Corruption in Malaysian firms rises in 2016 — PwC

Poll shows more companies report losses from economic crime

BY KARAHUL ANWAR

KUALA LUMPUR: More companies in Malaysia are involved in bribery and corruption, according to PwC’s Global Economic Crime Survey 2016. Of the companies polled by the audit firm, 30% of them reported losses of over US$100,000 (RM400,000) from economic crimes, a rather big jump compared with 19% two years ago, making it the highest among the region’s major trading partners, save for China. Meanwhile, 13% of the participants said they had lost more than US$1 million from economic crime.

The irony in this, as PwC Consulting Associates (M) Sdn Bhd senior executive director and forensic leader Alan Tan pointed out, was that 99% of all the Malaysian respondents (98%) felt that their top-level management was sending a clear message that they didn’t condone such crimes.

The findings show 24% of the respondents felt strongly that they had a confidential channel for raising concerns, without fear of retaliation. “That’s good. But you can turn that around and see that 76% of them don’t feel that they have a confidential channel,” he said.

When we look at the issues of bribery and corruption, we must also take cognisance of the fact that 76% of the respondents believe there is bribery and corruption where [the] private sector pays people in the government sector, and vice versa, and people in the private sector bribing each other for contracts.”

The survey was conducted between July 16 and Sept 30 last year and gathered responses from 17 industries, including government-linked or state-owned enterprises (making up 18% of respondents), financial services (46%), energy, utilities and mining (13%), and manufacturing (12%). A third of the respondents came from public-listed companies and 28% of them said economic crime had brought an impact on their companies’ share prices. 30% of the participants of the Malaysian survey reported bribery and corruption cases, higher than the global average of 24%. The world average of bribery cases has been drawn by three percentage points from 2014, compared with Malaysia, which has increased by one percentage point over the same period.

Malaysia occupies the second spot after China (4%) for the highest percentage of reported bribery among Malaysia’s top three trading partners. Japan had 24% of its organizations reporting cases of corruption, and Singapore 17%.

While our level of corruption appears to be rising, we also have to be mindful of the fact that the people we made with also apparently have high levels of corruption. So what do we as an organisation to mitigate that?” said Tan.

Most of the economic crimes perpetrated within Malaysia’s private sector happened through asset misappropriation, or essentially stealing, as compared to the theft of stocks or cash. Reported cases for 2016, however, have fallen to 57%, from 65% two years earlier.

Tan said this is the most common form of economic crime done in the world over, which averages at 64% in 2016, reported procurement frauds in Malaysia stood at 17%, from 19% two years earlier, because it’s one of the ways companies pay out.

AirAsia seeks MoT’s support to position klia2 as ‘LCCT2’

BY CHEN SHAUA FUII

KUALA LUMPUR: AirAsia Bhd, the largest customer of klia2 or LCCT2 (low-cost carrier terminal 2) as the carrier insists on calling the terminal, has written to Transport Minister Datuk Seri Liow Tiong Lai and the Ministry of Transport (MoT) to better position klia2 as the region’s low-cost carrier hub.

In a statement yesterday, AirAsia said it has no intentions of changing the “KLIA” official code for the terminal. It added that the airport code used at the old LCCT also carried the same code “KUL”.

Further, the group said that as agreed by Malaysia Airports Holdings Bhd (MAHB) managing director Datuk Badlisham Ghazali, AirAsia or any other party may call the airport LCCT2.

“Such as said, it ‘was wish to start addressing the airport terminal as LCCT2, which is the true identity of the terminal’,” the carrier said.

This is due to the fact that MAHB has refused to admit that the airport is meant for low-cost carrier (LCCs), which clearly shows that MAHB feels that LCCT2 are ‘irrelevant’, it added.

AirAsia said it would begin to start listing its main hub at klia2 as LCCT2 on websites, tickets and promotional materials, even though its campaign had been shot down by MAHB.

Yesterday, AirAsia also rebutted MAHB’s claim that the KLIA Main Terminal Building (MTB) and klia2 are meant to be part of an integrated hub, saying there is a lack of seamless connectivity between the terminals to encourage passengers to interlink and stimulate travel on both full-service and low-cost carriers.

AirAsia said the lack of airside trains and landside buses connecting KLIA MTB to klia2 clearly shows the terminals are not part of an integrated hub. Passengers are charged RM12 each way for using the only train connecting the two terminals and the train operates on a “spare” schedule, it said.

Hence, it proposed that MAHB focus on a dual-sub strategy instead. BNM braces for possible Brexit impact on domestic markets

BY AHMAD NAQI IDRIS

KUALA LUMPUR: As the UK went to polls yesterday to decide if it would remain a member of the European Union (EU) or leave — two days after the two most powerful people in central banking warned that a “Leave” vote could have significant economic repercussions, Malaysia’s central bank is bracing itself for potential spillover effects of the Brexit impact.

Chief Executive Officer (CEO) of the Bank Negara Malaysia’s (BNM) Financial Market Committee (FMC) said it remains vigilant to potential spillover effects of the UK’s referendum on whether to leave the EU, after US Federal Reserve (Fed) chair Janet Yellen and European Central Bank president Mario Draghi stated that a Brexit could have significant economic repercussions.

The United Kingdom referendum on its EU membership is taking place on June 23, 2016 (yesterday), with the results expected in the aftermath of Friday, June 24, 2016 (today) between 6am and 4pm local time. Given the signifi-
cance of the event, the impact and volatility could spill over into financial markets.

“BNM and Malaysian financial market participants are monitoring, and will remain vigilant to any potential emerging risks and challenges to the domestic financial markets,” said the committee in a statement yesterday.

The FMC said there is ample liquidity in the domestic markets, adding that the markets are well po-
sitioned to face any major volatility.

“Financial market players stand ready to support the orderly func-
tioning and smooth intermediation in the financial markets.”

“The FMC also would like to inform that its members will continue to provide liquidity and information on the markets as required,” it said.

It added that market players will commence operating hours extra today, and that trading will be ex
tended to 11pm. It said it would open market transactions for all market participants.

The FMC consists of representatives from BNM, financial institu-
tions, corporations, financial service providers and other institutions and stakeholders that play a prominent role in financial market operations.

The Brexit vote has been fuelling the already volatile conditions of the Asian emerging markets if the UK decides to exit the EU, as Asian countries do not primarily depend on UK demand for exports.

BSI appeals 95 million Swiss franc penalty over 1MDB links

BY GILES BROOM & HUGO MILLER

GENEVA: Private bank BSI, which is being acquired by EFG Interna-
tional AG, is challenging a 95 million Swiss franc ($92 million) penalty issued by Switzerland’s financial regulator over the lend-
er’s ties to Malaysia Development Bank (1MDB).

“BSI believes that Finsia’s (Swiss Financial Market Supervisory Au-
thority) procedure leading to the de-

fined was flawed in many respects, not least in its use of ‘proportionate and incorrect’ the Lugaro, Switzerland-based company said in a emailed statement yesterday, after lodging an appeal with the country’s Federal Adminis-
trative Court.

Finsia’s move last month echoed criticism from Singapore’s financial regulator’s decision to strip BSI of its banking licence over ties to trou-
blesome 1MDB. Several and Singapori-

aneous prosecutors are investigating investigating whether a US$4 billion (RM16.88 billion) may have been embezzled and laundered through the Malaysian development fund. Both 1MDB and Prime Minister Datuk Seri Najib Razak, who head-
ed the fund’s advisory board, have repeatedly denied wrongdoing. BSI was ordered to give up 95 million Swiss francs of profit be-

ing signals”, about the risk of some of its transactions as it pursued higher margins, return Mark, head of the Swiss regulator’s fines. bsi said.

Finsia’s statement that the bank broke anti-money laundering rules “seriously harmed the reputation of the bank and its employees”, BSI said.

Finsia’s decisions can be chal-

lenge the bank’s current chief executive officer to appeal against the decision. BSI, which was acquired by the federal court, said that they have not yet received the appeal.—Bloomberg