
Hughes Hubbard & Reed

FDIC Seeking \$2.2 Billion For R-G Premier Bank Losses

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The Federal Deposit Insurance Corp. ("FDIC"), represented by Hughes Hubbard, is seeking to recover \$2.2 billion in losses from R-G Premier Bank of Puerto Rico ("R-G"). The claims are due in part to reckless banking practices and breaches in fiduciary duties. R-G was seized on April 30, 2010, with the FDIC acting as the receiver.

In a letter to R-G's directors and officers, Dennis Klein cited a litany of violations which "exposed the bank to excessive risks and substantial losses," according to an article published in Caribbean Business. The letter outlines claims against the bank's former officers and directors and requests payment for civil damages.

The violations include: failure to establish effective internal controls to comply with bank policies; failure to separate loan production management from risk credit management; and failure to recognize and report suspicious behavior by key personnel and borrowers. The bank sustained about \$99 million in losses resulting from questionable banking practices by directors and officers. The FDIC, as receiver of R-G, recognized another \$1.23 billion loss at the time it closed the bank.

In addition to Klein, Aviva Wernick, William Sanchez and Derick Sohn are working on the matter.

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