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Salomon Smith Barney's fees dependent on it getting loans

SALOMON Smith Barney, the investment bank now advising the Government, will not charge advisory service fees unless it succeeds in assisting the Government secure loans in the international market, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

However, SSB would claim for the expenses in discharging its duties as financial adviser depending on the maximum level which has been agreed, Dr Mahathir, who is also First Finance Minister, said in a written reply to Lim Guan Eng (DAP-Kota Melaka).

Dr Mahathir said SSB would advise the Government on the restructuring and recapitalisation of the banking sector and in implementing the financing programme for the Government.

He added that the Government believed SSB had a high level of capability and objectivity in executing its duties.

Dr Mahathir said SSB, which was part of the Travelers Group, had announced its merger with Citicorp Group, creating the biggest financial institution in the world.

The new group is known as Citigroup Inc.

Dr Mahathir said SSB had played an important role as the main manager in issuing Malaysia's fixed rate bond in US dollar in 1990. It was also the joint main manager in issuing Petronas' US dollar bond in 1996 totalling US\$1.9 billion (RM7.2 billion).

Its track record showed the capability of SSB in ensuring the success of the Government programme in raising foreign currency loans, in making aware the actual economic situation in Malaysia and improving foreign investors' perception of the country, he added.

Dr Mahathir said as an investment bank, SSB had a clear division of roles where bond and currency trading was not mixed with its advisory role.

"Normally the bond and currency trading is not extended to customers, serving as 'proprietary trading' to gain profits for the bank," he said.

In an uncertain market, the "proprietary trading" can expose the respective banks to risk of incurring losses as a result of the drop in the value of the market.

"For instance, most financial institutions with big exposures in Russian roubles, had suffered losses including SSB," he said.

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