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Soros awaits judgment on charge of insider trading

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GEORGE Soros, who crossed swords with Prime Minister Datuk Seri Dr Mahathir Mohamad at the height of the financial crisis in 1997-1998, is on trial in France. In one of the "highest profile financial scandals in France", Soros is accused of profiting US\$2.2 million (RM8.36 million) from insider trading when he brought shares in the French bank Societe Generale.

In the 14-year old insider trading case, Soros, who is known for his speculative activities, is reported to have said that he does not believe markets are perfect and tinkers with the marketplace and currencies. He is also reported to have said that he had "never" been accused of insider trading.

"I have been in business all my life and I think I would know what is insider trading and what isn't," he is reported to have said in a Paris court with six defence lawyers.

But the French authorities think otherwise and have brought him to trial together with a group of elderly businessmen dubbed as the "golden granddads". He is accused of using insider information of a botched 1988 corporate raid on Societe Generale to make money on the bank's stock - a charge which Soros denies.

The Hungarian-born Soros had spent two weeks in Paris in November to appear during the four sessions of the six-day trial. The case was first brought against Soros in June 1993. Defence lawyers had unsuccessfully argued that the case should be thrown out because it took so long to bring to court.

Prosecutor Marie-Christine Daubigny argued the French justice system was not to blame as authorities in Switzerland took time to respond to information requests. It has taken 14 years to come to trial due to delays in securing information from authorities in the Netherlands, Britain and Luxembourg, in addition to Switzerland.

A charge of insider trading in France can bring a maximum of two years in prison and a fine equivalent to US\$1.5 million.

The French public prosecutor recommends that Soros be fined a minimum US\$2.19 million, the profit he is accused of making from the Societe General shares. For someone whose worth is estimated at US\$7 billion, the potential financial penalties are small.

However, the judge deciding the case could, according to reports, recommend a maximum penalty of as much as two years in prison or a fine of four times the amount he is alleged to have made.

Societe Generale was privatised in 1987. A year later, its stock price went up during an unsuccessful takeover bid. Soros with four others (two of whom have since died) is accused of having obtained insider information before the abortive corporate raid pushed its stock price up.

Soros is better known for breaking the back of the Bank of England in 1992. In the process, he made a staggering profit of US\$1 billion while the Central bank lost US\$40 billion in defending the sterling's value which had gone down by some 15 per cent.

The hedge fund operator had bet a staggering amount and won. Following this raid on "Black Wednesday", the Bank of England was forced to exit the European Exchange Rate Mechanism.

He admitted that his actions had benefited no one but himself and, at the time, claimed that the only thing that could save Britain was a common

single currency - a view he continues to hold.

But this is not the only profit Soros had made with his speculative hedge fund activities.

Emboldened by the breaking of the pound and the Bank of England, the hedge fund operator took his trade and activities into other countries and against other currencies.

He remains hugely wealthy and a believer in market deregulation. In fact there is hardly any region where he is not active. The Soros Foundation now operates in more than 50 countries in Asia, Eastern Europe, Africa and Latin America - in the name of wanting to promote democracy, open societies, human rights, media and legal reforms. It is estimated that last year he gave away some US\$453 million through his network and this presumably from proceeds of his speculative and hedge fund activities.

The number of hedge funds and their activities have since grown. From just under 500 in the 1990s the number doubled to about 1,000 in 1993 with about US\$75 billion in management. Today, there are some 7,000 managing some US\$600 billion. With leverage, hedge funds have an investment capacity of close to US\$2 trillion which is more than the US\$1.1 trillion in FDI flows world-wide estimated in 2000.

During the Asian financial crisis in 1997, Soros made headlines. He together with other speculators were said to have attacked Asian currencies, including the ringgit, causing the region's worst economic slump in decades, leaving millions unemployed, children denied education, elderly dying due to lack of medicine and many without the basic necessities, including clothing, food and shelter.

In 1998, there was the attack on the peg of the Hong Kong dollar which was also attributed to activities of the Soros fund. The Russian crisis was aggravated with the default in 1998 which followed Soros' outburst that the Russian financial markets had "reached a terminal stage" and he wanted the rouble pegged to the US dollar or a European currency.

"Markets are amoral," he says adding, "I'm not a sinner." But millions of individuals, companies and countries have suffered from his actions with many yet to recover while he continues with his activities, wrecking one economy after another with his speculative play in global currency markets.

The Soros criminal trial is being closely monitored as many have suffered from his speculative activities. The Russians too had a "taste" of his medicine and according to Dmitry Sibodanuk his countrymen cannot forgive Soros for the financial crisis in 1998.

Writing in the Russian newspaper, Pravda, Sibodanuk says "Philanthropist and stag George Soros is on trial on the allegations of financial intrigues. This shows only one thing: there is nothing holy in the world. You can take all people to the open society, stealing their wallets at that. Thanks for teaching us that George. One cannot live even a day in Russia without cynicism. Let us hope that the justice will be fair."

Sibodanuk has just a few more days to wait to find out the verdict, expected on Dec 20.