

Appendix L

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December 2, 2005

BY HAND DELIVERY

Honorable Henry Hyde, Chairman
Honorable Tom Lantos, Ranking Member
House International Relations Committee
The Rayburn House Office Building
Room 2170
Washington, D.C. 20515

Honorable Dana Rohrabacher, Chairman
Honorable William Delahunt, Ranking Member
Subcommittee on Oversight and Investigations
The Rayburn House Office Building
Room 2170
Washington, D.C. 20515

RE: BNP Paribas

Dear Chairmen and Ranking Members:

Earlier this week, the Staff of the Subcommittee on Oversight and Investigations of the House International Relations Committee advised this firm that the Subcommittee was planning on issuing a report with respect to the Committee's investigation to date concerning the United Nations ("UN") Oil-For-Food Program (the "Program"). The Staff further advised that the report would address issues relating to the role of our client, BNP Paribas (the "Bank"), in the Program, including with respect to certain letter of credit payments that were the subject of a hearing before the Subcommittee on April 28, 2005. However, the Staff did not provide any indication of what the report might say about the Bank. Accordingly, this letter is intended to provide the Bank's perspective regarding its role in the Program, particularly with respect to the payments that were the subject of the April 28 hearing. The Bank respectfully requests that this perspective be reflected in any report that addresses those payments, in order to present a fair and balanced account with respect thereto. This is especially important in light of the fact that the payments at issue appear to have been consistent with normal trade finance practices, and the Bank is not aware of any evidence that any of those payments bore any causal relationship to any corruption that may have occurred in the Program.

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As you know, under the Program, at the direction of the UN, the Bank issued letters of credit to certain contractors that had been approved by the so-called 661 Committee of the UN Security Council to furnish specified goods to Iraq as part of the humanitarian relief effort that had been undertaken through the Program on behalf of the international community. Those letters of credit were the means by which each of their beneficiaries (i.e., the 661 Committee-approved contractors) was assured of payment of the contract price that had been approved by the 661 Committee, upon presentation by the beneficiary to the Bank of specified documentation demonstrating that the required goods had been delivered to Iraq.

From the inception of the Program, it was contemplated that such beneficiaries might well need to obtain financing in connection with their 661 Committee-approved transactions, and they therefore were permitted to assign proceeds under their letters of credit to secure bank financing. An assignment of proceeds is a traditional means of securing financing for transactions such as these, and commonly takes various forms -- for example, assignments to a bank providing financing directly to the beneficiary; or to a bank providing financing to the beneficiary's supplier; or to the beneficiary's supplier itself, where the supplier is financing the transaction by providing the goods to the beneficiary on open account.

The focus of the April 28 hearing involved situations where proceeds of humanitarian letters of credit issued under the Program were assigned by their beneficiaries to persons other than banks providing financing directly to those beneficiaries. You will recall that, in response to the Committee's inquiries, the Bank had undertaken a comprehensive review of the approximately 54,000 payments that had been made under humanitarian letters of credit issued under the Program to identify such payments, and had submitted an interim report to the Committee shortly before the April 28 hearing. The interim report enumerated all such payments that had then been identified, together with information that had been developed to that date regarding the nature and purpose of such payments and the profiles of the parties for whose accounts those payments had been credited.

As described in that interim report, the overwhelming majority of the letter of credit proceeds at issue appear to have been assigned by their beneficiaries to banks that were providing financing for the underlying humanitarian goods transactions through the extension of financing facilities -- essentially, credit lines -- to suppliers to the beneficiaries of the goods called for by their 661 Committee-approved contracts. Those proceeds evidently were credited for the accounts of those suppliers and applied to repay the banks for the financing they provided for the underlying transactions. The rest of those payments apparently had been made at the direction of the 661 Committee-approved beneficiaries either for the accounts of their own affiliates or, in some cases, for the accounts of suppliers that were financing the underlying humanitarian transactions by providing the beneficiaries with the requisite goods on open account. Notably, the bulk of the payments involved were made to banks providing financing to suppliers that were

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large, well-known exporters of the required goods, and that were 661 Committee-approved contractors in other Program transactions or were affiliates of such contractors.

As the Bank indicated at the April 28 hearing, although the payments of letter of credit proceeds at issue appear to have been consistent with standard trade finance practice, they did not conform to the more restrictive procedures the Bank had put in place for processing letters of credit under the Program. These procedures had sought to limit assignments of letter of credit proceeds under the Program solely to banks providing financing directly to the beneficiaries of those letters of credit. As the Bank acknowledged at the hearing, insofar as proceeds were assigned to banks providing financing to suppliers of beneficiaries, or to suppliers providing open-account financing to beneficiaries, those procedures were not followed. While such shortcomings may have been unavoidable in a program of this magnitude, duration and complexity, they nonetheless are regrettable.

Still, it must be emphasized that the payments at issue were the result of normal commercial arrangements between beneficiaries and their suppliers that facilitated the flow of humanitarian supplies under the Program, just as similar arrangements outside of the Program are integral to the free flow of goods in the global marketplace. Moreover, the assignments of letter of credit proceeds by beneficiaries to banks providing financing facilities to suppliers of those beneficiaries, or to suppliers providing open-account financing, did serve to finance the underlying humanitarian transactions, and thus yielded the same effect as direct bank financing to the beneficiaries would have produced.

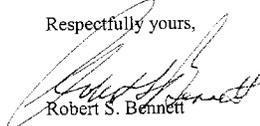
The Bank is not aware of any evidence that any of the payments in question bore any causal relationship to any corruption that may have occurred in the Program. In particular, none of the suppliers or affiliates of letter of credit beneficiaries that have been identified in the course of the Bank's review as having an interest in those payments has been listed, even today, as a Specially Designated National by the U.S. Treasury Department Office of Foreign Asset Control. This statement applies not only with respect to the payments enumerated in the Bank's interim report to the Committee, but also with respect to all additional similar payments that have since been identified in the course of the Bank's ensuing review of the enormous universe of humanitarian letter of credit payments under the Program.

As the Bank has advised the Staff, it recently completed its massive review of those payments, and is in the process of collating the results and preparing a final report of its findings. Those findings are entirely consistent with the findings set forth in the Bank's interim report, and with the Bank's statements at the April 28 hearing, regarding the ordinary commercial nature and purpose of the payments at issue, and the absence of any causal relationship between those payments on the one hand and any corruption of the Program on the other.

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As Chairman Rohrabacher observed at the April 28 hearing, the Bank has cooperated with the Committee's investigation; and it intends to continue to do so. The Bank hopes that its cooperation, as well as the contents of this letter, will be reflected in any report that addresses these matters. Please feel free to contact me if you have any questions in this regard.

Respectfully yours,



Robert S. Bennett