

16 MAR 1998

PM: UP TO BNM TO INVESTIGATE SIME BANK'S LOSS

KUALA LUMPUR, March 16 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said here today he would leave it to Bank Negara to investigate the loss incurred by Sime Bank Bhd recently.

"We would take into account the results of the investigation. We are not going to make baseless accusations," he told reporters here today after calling on Vietnamese president Tran Duc Luong here today.

Sime Bank Bhd has suffered a loss of RM1.8 billion for the half year ended Dec 31, 1997.

"A lot of people suspect this person or that person. But it would be unfair to mention this person and that person before a full investigation is conducted," he added.

Dr Mahathir said, "when we have found out who the guilty persons are, we will take action against them.

"We have to act against them if they are in the wrong. It need not mean that those who borrowed money are in the wrong. We must remember that this would not happen if the ringgit had not depreciated.

"Due to the ringgit's depreciation, a lot of people are facing difficulties. Not because they are not efficient or because they had cheated but because they borrowed money with the hope that they could pay back, but then the ringgit suddenly weakens."

Asked whether it was true that majority of those who took up loans did so to buy shares and whether this was a lesson to them, Dr Mahathir said, "it is a lesson in a way...when the share market was booming they believed that they could repay..."

"The basic cause is the devaluation of the ringgit and the deliberate selling of the shares in order to reduce the share value. That creates the problem."

Asked if a commission of inquiry would be set up relating to the Sime Bank's loss, he said: "If it is necessary, yes. But at the moment, we don't think it is necessary. It is a straight forward investigation into banking practice. There is nothing unusual.

"Under normal circumstances, these things wouldn't have happened to Sime Bank. But presently, many companies just cannot pay simply because they used the shares as collateral and borrow money from the bank, the shares fall in value and therefore they cannot pay because the collateral is below the amount that they borrowed.

"It is not their fault. If people have told them that on such and such a date the ringgit will fall (in value), of course they will not borrow."

Dr Mahathir said action would be taken if there was mismanagement or if the loans given were not done in accordance with proper banking procedures.

-- BERNAMA

AZZ FR