up share capital.

It is possible at this point that some similarities are observed between our my "the Black Company" and "the shell company" as mentioned in Well's paper. Black was a bogus company formed by the crooked employees. The Black-shell company, as the theory suggests, was not a quoted company neither it had any credit rating. Despite of the facts of its being a shell company, it was still funded by the group's bank (ABC) which in turn was funded by public's deposits.

The real persons who borrowed money from Black returned $10,267,992 between 23 July 1999 and 21 December 2000 and the money returned was used to repay the loans previously borrowed by Black. If we net the amount as of 2000 year end, Black lent $17,715,790 to various real persons and was repaid $10,267,992 by them. That means those real persons still owed Black $7,447,798.

Here, we have analyzed the case and determined that this money, since was not posted to bad debt expense was still in the assets of the company as a viable investments in group companies.

To solve a fraud without complete evidence, the fraud examiner must make certain assumptions. This is not unlike the scientists who postulate a theory based on observation and then tests it. When investigating complex frauds, the fraud theory approach is almost indispensable. Fraud theory begins with the assumption, based on the known facts, of what might have occurred. Then the assumption is tested to determine whether it is provable (Wells, 2005).

8. Fake collaterals

These real persons have handed over their holdings of C5 and S&C shares to Black against their unpaid borrowings from Black based on the decision of Black's board of directors made on 21 May 2001.

Compared to the list of the people who initially borrowed the money from Black and the list of the people who returned C5 and S&C shares to Black against their borrowings, a few names have changed. Within these few names was the owner-CEO of A&A holding. From past experience, his withdrawal from the scene was a sign of a possible fraudulency in the case, so we had to dig down further.

The worth of S&C (99 per cent of its paid up capital) and C5 (47.4 per cent of paid its up capital) shares were calculated as $5,943,732 and 10,919,499, respectively, amounting to $16,863,241.

After the shares were returned to Black, the picture looked as if the real persons have returned to Black, a value more than the amount that they owed.

There can be two questions to be asked: first question is that why these people were not asked to return any A-TV shares as against the money, $5,461,286 which was transferred to them on 29 September 1998?

The reason for not returning any A-TV shares to Black was due to A's being part of another package of sale of another television company of A&A to another group. The sale was realized when our audit was being conducted. The second question is that what were the criteria that S&C and C5 shares were valued?

9. S&C

When we looked at S&C's balance sheet as at 31 December 2001, its equity showed a value of TL1.3 trillion, a US dollar equivalent of $898,635, a little less that a million US dollar. When we analyzed the liquidity of its assets, we found that its assets carried a capitalized interest and foreign exchange loss of TL7.8 trillion, an equivalent of $5.1 million. According to International Accounting Standards 23-Borrowing Costs (IAS 23), the benchmark treatment is that all borrowing costs should be expensed in the period in which they are incurred. The allowed alternative treatment says that borrowing costs in relation to the acquisition, construction and production of a qualifying asset should be treated as part of the cost of the relevant asset. A qualifying asset is described as: "it is an asset that takes a substantial period of time to get ready for its intended use". That could be property, plant, and equipment and investment property during the construction period, intangible assets during the development period, or "made-to-order inventories" (www.iasplus.com/standard/ias23.htm).

On S&C's balance sheet there was not any asset that could be classified as a "qualifying asset". The considerable part of its long-term assets were made of electronic equipments and none of which could take a considerable time to purchase or build for its intended use since they were readily available in the market. Besides, included in its assets were the uncollected receivables from group companies of TL18 trillion = $12.4 million. These receivables seemed to be frozen for last couple of years and there was no sign of possible collection in the future. Therefore, they should have been treated as doubtful receivables and had to be charged off to income statement as an expense. These two income statement items on the balance sheet totalled up to $17.5 million. When charged to income statement the equity would be nearly $16.5 million negative. It can be argued at this point that the S&C's broadcasting frequency and domain name could be valuable intangible assets. We considered this fact. It was a local TV and could only broadcast through decoders to its subscribers. It did not have any market share in Istanbul locality and it was the first time we learned that a TV station with a name S&C ever existed in our locality that we had been living for so many years. Its total intangible assets-patent rights and domain names on the balance sheet was a small figure and it was nearly fully depreciated at the time of the audit and was ignorable as a valuable asset. That meant that the company was already bankrupt, did not have any single chance of repaying its liabilities to its group banks. For camouflaging the Black's loss, S&C's balance sheet was made up, its assets were overstated and its equity was shown as a positive figure despite the fact non of its assets were convertible to cash. As it was said above S&C's 99 per cent equity was calculated as $$5.9 million despite the fact the company was incurring a negative equity of $16.5 million.

10. C5

C5 was the biggest TV company within the subsidiaries of A&A. It broadcasted soccer games nationwide from 1996 to 2000 through its network of subscribed decoder users. We analyzed its financials starting from 31 December 1996 through 2002. As summarized on the following Table II (figures are in US$).

C5, produced $122.9 million operational profit from 1996 through 2002. Its paid up capital totalled up to $19 million. The two together represented an internally produced source of $141.9 million. In the same period C5 invested $105.2 million. Mainly decoder investments. It broadcasted the games with a coded frequency and these decoders were rented to subscribers to decode the broadcast.

On the face of the above table it looks like C5 was self sufficient to meet its funding needs for investment. But on the liability side there were loans that were excessively over its equity. All of these loans were from A&A's main group bank ABC and from other subsidiary companies within the same group. And 99 per cent of the loans were of short-term nature with a heavy burden of interest rates (average 71 per cent on TL terms) since Turkey had high-inflation rates during the same period, interest charges were not excessive and were aligned with the market rates.

As can be observed from Table II, for its investments, the company only needed external borrowing in 1997 and 2001, 2001 is the year that the group was in liquidity problem. During the seven years period the capitalized interest (here interest term also covers foreign exchange losses on foreign exchange denominated loans) was $353.3 million which was more than the operational profit produced within the same period. Even the interest expense charged to income statement was greater than the operational profit produced within the same seven years period. None of the investments required a substantial time to build. The company's investments were mainly decoders (a small electronic box) which were readily available. There was no reason to capitalize the interest expense. According to the IAS 23, interest expense cannot be capitalized after related asset is in use. In our case interest capitalizations were consistently made throughout the years regardless of the assets in use. C5 had 250,000 decoders. Since they were all analog based they did not have any resale value. As these analyses were performed (years 2003 and 2004) digital decoders were being used for decoding.

Owing to interest capitalization, throughout the analysis period C5 never showed a negative equity. If this interest amount were charged to income statement. C5's true equity would have been minus $320 million. Broadcast frequency right (an important intangible asset) and trademark of C5 are the only assets that had a value in the market. In no circumstances these assets would be worth more than $320 million. During the same period the Fund sold another group's TV with free broadcasting frequency (not to be decoded) all over the country and its trademark for $300 million. C5's decoded frequency had only 250,000 subscribers and according to technical experts it would worth around $50 million including its trademark. If C5 had broadcasted in a free fashion without coding its broadcast from the very beginning, its

Table II.

Years	Oper. profit[a]	Capital incr.[a]	Total internal Source (1)[a]	Investments (2)[a]	Fund need (1) − (2)	Used principal[b]	Year end int. accruals[b]	Interest Capitalized[b]	Interest Expended[b]	Total
1996	8.543	7.040	15.583	0	15.583			7.874	6.611	14.485
1997	20.608		20.608	68.005	−47.397	88.439	10.620	887	28.560	29.447
1998	44.210	10.794	55.004	33.324	21.680	103.579	29.650	6.630	56.311	62.941
1999	35.644		35.644	1.048	34.596	88.994	17.222	103.440	36.419	139.859
2000	20.297		20.297	2.844	17.453	127.563	139.185	118.143	29.129	147.272
2001	−6.081		−6.081	−271	−5.810	113.748	107.862	98.421	9.398	107.819
2002	−258	1.166	908	288	620	122.433	93.709	17.977	3.598	21.575
Total	122.963	19.000	141.963	105.238				353.372	170.026	523.398
			Average loan borrowing per year			107.459	Average interest exp. per year			74.771

Notes: [a]Converted from average rates per year; [b]converted from year end closing rates market share and trademark would have had a better value, but unfortunately this was not the case.

Despite the fact that C5 was a bankrupt and an illiquid company, 47.4 per cent of its shares were valued for $10,919,499. That meant its total worth would be $23 million. Obviously the board of directors of A&A had made the decision that by capitalizing the interest expenses any group company could make a profit and show a positive equity.

Neither Cine 5's nor S&C's application of capitalizing expenses were against the Tax Application Law of Turkey. The law gave way to interest capitalization since its effect was to increase the taxable income in the income statement. During C5's audit work we compared our findings against independent tax auditor's report. In accordance to tax auditor's report there was not any misuse of accounting rules in accordance with the existing Tax Application Law. It was true, but there was another truth that the company was literally bankrupt and there was no word about it in tax auditor's report. I think this is another controversy in auditing as it is applied in Turkey. A tax auditor would only check the accounts from tax point of view regardless of the viability of the company, whereas the primary issue for an independent auditor is the "going concern".

11. Loopholes in accounting standards

Similar overstatements of assets have been observed in history of fraudulency. Some companies use the loopholes in accounting standards and tax laws.

Ivar Kreuger was the world's greatest swindler. He would have thrived today. So when *The Economist*, three weeks later (after he shot himself in his Paris apartment on 12 March 1932), reported that chartered accountants had discovered "deception and manipulation of accounts" in his business empire, this paper was not alone in feeling bitterly humiliated. The world threw up its hands in horror as details emerged of assets inflated by double counting and, worst of all the forgery in Krueger's hand of $142 million of Italian bonds supposedly sold to him by Benito Mussolini's government. In Sweden, where Kreuger had been considered a national treasure for 25 years, the suicide rate rose and the prime minister fell. It soon became clear that Krueger's business owed more than the country's national debt. In America shares of his international holding company collapsed, taking with them the life savings of thousands. His reputable New York underwriters, Lee, Higginson, disbanded in shame.

After the "Kruger crash" shock Wall Street, America's Securities Act was passed in 1933 strengthening disclosure requirements for all companies selling stock. It stemmed directly from the Krueger experience. It took five years for investigators to disentangle the accounts of his 400 companies. The reckoning? In a 15-year career he was estimated to have burned through about $400 million of his investors' money (*The Economist*, 2007).

In case of Enron for example: Enron and CalPers had originally formed Joint Energy Development Investments Limited Partnership (JEDI) by contributing $250 million in Enron stock and $250 in cash, respectively. Further, the joint venture was controlled equally by both parties and Enron accounted for JEDI using equity method. Although the use of equity method was appropriate, it is unclear what basis (i.e. GAAP standard) the company used to record income resulting from the appreciation in its own stock (Jenkins, 2003).

According to IAS 31, Enron could either follow the proportionate consolidation or the equity method (www.iasplus.com/standard/ias31.htm). If Enron had applied proportionate consolidation, then the 50 per cent of assets and liabilities of JEDI would have been included on Enron's balance sheet and this would have more truly showed the financial position of Enron as opposed to the equity method which basically led to hiding the liabilities from its balance sheet. In addition to that, Enron has also violated another basic accounting principle of "conservatism".

The long survival of conservatism and its apparent resilience to criticism strongly suggests conservatism has significant benefits that are missed by its critics. The puzzle is: what are those benefits? If regulator and standard-setter critics try to eliminate conservatism without understanding the puzzle, the resultant standards are likely to be seriously detrimental to financial reporting (Watts, 2002).

In Enron case, if auditors (Arthur Andersen) had truly construed the basic accounting principles such as conservatism, they would not have allowed the application of equity method in stead of proportionate consolidation, even though they allowed it, they should not have allowed Enron to revalue the investment amount on the basis of appreciation of its shares in the market due to the fact that JEDI was a long-term investment and it was against the principle of conservatism to do so.

12. Conclusion

The case presented above indicates how the public's money in deceived hands can be wasted in an uncontrolled banking environment. At the time of the crises in Turkey, banks were being audited independently by independent audit firms. They were being audited by their internal auditors. Their weekly, monthly and quarterly reports were being analyzed by the Central Bank of Turkey. They were also subject to auditing of semi-governmental Union of Banks. Despite all these control mechanisms, still some banks were able to misuse the public's money, transferred money to their group companies for their futile investments. They used public's deposits as if the funds used were their own money. Consequently, Turkey had the biggest crises in its economic history. About 24 of such banks were bankrupt and the total burden to the government was $56 billion including the interest. The economy in 2001 shrank by 9.5 per cent. Thousands of people lost their jobs. Our case shows only a small fraction of it. $7.4 million was never returned to the bank neither its interest. As we have seen in other group companies balance sheets, bank's money was transferred from one company to another and ended up to buy villas, apartments in foreign countries, luxurious yachts and an unknown amount of personal investments in foreign deposit accounts. We only know the total cost to the society, some $700 million loss just from one group. If the money had been used in fruitful investments by honest investors it would have created many jobs and brought value added into the economy. After the banking scandals and by the pressure of IMF, the rules of the banking have changed after 2001. A new institution apart from the fund was formed, just to closely watch the banks. They are more under public scrutiny now compared to what it was in the past.

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