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I never interfered in BNM, says Dr M

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PUTRAJAYA: Tun Dr Mahathir Mohamad told the Royal Commission of Inquiry (RCI) that Bank Negara Malaysia (BNM) conducted its operations freely and that he never interfered in its affairs or administration during his tenure as the fourth prime minister.

Dr Mahathir said BNM had its own administrative structure and was headed by a governor under the Central Bank of Malaysia Ordinance 1958 at that time.

"I believe I did not have the legal powers to interfere in the bank's policy, affairs and administration," said Dr Mahathir, who calmly and clearly read a written statement during the RCI into BNM's foreign

They conducted operations freely, RCI told

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exchange (forex) losses in the 1990s, held at the Court of Appeal here.

Dr Mahathir, the 24th witness, said he was not informed about the bank's detailed daily forex transactions as BNM did not have a legal obligation to report to him.

Despite the separation of powers between his office and BNM, he said it did not mean that the governor never spoke to him about the institution.

"Our conversations were general chats without any details into the bank's activity," he said, referring to former Bank Negara governor Tan Sri Jaffar Hussein.

Dr Mahathir said that in the late 1980s, he had knowledge of the forced increase in the value of the Japanese yen carried out by several big countries in an event known as the "Plaza Accord".

This had a negative impact on Malaysia because the nation's loans, which were in yen, became three times more expensive.

"At that time, without my knowledge, Jaffar made the decision for Bank Negara to actively participate in forex trading to balance the cur-

rency's volatility and to protect the country's economy and reserves," he said.

Although he only found out about this later, Dr Mahathir said he accepted the reason why it was done.

Earlier, Tun Daim Zainuddin, who was finance minister between 1984 and 1991, claimed the first time he learnt about BNM's forex losses and profit was when he was shown a document titled "Accounting Treatment of Losses Arising from Active Reserve Management 1988-1994" dated April 18, 2007.

"I did not know that BNM was actively involved in forex trading

starting 1988 and the trading amount was significant," he said while reading his written statement.

Daim claimed he also did not know who was responsible for forex trading at the central bank between 1984 and 1991.

"Nobody from BNM informed or briefed me about the forex trading. I did not know nor was I informed about the losses," he added.

RCI panel chairman Tan Sri Mohd Sidek Hassan said he found it incredible BNM did not inform the former finance minister about such important matters.

Daim, however, maintained it was the bank's responsibility to do so. "They must inform me. We have other things to do. They should be responsible enough to keep me informed," he said.

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