

# AIB to appoint outside expert to probe 'rogue trader' scandal

AFP, Dublin

Allied Irish Banks (AIB), at the centre of a rogue trader scandal, is to appoint an outside expert to probe the loss of 750 million dollars (864 million euros) at its US subsidiary, it said on Friday.

After a four-hour crisis meeting of its board late Thursday, Ireland's biggest bank said it would centralise all its management and control of treasury dealings in Dublin.

"While accepting that these fraudulent activities were complex and may well have involved collusion and conspiracy, the board is determined that effective remedies be implemented as a matter of urgency," it said in a statement.

The board voiced its "extreme disquiet" that

controls at the subsidiary, AllFirst bank in Baltimore, Maryland, had not prevented the huge loss and said it wanted a report within 30 days.

Bosses at the bank also insisted that its underlying performance and profitability had not been impaired.

The expert who will investigate the affair has not yet been named, but AIB said it would be "an eminent and experienced person".

AIB directors have accused currency trader John Rusnak of running up the losses in a dealing-room sleight of hand to cover up deals with fictitious counterdeals, but his lawyer denies he had stolen any funds.

"We hope someday in the future the full truth will come out," lawyer David Irwin told AFP. "He

(Rusnak) is not a thief; my initial investigation shows that there is no theft."

Rusnak had been in contact with the Federal Bureau of Investigation, Irwin said, denying reports that his client was a fugitive.

Meanwhile, the forensic accountant who led the probe into rogue trader Nick Leeson's massive losses at Barings Bank in 1995 said it could be years before the full extent of AIB's problems are known.

"It can take years and it often takes years, as we have seen from some of the other high profile cases which have taken four, five, six years before they even come to courts as well," Ernst and Young accountant David Sherwin told the Cantos website.

## Lawyer for accused 'rogue trader' denies guilt

AFP, Baltimore, Maryland

Currency trader John Rusnak, accused of running up millions of dollars in losses at Maryland's AllFirst bank, a subsidiary of Allied Irish Banks (AIB), did nothing wrong and is cooperating with the investigation, his lawyer insisted Thursday.

AIB directors have accused Rusnak of running up losses of 750 million dollars in a dealing-room sleight of hand that covered up formidable losses on deals with fictitious counterdeals -- charges that lawyer David Irwin flatly denied in remarks to AFP. "We hope someday in the future the full truth will come out," Irwin said. "He is not a thief; my initial investigation shows that there is no theft."

Rusnak has been in contact with the Federal Bureau of Investigation, Irwin said, angrily denying reports that his client was a fugitive and that Irwin was somehow involved with Rusnak's flight.

"That's totally false. I have been in contact with the FBI and the US attorney's office" for that very reason, Irwin said.



PHOTO: DCCI

Matta Borje Matsson, Ambassador of Sweden to Bangladesh, called on Mattiur Rahman (2nd-L), President of the Dhaka Chamber of Commerce and Industry (DCCI), on Wednesday. DCCI Sr Vice-President Shabbir Ahmed Khan (2nd-R) and Director Manzur-ur-Rahman (R) are also seen in the picture.

## First counterfeit euro note discovered in China

AFP, Beijing

The first forged euro note to be discovered in China was intercepted by a bank only five weeks after the launch of the new currency, the state Xinhua news agency said Friday.

A fake 50 euro note was discovered on Thursday in a wad of notes presented by an Irish customer at a bank in Shenyang, a large city in the northeast of the country.

The customer said they had obtained the note from a foreign bank, Xinhua said, without elaborating.

According to a bank spokesman, the bill was a crude forgery produced on a photocopier, which was easy to detect.

Ireland, one of 12 European Union countries to adopt the currency on January 1, has also been at the vanguard of attempts to counterfeit it.

Among the very first attempts at euro forgery was one discovered in Ireland on January 2, also a crudely copied 50 euro bill.

Two weeks later what was thought to be the first forged euro coin -- complete with a misspelling of "euro", without the "o" -- was uncovered in the same country.

At the time police pronounced themselves mystified as to why forgers targeted the low-value one euro coin.

## US growth accelerating: O'Neill

AFP, Washington

The worst of the US economic slowdown is over, and US economic growth is expected to ramp up to 3.0 to 3.5 per cent by the end of the year, US Treasury Secretary Paul O'Neill said Thursday.

"For our part, the United States has put the worst part of the economic slowdown behind us," O'Neill said in a press conference ahead of the G7 meeting in Ottawa this

weekend.

"I believe we will return to prosperous real economic growth rates of three to 3.5 per cent (by) the fourth quarter of this year."

O'Neill said he expects to discuss with his counterparts in Ottawa this weekend the steps each of the G7 countries can take to boost a sluggish global economy.

"I expect to discuss the steps that each G7 country is taking to reinvigorate economic growth," O'Neill

said.

O'Neill said he does not expect the recent bankruptcy of Enron Corp. to be on the official agenda at the G7 meeting, but he anticipates the matter to be discussed by finance ministers "on social occasions."

On Argentina, O'Neill said he is concerned about the social unrest in the South American nation but is "hopeful" that Argentine President Eduardo Duhalde and his cabinet "would be able to create the conditions necessary" for stability and economic growth.

In the meantime, "there's not too much others can do," O'Neill said, adding that the United States did everything it could think of to prevent the economic meltdown in South America's second-largest economy, save unlimited and repeated bailouts.

"We tried everything we could think of," O'Neill said, but "we did not consider an endless flow of money from the rest of the world's taxpayers."

O'Neill said he is "anxious" to see the Japanese government take steps to return to its role as an engine of global economic growth, but he refused to comment on the recent weakness of the yen against the dollar.

He also did not comment on whether Japanese Prime Minister Junichiro Koizumi's waning popularity would make reform efforts more difficult, calling the matter an "internal political" one for the world's second-largest economy.

## OECD indicators show economic improvement

AFP, Paris

Two important indicators signal that the economies of the 30 OECD countries are improving, the Organisation for Economic Cooperation and Development said on Friday.

The OECD's composite leading indicator for December and its six-month rate of change both improved last month, the organisation said.

The CLI increased by 1.4 points to 113.2, and the rate of change improved for the third month in a row, the OECD said.

The indicator showed improvement in all Group of Seven (G7) countries except Britain, where it decreased by 0.2 points in December.

Britain's six-month rate of

change was stronger, however.

"The OECD CLI is designed to provide early signals of turning points (peaks and troughs) between expansions and slowdowns of economic activity," the group explained in a statement.

"The six-month rate of change is less volatile and provides earlier and clearer signals for future turning points than the CLI itself," it added.

In the United States, the CLI increased by 2.0 points in December, and the six-month rate improved for the second month in a row.

The euro zone showed a rise of 1.2 points, and the rate also improved for the second straight month.

## Dollar sheds gains in Tokyo

AFP, Tokyo

The dollar shed earlier gains against the yen Friday afternoon after the Bank of Japan decided to leave monetary policy unchanged, dealers said.

The greenback traded at 133.63-65 yen at 5:00 pm (0800 GMT), down from 133.96-98 yen at 9:00 am, but up from 133.58-62 yen in New York.

In Tokyo late Thursday it was quoted at 134.07-10 yen.

"In the morning hours, players dumped the yen, speculating that the BoJ would ease monetary policy. But it didn't. So investors started to buy back the yen they sold earlier," said Kazuhiro Kaneko, dealer at Mizuho Trust Bank.

"But the overall tone of the market is that the yen would still remain weak against the dollar. I think the down side of the dollar is limited and the currency is getting support around the mid-range of 133.50-yen level."

## BOJ leaves monetary policy unchanged defying pressure

REUTERS, Tokyo

The Bank of Japan decided Friday to keep its monetary policy unchanged, defying pressure from politicians and financial markets to take action to stabilise the banking system and pull the economy out of recession.

Some economists had been expecting the central bank to take more steps to ward off a liquidity crunch at the end of the fiscal year and address concerns of a possible financial crisis after Japanese stocks marked 18-year lows earlier this week.

"The BOJ's decision to keep monetary policy unchanged was a bit disappointing," said Takeshi Minami, strategist at UFJ Capital Markets Securities.

The dollar slipped against the yen after the BOJ's nine-member board announced its decision, while bond prices were a shade higher after initially edging lower.

Stock prices were mostly steady with the benchmark Nikkei average holding on to earlier gains.

The BOJ loosened policy in December, saying it would pump more money into the banking system under its so-called quantitative easing policy.

But despite short-term interest rates already at zero, the central bank's efforts to kick-start the economy have been dampened by a

banking sector reluctant to lend to businesses and house holds.

Japanese bank lending fell for the 49th straight month and money supply grew only modestly in January. Bank of Japan data showed on Friday, offering more evidence its ultra-loose monetary policy was so far having little economic impact.

Some economists had expected the central bank would announce an increase in outright purchases of Japanese government bonds (JGBs), possibly to one trillion a month from a current 800 billion.

"We were expecting them to move, though only incrementally to increase purchases of JGBs. So the fact that they've stood pat won't have a real big impact on the big macro variables," said Chris Walker, economist at Credit Suisse First Boston.

"It will have an impact on the bond market, certainly, since it was looking for the BOJ to step in."

An increase in JGB buying was expected to drive up bond prices and push down long-term yields, giving some short-term relief to banks, which hold an estimated 67 trillion yen in government bonds.

Prime Minister Junichiro Koizumi, who has repeatedly said this week that he government and the BOJ must work together to halt deflation, had said earlier on Friday he hoped the central bank would

take appropriate and flexible steps.

"I hope that the BOJ would consider the government's structural reforms and continue to take appropriate and flexible monetary policy in order to stop deflation," Koizumi said before the Upper House plenary session.

The government has just pushed through a 2.64 trillion yen (\$19.74 billion) extra budget, the second such additional spending package for the current fiscal year, he said, adding that his structural reform policy would help remove consumer uncertainty about the future and encourage spending.

The BOJ, for its part, eased monetary policy at its December meeting by raising the amount of liquidity it aims to supply to the money market and by offering to purchase more Japanese government bonds (JGBs) from the banking system.

It raised the target on current account deposits at the central bank -- a main yardstick of the amount of excess funds at the commercial bank's disposal -- to 10-15 trillion yen from 'above six trillion yen.'

Finance Minister Masajuro Shiokawa on Friday called for the BOJ to increase its buying of government bonds to one trillion yen per month from 800 billion, and said the slide in Tokyo stock prices needed to be curbed.

## STOCK