

# Sound banking practices a must, says Dr M

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KUALA LUMPUR, Wed. — Datuk Seri Dr Mahathir Mohamad tonight urged Rio-  
community to  
make sure that the three basic tenets of sound banking practices are not compromised. These relate to security, sensitivity and surveillance.

Bankers are expected to deliver them all, the Prime Minister said, adding that it is time bankers did the jobs for which they are well paid.

He said this in his address at the annual dinner of financial institutions here tonight.

He said: "Banking deals in a highly desirable and liquid commodity — money — and money business calls for security and trust. It is of paramount importance that all aspects of banking operations are accorded security and surveillance with equal stringency.

"Bank customers need to be assured that bankers act in their best interest; not their own self-interest.

"Secondly, banking is predicated on the maintenance of depositor confidence and this will evaporate if the assets of a banking institution, which in the main are concentrated in loans, threaten the ability of the bank to meet its obligations to depositors," he added.

Dr Mahathir said the vulnerability of banking institutions to incursions into its security and control systems by persons bent on acquiring wealth through dishonest means is best illustrated by several recent events.

The "MDF cheque scam" highlighted the fact that routine banking transactions which are normally carried out safely as a mat-

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# Public must be prepared to accept strict procedures

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ter of course may not be safe enough when assailed by determined persons acting in concert to defraud the banks.

"Quite obviously, nothing should be taken for granted and bank staff have to be vigilant at all times in supervising everyone, including their own colleagues."

The public will have to put up with the inconvenience of more stringent checks as it is in their own best interest.

Customers cannot enjoy safety of their deposits if they are unwilling to put up with stringent procedures in their daily transactions at banking institutions, he said.

"But, a sensible balance needs to be maintained. Cumbersome procedures and delays can be counter-productive, too."

Automation, computerisation and the electronic transfer of funds have also given rise to new avenues for defrauding banking institutions.

The institutions have to be alert to the potential of such frauds.

Last year, financial institutions reported 193 cases of

frauds involving approximately \$600 million, compared with 778 cases involving less than \$30 million reported in 1990.

There should be no room for complacency as any laxity would only entice the criminally-inclined to test the controls of an institution, the Prime Minister said.

Furthermore, public confidence can be affected if they begin to question whether all their transactions through the banking system can be conducted safely.

The banking industry cannot afford such doubt to creep in as it will eventually undermine the nation's payments system.

He said there had been calls to impose harsher penalties on white collar criminals. These are currently being studied by the Government. However, the law by itself cannot be the sole means of countering society's ills.

In these days of the educated criminal, a really determined crook can defraud banks, institutions or individuals. The only real and effective protection against crime is the moral and ethical value system of society.

Given that insider fraud is

becoming increasingly rampant, the control should start at the point of entry to an institution: that is at the recruitment level. To weed out potentially unsuitable characters, particular emphasis should be paid to character, temperament, attitude and disposition, he said.

As custodians of public funds, the financial sector necessarily has to display very high standards of financial discipline and integrity. Management must be seen to deal firmly and uncompromisingly with any infringement of these standards, however small it may be.

Dishonesty by a bank employee undermines the very foundation of banking. In the final analysis, the scale of fraud in an organisation is a reflection of the ability of its managers to manage.

Financial institutions have the onerous responsibility of safeguarding public confidence in the financial system and are expected to play their rightful role in the battle against white collar crime.

"Granted banks cannot control the desire to steal, but they can surely control and limit the opportunities to steal."