

## **ZETI: BANK NEGARA'S ACTION AGAINST 1MDB VITAL FOR INTEGRITY**

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**By Admin-s**

**(The Star) - The debacle surrounding 1MDB has contributed to the ringgit performing the worst among major Asian currencies this year, while foreign investors have pulled more than US\$4bil from Malaysian stocks in 2015.**

Bank Negara had to take action against 1Malaysia Development Bhd (1MDB) to protect the integrity of the financial system, according to governor Tan Sri Dr Zeti Akhtar Aziz, who said an improvement in the country's political situation would help the ringgit.

The attorney general's office earlier this month dismissed the central bank's second request for criminal proceedings against 1MDB for breaching the Exchange Control Act.

The central bank revoked three permissions given to 1MDB for investments abroad totaling US\$1.83bil (RM7.58bil), and instructed it to repatriate the amount.

"He has the right to make that assessment," Zeti said, referring to the attorney general.

"But for the central bank we believe it is very, very important to comply with our rules and regulations that we have in place. This is vital, it's critical for the functioning of the financial system and its integrity," she said.

While growth could ease to as little as 4.8% this year and the risk of a slowdown because of the global economy is bigger than the threat of inflation, Malaysia has a "high degree of resilience," Zeti, 68, said in an interview in Lima, Peru on Sunday.

The central bank didn't see the risk of faster inflation after the first quarter of 2016 and interest rates at current levels were supportive of growth, Zeti said. Malaysia forecasts growth of 4.5% to 5.5% this year.

Malaysian policymakers have struggled to boost confidence in the economy and its finances since oil prices started slumping late last year and as allegations of financial irregularities at 1MDB hurt sentiment.

Tensions have also increased as Prime Minister Datuk Seri Najib Tun Razak battled accusations of impropriety over political donations that ended up in his private accounts.

"People are distracted now" because the country rarely has political developments of this nature, Zeti said.

“Everyone wants these domestic issues to be resolved quickly, because as and when they are resolved, we expect the currency to recover even further,” after gains in recent days.

The debacle surrounding 1MDB has contributed to the ringgit performing the worst among major Asian currencies this year, while foreign investors have pulled more than US\$4bil from Malaysian stocks in 2015.

Bank Negara anticipated outflows would happen when Western counterparts reversed quantitative easing, Zeti said.

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