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Parliament-Salomon

SALOMON SMITH BARNEY ADVISING GOVERNMENT ON BANKING

KUALA LUMPUR, Oct 22 (Bernama) -- Salomon Smith Barney (SSB), the US-based financial services group, is advisor to the Malaysian government on the restructuring and recapitalisation of the banking industry and its funding programme.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also first Finance Minister, said SSB did not impose an advisory fee for its services except if it was able to help the government secure loans in overseas markets.

"However, SSB will make claims for all expenses in carrying out its role as a financial adviser, subject to a maximum amount agreed upon," he said in a written reply to Lim Guan Eng (DAP-Kota Melaka).

The written reply was faxed to the office of the Opposition Leader in Parliament from the DAP headquarters and distributed to the media in Parliament building here today.

Dr Mahathir said SSB had the expertise and maintained its objectivity in carrying out its duty as a financial advisor to the government.

SSB, a member of the Travellers Group, had announced its merger with the Citicorp Group in April 1998 and the new merged group known as Citigroup Inc. will become one of the largest financial services group in the world.

The Prime Minister said SSB had been the lead manager in the first fixed rate US dollar denominated bonds issued by Malaysia in 1990.

He said SSB was also a joint lead manager in the US dollar bonds issued by Petronas of US\$1.9 billion in 1996.

He said SSB's proven track record showed it could successfully implement the government's plan to secure foreign loans via bond issues and to promote the true situation of Malaysia's economy in order to attract foreign investments.

Dr Mahathir said as an investment bank, SSB has a clear separation of duties between its bonds and currency trading activity and its advisory services activity.

He said the bonds and currency trading activity is normally carried out on behalf of its clients with SSB doing "proprietary trading" to earn profits for the bank.

"In an uncertain market situation, institutions involved in proprietary trading activities risk losses from a market fall," he said.

Dr Mahathir said most of the financial institutions with huge exposures in the Russian Rouble market had suffered losses, including SSB.

-- BERNAMA

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