

Forex RCI blames Nor Yakcop, implicates Dr M and Anwar

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FOREX RCI | Bank Negara suffered losses amounting to RM31.5 billion in foreign exchange (forex) trading between 1992 and 1994, the Royal Commission of Inquiry (RCI) into the matter said.

The RCI also established that Nor Mohamed Yakcop, who was part of Bank Negara's management at the time, was the person in charge of the forex dealing operations.

The commission is also of the opinion that this incident involved a criminal breach of trust under Sections 406 and 409 of the Penal Code.

Nor Mohamed was in charge of portfolios at Bank Negara between 1986 and 1993, including managing external reserves and regulation of domestic financial markets.

However, the RCI said, other parties had to share the blame as well.

"Although he had dominion over BNM's funds and seemed to have had a free hand in forex dealings, he could not have carried on for such a long time without the direct or tacit approval of his superiors and/or other persons in authority.

"Therefore, the commission assessed the joint liability of these persons, which could fall either under Section 34 or Section 107 of the Penal Code and explained as having the common intention or abetting," the commission adds in its report, which was released today.

These individuals, according to the RCI, are then Bank Negara governor Jaafar Hussein, his deputy Lin See Yan, Bank Negara's board of directors, then finance minister Anwar Ibrahim and then prime minister Dr Mahathir Mohamad.

Dr M and Anwar's role

Furthermore, the RCI said, the incident involved an element of cheating in violation of Sections 417 and/or 418 of the Penal Code.

"The possibility of joint liability was also examined. It could be proven that several persons from Bank Negara, the Finance Ministry, Auditor-General's Department, including Bank Negara's board of directors and the Finance Minister, had all the information on the forex losses and were involved in the concealment of actual losses in Bank Negara's forex dealings.

"Therefore, they should be jointly liable for the offence," the report states.

The RCI also accused Mahathir and Anwar of withholding information on the forex losses from the cabinet.

“The finance minister was also the main person responsible for withholding the facts and information of the forex losses to the cabinet.

“The prime minister, who also had knowledge of the forex losses, did not correct or offer more information when the losses informed to the cabinet were not the actual losses,” reads the report.

No further recommendations

The RCI also concluded that Bank Negara's forex trading activities at the material time contravened Section 31(a) of the Central Bank Ordinance 1958 as the volume of transactions exceeded the reserves.

The RCI also opined that there was a deliberate concealment of the forex losses as it was not accurately reflected in the Bank Negara annual reports.

“The commission is of the opinion that the then finance minister had deliberately concealed facts and information and made misleading statements to the cabinet.

“The commission is also of the opinion that the then prime minister had condoned the actions of the finance minister,” the report states.

Apart from criminal investigations, the RCI said, no further enhancements to Bank Negara were necessary as substantial measures had been implemented to improve governance of reserves.

“No further enhancements are being recommended, as the various measures for improvement in the overall governance and internal controls of the bank have been adequately addressed in the Central Bank of Malaysia Act 2009,” the report says.

The RCI began its investigations on July 15 and was tasked with establishing whether Bank Negara made losses in the 1990s through forex speculation, whether laws governing Bank Negara were violated, whether there was concealment of facts, recommending action against those responsible and recommending action to prevent the incident from recurring.

The five-member panel comprised Mohd Sidek Hassan (chairperson), Justice Kamaludin Md Said, Tajuddin Atan, Saw Choo Boon and SAK Pushpanathan.

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