

BNM fights to distance itself from 1MDB mess

MalaysiaKini.com

July 13, 2015

By Shamim Adam & Liau Y-Sing, Bloomberg

Malaysia's central bank sought to distance itself from the political imbroglio surrounding state investment company 1MDB and allegations against Prime Minister Najib Abdul Razak.

Bank Negara Malaysia (BNM), part of a task force looking into an alleged transfer to Najib's bank accounts of funds connected to 1MDB, was the subject of a Malaysia Today blog on Saturday naming three central bank officials who it said leaked information on the money trail.

In a statement yesterday, the central bank said such allegations were without basis and that it had made a police report, without elaborating on the accusations. The country's police chief said today the police are now probing all members of the task force, including central bank personnel, over the potential leaking of classified documents.

"Bank Negara Malaysia remains steadfast in our quest to uncovering the truth in a fair and just manner," the central bank said Sunday, adding it will investigate any potential breaches to the laws it administers. "In discharging its accountability, the bank is not aligned to any faction and will not betray the trust of the public."

The Wall Street Journal reported July 3 that US\$700 million (RM2.6 billion) may have moved through government agencies and companies linked to 1MDB, before ending up in accounts bearing Najib's name. Multiple probes are under way into the indebted company, and the task force raided its offices last week.

Najib has said he has never taken funds for personal gain and called the allegations against him political sabotage, part of a campaign aimed at removing him from office.

In June, the central bank issued a rare statement urging the country to resolve domestic issues that have affected the ringgit, saying it won't be drawn into any political agenda and remains focused on maintaining monetary and financial stability.

"The central bank has to be seen to be independent in order to maintain its credibility," said Irvin Seah, an economist at DBS Group Holdings Ltd in Singapore. "Bank Negara has built up a very strong credibility over the years with regards to how it charts its monetary policy and which has been very effective in mitigating against financial imbalances."

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