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### **CREDIT SUISSE'S ROLE IN THE MOZAMBICAN DEBT CRISIS**

We the Budget Monitoring Forum (FMO), a coalition comprising 21 civil society organizations with a constituency of over 4 million people, are cognisant that the Mozambican debt crisis is a direct result of fraudulent and illegal collusion between Credit Suisse, contractors and Mozambican Government officials, which consciously and intentionally acted to cause harm to an already weakened Mozambican society and economy, and triggered a macroeconomic and social crisis in Mozambique.

The Indictment made by the United States authorities against Credit Suisse employees and others, including Jean Boustani, Manuel Chang, Andrew Pearse, Surjan Singh, Detelina Subeva, reveals the extent of collusion between corrupt contractors, certain government officials and Credit Suisse which contracted the debt.

According to the International Monetary Fund (2018)<sup>1</sup>, our current debt crisis arises from *limited control on state-owned enterprises (SOE) borrowing that resulted in large undisclosed external debt (of about \$2.07 billion), and real exchange rate depreciation (48 percent since the end of 2014, even after accounting for the appreciation in 2017)*. The debt crisis exacerbated economic vulnerabilities as donors and other development partners withdrew and/or reduced their development programs in response to the evidence of illegal and criminal conduct by some Mozambican government officials and Credit Suisse. The end of state budget support from development aid partners is a direct result of the criminal project involving Credit Suisse and is costing Mozambique hundreds of millions of dollars lost in aid every year.

Despite evidence of Credit Suisse's involvement in the Mozambican debt crisis, there has been limited engagement of Credit Suisse leadership to find a moral and ethical resolution to the debt

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crisis. Rather, the bank has sought to embark on a highly legalistic process, relying on legal interpretation of international standards and regulations to avoid taking responsibility for the crisis, and the bank has resorted to pushing all the blame on the Government of Mozambique.

With an exception of a media statement on the arrest of its former employees, Credit Suisse has not provided a reasonable explanation of its involvement in the *illegal/criminal* debt crisis. FMO and the people of Mozambique vehemently reject the Bank's position according to which the crisis is solely due to the conduct of rogue bankers acting against the bank's internal systems and processes. It is not plausible to advance an argument of rogue bankers without accepting responsibility for the consequences of poor internal control systems and processes. Compliance and due diligence should have stopped these loans from being made. We believe that the corrupt and *illegal* debt transactions are a direct outcome of Credit Suisse actions or lack of, therefore, Credit Suisse should be held accountable. We agree with the statement in the indictment (page 12) that at the time, "*...Pearse, Singh, Subeva were agents acting within the scope of their employment on behalf of the Investment Bank 1, with the intent, at least in part, to benefit Investment Bank 1*".

Related to this, the FMO considers Credit Suisse's failure to report the bankers to the relevant authorities for criminal prosecution at any time before the indictment by a grand jury, as another evidence of Credit Suisse's acquiescence of the conduct shown by the three defendant employees.

Similarly, Credit Suisse has continued to act as an advisor to investors holding Mozambican debt and has sought payments on the portion of the debt it still owns. We are dismayed that, after having failed to demonstrate robust systems and processes, Credit Suisse continues this mandate without addressing the glaring conflict of interests, given its role in the *illegal* debt.

Having considered all available information in our possession, we demand that Credit Suisse publicly declares that the Mozambican people should not pay a single cent on these debts, and that recovery of any money should come from the companies and individuals who, instead, have benefited from this chaos.

It is not just about the billions of dollars, but about millions of Mozambicans who have been pushed into deeper poverty, people who die due to lack of medicines in hospitals, millions of pupils who have no access to books and quality education as a result of corrupt, illegal and fraudulent actions involving some of your employees. We have long argued that the conduct of Credit Suisse did not meet the duty of care and in certain cases conflict of interest was not well managed.

Particularly disappointing for the FMO is that Credit Suisse, a global bank, has failed to communicate its organizational position on the current debt crisis, through offering visible and firm leadership in addressing one of the biggest threats facing Mozambique. We are confident

that the assertions contained in this letter will be more than enough to appeal to your conscience and enable you to take necessary measures to address our concerns, the concerns of the Mozambican people.

We truly believe your ethical and moral values will speak volume on behalf of the people of Mozambique.

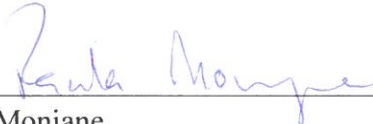
We look forward to your response.

Yours sincerely,

  
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His Excellency IMF Resident Representative to Mozambique, Mr. Ari Aissen