

Dr M warns bankers of 'grey operation' dangers

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BANKERS must be vigilant in performing their duties and should "be very careful that they are not innocent accomplices in what could be termed as grey operations."

As guardians of the nation's wealth they should not obstruct genuine mergers and acquisitions where the intention is to do business. Prime Minister Datuk Seri Dr Mahathir Mohamad said last night.

He told the financial community that their decisions will determine whether Malaysian society grew and prospered or "we deteriorate economically and, ultimately, politically as well."

"I would like to think that bankers appreciate the dangers by both the get-rich-quick mentality and the manipulations involved in certain corporate games businessmen

play. It is your duty to discern the genuine from the false," he added.

Speaking at a dinner of financial institutions in Kuala Lumpur he noted that Malaysia's prosperity had spawned a number of self-made millionaires, some of whom really made it in the clas-

dous.

Dr Mahathir said that not long ago a British whiz-kid went on a rampage, acquiring companies and stripping them of their assets. He left a trail of corporate corpses all over the world including the Far East.

Now in Malaysia we

thing that has happened is that the assets have been revalued but have stayed where they are and as they are. The public is often taken for a ride by the inflated value of the shares," Dr Mahathir said.

He stressed that this paper wealth is no substitute for real wealth. Wealth cannot be increased by calling one cent one dollar. Similarly a share that is worth \$1 is still worth \$1 even if priced at \$10. It is only when assets really accumulate and productivity is increased that enhanced share values have any significance.

He told the bankers that in its deregulation policy the government was basically saying: "You will be freer to venture in many new areas of business, but you will not be allowed to breach

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sic "rags-to-riches saga." This unfortunately had brought about a get-rich-quick mentality.

This, he said, was an unhealthy frame of mind and it had led to acts which "frequently verge on the fraudulent." Indeed, fraudulent means were often resorted to. A prosperity built on fraud is not durable. It will collapse and then the price to be paid will be horren-

have people who are acquiring what they call a "listed vehicle" and then inject assets, revaluing and merging with other companies to form a business empire. Through revaluation and capital gains money is made.

"The fact is that in most instances no real business is done. There is no increase in productivity or manufacturing or sales or exports. The only

Be vigilant, banks told

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the boundaries of banking prudence and integrity."

While the government had widened the field of banking business and encouraged competition by more players, it had also demarcated the boundaries more clearly.

"The sum total of all this is that our financial institutions face some very exciting opportunities which, if they can be effectively grasped, will greatly benefit both the banks and the nation at large," he said.

He, however, stressed that the government will not compromise in the crackdown on abuses of the ethical standards in banking. This was where

prudent regulation had in fact been increased rather than decreased.

"We will also punish mercilessly those who abuse the trust we place in them. We would also like to teach by precept and by example," Dr Mahathir added.

He also made a strong case on the need for trustworthiness among the banking community. Being guardians of money belonging to individuals, businesses and state there is no way they can function without trust.

The only way banks can function well is for them to be manned by trustworthy people. Then and only then can the

wealth of the nation be entrusted to them.

While noting that there are rules, regulations and laws to ensure that the money is properly managed he admitted that these are full of loopholes "for the crooked and the criminal-minded."

He pointed out that there are "more than just a few in the banking business, particularly at the less exalted levels, who have not been anywhere near as trustworthy as we would like them to be."

Their behaviour is not their responsibility alone. Their superiors at all levels are equally, if not more responsible, for their behaviour. While

they are not expected to commit *hara-kiri* or *seppuku* the superiors must not neglect the supervision that is required of them. They must also try to inculcate the right values among their staff.

"Bankers may not be major bread-winners in our economy, but they certainly help to keep our planters, farmers, miners, manufacturers and traders supplied with sufficient funds to increase their output.

"The unfortunate thing is that we have no substitute for banks in modern times. Certainly there is none which can handle the wealth of the community without relying on trust," he said.