

Newspaper	THE STAR
Date	31/08/2017

Witness: Dr M shrugged off RM30bil losses

Ex-Finance Ministry official testifies
at RCI on Bank Negara's forex debacle

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PUTRAJAYA: Former prime minister Tun Dr Mahathir Mohamad showed no reaction when he was informed about the RM30bil losses suffered by Bank Negara Malaysia due to foreign exchange (forex) trading in the 1990s, the Royal Commission of Inquiry (RCI) heard.

Tan Sri Clifford Francis Herbert, 76, who was then the deputy secretary-general (II) at the Finance Ministry, said he had a meeting with Dr Mahathir at the then prime minister's office in late 1993 to talk about the losses.

Also at the meeting was former deputy prime minister and finance minister Datuk Seri Anwar Ibrahim.

"We (Anwar and I) briefed Dr Mahathir about the losses and he responded by saying 'sometimes we make profits and sometimes we make losses'," he told the inquiry which was held at the Court of Appeal yesterday.

Conducting officer Julia Ibrahim then asked the witness about Dr Mahathir's reaction on hearing the news.

Julia: "What was his reaction? Surprised?"

Herbert: "He was quite normal. I thought he would be outraged."

Julia: "Were the losses a definite (amount of) RM30bil?"

Herbert: "It could have been more."

The witness said Anwar later defended Bank Negara in Parliament.

Tan Sri Dr Lin See Yan, who was the deputy governor of the bank between 1980 and 1994, told the inquiry that all forex transactions were controlled by then banking department manager-cum-adviser Tan Sri Nor Mohamed Yakcop.

"I believe Nor Mohamed was the chief dealer and reported directly to the governor (Tan Sri Jaffar Hussein)," Dr Lin, now 78, told the inquiry.

He said he first came to know about the losses from former Assistant Auditor-General Lee Siew Kuan in early 1990s.

"My friends from the International Monetary Fund (IMF) also told me that Bank Negara had big open forward foreign exchange transactions, in multiple currencies especially in New York and London, and suffered huge losses."

Dr Lin then went to see Jaffar who confirmed the losses. Both agreed that an investigation should be carried out.

Dr Lin added that when circumstances permit, a bank should close all open forward positions to ascertain how much losses were incurred.

"I told Jaffar that Nor Mohamed should not be allowed to deal anymore.

"Jaffar's parting words to me were 'I got the bank into this mess and I will fix it'," he said.

Dr Lin said he was also called by Anwar.

"Anwar was most unhappy that the losses occurred and agreed with me that whatever open positions still existed should be closed as soon as possible," he said.

Dr Lin also admitted that a major accounting change was made in the 1993 Annual Account of Bank where a new item called "Deferred Expenditure" was introduced in the annual financial statement.

"The purpose was to accommodate the nett deficiency in forex transactions of RM5.7bil, an amount which would be written-off against the bank's future profit," he said.

The hearing continues on Sept 6.

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