



PERDANA
LEADERSHIP
FOUNDATION
YAYASAN
KEPIMPINAN
PERDANA

PERDANA LIBRARY
PERDANA LEADERSHIP FOUNDATION
NEWSPAPER CLIPPING

Newspaper	NEW STRAITS TIMES
Date	25 JANUARY 2017

BUMIPUTERA MALAYSIA FINANCE LIMITED

CIA PAPERS ON DR M AND THE BMF SCANDAL

NST-25/1/2017

Report declassified and released online by US intelligence agency

HANA NAZ HARUN
KUALA LUMPUR
new@nst.com.my

RECENTLY declassified United States intelligence documents claim that former prime minister Tun Dr Mahathir Mohamad was involved in the Bumiputera Malaysia Finance Limited (BMF) scandal that rocked the country in the 1980s.

The report, which was part of a trove of 13 million pages from 800,000 documents declassified and released online by the US Central Intelligence Agency (CIA) last week, summarised that Dr Mahathir's position as prime minister then was at risk due to the financial graft scandal.

"Circumstantial evidence suggests that the scandal extends into the Mahathir administration. As a government-owned bank, Bank Bumiputera (Bank Bumi) is closely monitored by both the Finance Ministry and Central Bank and no important decisions are made without their agreement or knowledge.

"It is unlikely that the government was unaware of Bank Bumi's increase on lending limits for its overseas branches to allow more funds to be channelled to Hong Kong," said the nine-page report titled "The Bank Bumiputera Scandal: More Trouble Ahead for Malaysia's Mahathir?", downloaded from the CIA website.

It also said that while no direct links were established between Dr Mahathir and the BMF corruption case, the CIA believed that the "hint of association" had damaged the political standing of his administration, which was elected in 1981 "under a banner of clean government".

The government had also been tarnished, it added, as the scandal involved the financial arm of the New Economic Policy.

"Bank Bumi was founded express-

ly to help Malaysia's comparatively poor businessmen. The bank's huge losses on loans to Hong Kong Chinese businessmen are, therefore, particularly embarrassing to the ethnic Malay leadership.

"Equally damaging to the administration has been the perception that the government had only half-heartedly pursued the issue. The secrecy of the government's investigation — defended as necessary under Malaysia's Banking Secrecy Laws — and a year's delay after the problems surfaced in effecting any management changes at BMF have made the government suspect.

"Moreover, despite the vigour the government has shown in the BMF debacle more recently, many businessmen and bankers believe that the government is using the six accused BMF officials as scapegoats in an effort to avoid implicating senior government officials."

The scandal made headlines in 1983, during the first few years of Dr Mahathir's leadership. It was found that the bank's Hong Kong-based subsidiary, BMF, had provided "bad" loans to the now-defunct Carrion Group, founded by George Tan.

Carrion Group went bust and the series of loans totalling about RM2.5 billion given to the group to invest in Hong Kong's then booming property market could not be recovered.

The CIA report dated March 5, 1985, also said BMF continued to authorise loans to Tan long after his conglomerate admitted that it could not pay its debts. It also said Dr Mahathir, while admitting that BMF's lending practices were imprudent, had "downplayed the bank's culpability".

"Until recently Kuala Lumpur's response to the BMF loss was surprisingly restrained. Prime Minister Mahathir admitted BMF's lending practices were imprudent and pledged action if management malpractices

were uncovered, but he downplayed the bank's culpability, maintaining that the property market collapse had affected all Hong Kong Banks.

"It appeared that the government's strategy was to contain the problem while looking for the best way to bail out Bank Bumi, and last September it announced the takeover of the troubled bank by the cash-rich national oil company, Petronas."

The report noted that in January 1984, Dr Mahathir "compromises" and established a three-member Committee of Inquiry. It said the closed-door commission, however, had no legal power to summon witnesses, subpoena documentary evidence from outside Bank Bumi or require testimony under oath. The document also said both Dr Mahathir and then international trade and industry minister Tengku Razaleigh Hamzah had close ties with those involved, including then Bank Bumi chairman Dr Nawawi Mat Awin.

"The most potentially damaging aspect of the affair is the alleged connection of Tan to officials of the United Malays National Organisation (Umno), headed by Mahathir and the dominant party in the government coalition," the report added.

Dr Mahathir had repeatedly denied any involvement in the scandal. In May 2015, he said the money lost "belonged to the bank", stressing that he "did not steal any money."

"I did not steal any money. The money was missing and it is the bank's money. I was not the manager of the bank, neither was I its adviser. So many banks lost money during that time. Why should I be blamed for them?" Dr Mahathir was reported as saying. When contacted, Dr Mahathir's lawyer Mohamed Haniff Khatri Abdulla said his side wanted to study the report before making any statement.