



A Banker's Woes

Bank Negara Malaysia's rejection of the re-appointment of Datuk Seri Sulaiman Abdul Rahman Taib as executive chairman of RHB Capital Bhd raises questions.

IT is not always that we get to witness Bank Negara Malaysia flexing its muscles.

So when the central bank rejected an application by RHB Capital Bhd to re-appoint Datuk Seri Sulaiman Abdul Rahman Taib as executive chairman, it raised eyebrows.

More importantly, it also gave rise to speculation as to what could have prompted the central bank's decision.

While the central bank did not give any reasons for its actions (it seldom does anyway), the fact that it sat on RHB Capital's application for more than six months in itself speaks volumes. The central bank eventually approved Sulaiman's appointment as a director.

There have been suggestions that the central bank could have been more transparent by making public the reasons for the rejection. But then again, this is easier said than done as it might touch on banking secrets or classified or sensitive information.

On the other hand, questions have been raised as to why RHB Capital did not make an announcement to Bursa Malaysia when Sulaiman's tenure as executive chairman of the board ended on May 7, 2005. Would minority shareholders not want to be informed of such a significant development?

To be sure, the RHB group itself, namely Rashid Hussain Bhd (RHB) and RHB Capital Bhd, has been very much in the news of late.

The Minority Shareholders Watchdog Group (MSWG), for one, has been highlighting certain issues of concern relating to the stakeholders of the Group. Being an independent body funded by the National Trust Fund, its views are usually taken seriously.

Among the issues raised was the remuneration of RHB's executive director. For an 18-month period ended Dec 31, 2004, he was paid an average monthly remuneration of RM751,000 compared to RM230,000 the previous year.

No problem with that except that the RHB group suffered a financial loss of RM21.5 million for the 18 months ended Dec 31, 2004. Was this more than three-fold increase justified? For the record, RHB Capital reported a net profit of RM457.2 million for the 18 months ended Dec 31, 2004.

The MSWG compares this remuneration with three other larger banking groups. Malayan Banking Bhd which enjoyed a net profit of RM2.42 billion, only paid

RM127,000 per month to its highest-paid director while Commerce-Asset Holding Bhd which reported a net profit of RM752.28 million, paid RM183,000 per month to its top director.

Another larger bank, Public Bank Bhd, paid out RM196,000 per month and its net profit was RM1.26 billion. So, is there a benchmarking against performance or even against other banks?

There has also been some concern by minorities that the functions of the chairman and chief executive were not separated. And as such, there could be a conflict of interest. Could this be one of the areas of concern of the central bank?

Then there is the issue of interest-in-suspense which the group chooses to recognise on a six-months basis period rather than on the more prudent three-months as is internationally recognised.

For the record, there are large institutional shareholders in the RHB Group. The Employees' Provident Fund and Pensions Trust Fund own 31% and 10.75% respectively in RHB, which in turn owns 65% of RHB Capital.

RHB Capital controls RHB Bank Bhd which, incidentally, is 30%-owned by Khazanah Nasional Bhd, the government's investment arm.

Sulaiman took control of the RHB Group in May 2003 via a merger with his Utama Group. Michael Hague was then appointed chief executive officer of RHB Bank in June 2002. However, in December 2003, Hague resigned abruptly, amidst speculation.

Sulaiman himself attracted some unwanted publicity in early 2003 when it was widely reported that he allegedly assaulted a former television host in public. No charges were brought against him.

Then, in another much publicised case in January 2005, the RHB Group filed a suit against its former owner and controlling shareholder Tan Sri Rashid Hussain and five others for RM1.43 billion for alleged breach of fiduciary duties and negligence.

But, at the end of the day, we should look at what might have prompted the central bank's decision. For it to have rejected Sulaiman's application is quite rare.

There is little point on speculating as to why the central bank acted the way it did. What is more important are the issues raised by the MSWG and the minorities.

That is the crux of the matter. mb