



News

Revealed: the RBA's dodgy global deals

RICHARD **BAKER** and NICK **McKENZIE**

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The Money Makers - EXCLUSIVE - Bank linked to shady payments

THE Reserve Bank of Australia has been involved in the payment of multimillion-dollar commissions to shady middlemen in its drive to win banknote printing deals with foreign governments.

Securrency Pty Ltd, a Melbourne-based banknote supplier half-owned by the RBA, has made a substantial number of "commission" payments to agents, including some previously implicated in corruption scandals.

The company, which has supplied polymer material to print money in Australia and 26 other countries, is chaired by the RBA's assistant governor, Robert Rankin. Its board has another two RBA appointees, as well as executives from British firm, Innovia Films, owner of the other half of **Securrency**.

Some of **Securrency's** agents are closely tied to government or central bank officials in countries ranked by Transparency International as highly corrupt.

Several agents have been named in official corruption investigations in Africa and Asia. At least one has a criminal conviction for fraud.

Company insiders have raised concerns that the company's practices have left it exposed to allegations that some commissions could be used to pay kickbacks to foreign government officials.

RBA deputy governor Ric Battellino told The Age yesterday that he would demand an immediate response from **Securrency** about its use of agents and payments to them. "If this is happening, then it is against all the policies and procedures the RBA has put in place for this organisation," he said.

The Age can reveal **Securrency** has:

- Made lucrative payments to London firm Contec Global, which was accused in an official Ugandan corruption inquiry of having a corrupt relationship with a Ugandan government minister found to be "fronting and lobbying" for the company.
- Partnered with controversial South African casino tycoon, Vivian Reddy, who was embroiled in the recently aborted corruption trial involving financial dealings with his close friend, South African President Jacob Zuma. Reddy, who was accused of setting up an account used to hide payments to Mr Zuma from a French arms maker, denies the allegations.
- Made payments to companies linked to South African businessman and Reddy associate Don McArthur, who last year was convicted of fraud and reckless trading associated with one of South Africa's biggest corporate collapses. McArthur, who was charged with fraud in 2005 and forced to pay money to a criminal assets recovery fund, denied any link to **Securrency**.
- Paid million of dollars in commissions to Vietnamese company CFTD, whose subsidiary, Banktech was managed by the Vietnamese central bank governor's son at the time the central bank decided to switch to polymer notes in 2002. A 2007 Vietnam corruption inquiry found the governor's role in the deal was irregular and lacked objectivity.

A company insider also claims he was told that **Securrency** had provided \$US100,000 - subsequently donated to an Indian political party in 2007 - while it (**Securrency**) was seeking a trial of polymer notes. It is claimed the payment was recorded in company accounts as "marketing expenses".

In a statement yesterday, **Securency** said it conducted a thorough due diligence process when appointing agents, which included checks by Federal Government agency Austrade and compliance with international anti-corruption conventions.

Securency said its agents - whose identities are disclosed to the RBA representatives on its board - had signed agreements forbidding payments to foreign officials and politicians.

In its statement, **Securency** acknowledged it had cut ties with agents on a "number of occasions" when it was not satisfied with their performance.

Securency denies any payment to Indian political parties or politicians.

In contrast to **Securency**, an associated company, Note Printing Australia - which is fully owned by the RBA - said it no longer used agents because it was "more responsible" to deal directly with central banks.

Another **Securency** agent operating in Asia is Melbourne barrister Daryl Dealehr, who has ties to the family of Cambodia's notorious late police chief, Hok Lundy, and controversial Prime Minister Hun Sen.

Securency has yet to win any contracts in Cambodia and Mr Dealehr has not been named in any corruption or criminal inquiries.

The revelation of **Securency's** payments to agents in Third World countries has the potential to embarrass the Federal Government and the RBA, especially so soon after the Iraqi kickbacks scandal involving AWB.

Mr Battellino told The Age the RBA was aware that **Securency** operated in countries with "bad reputations", but was "very conscious to ensure arrangements were in place to avoid corruption payments".

Securency has received strong support from Australian government ministers, diplomats and trade officials.

The Age is not suggesting **Securency** has engaged in bribery, but its operations with agents in corruption-prone countries raise concerns about its risk-management procedures.

Company insiders claim **Securency** offers some agents commissions of between 10 per cent to 20 per cent of any deal they help win. The industry standard agent commission is between 2 to 6 per cent.

Securency said commission payments varied between its agents and that advice from Austrade was sought to determine appropriate commissions levels for each country it operated in.

"This advice indicates that standard commission rates vary between countries. **Securency** does not pay commissions higher than the standards which apply in each country," the statement said.

An Australian international corruption expert, Sydney University's David Chaikin, said companies must be cautious of hiring agents with high-level government contacts.

"Companies need to be aware of what their agents are doing with their commissions," Dr Chaikin said.

"They need to know if those commissions are being used to pay people other than the agent."

John Burbidge-King, an anti-corruption adviser and head of London-based Interchange Solutions, said companies must do thorough due diligence on all agents, especially those in corruption-prone countries.

"There should be a criminal record check, a financial check and consultation with others about them," Mr Burbidge-King said.

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AGENTS OF INFLUENCE

The adage - it's not what you know but who you know - still applies when seeking contracts to print money.

LONDON

BENOY BERRY, CONTEC GLOBAL

Securency has paid millions of dollars to London-based businessman Benoy Berry, who heads multi-national technology firm Contec Global.

The firm has won large contracts across Africa, including Sudan and Rwanda, but has also been implicated in a corruption inquiry in Uganda.

In 2005, Contec Global was accused by Uganda's internal security organisation of making an alleged \$1.8 million bribe to a cabinet minister responsible for a national ID card tender process.

A 2006 inquiry by Uganda's Inspectorate of Government found the Finance Minister Issac Musumba favoured Contec Global's bid even though it did not meet the selection criteria and was by far the most expensive.

The office of Uganda's president alleged Contec Global had promised Musumba to share in money gained from its inflated bid. Musumba has denied any wrongdoing.

The Ugandan inspectorate did not substantiate that a bribe was paid but found that: "He (Musumba) was acting in bad faith and had a personal interest in the outcome of the procurement process.

From the evidence gathered, Musumba was fronting and or lobbying for Contec Global."

Dr Berry, who is also Burundi's honorary consul to India, did not respond to questions from The Age.

CAMBODIA

DARYL DEALEHR, ZOELICK PTY LTD

Melbourne barrister Daryl Dealehr is **Securency's** agent in Cambodia, where he is the director of mining company Cambodian Resources Limited.

Dealehr has ties to the families of Cambodia's late and notorious national police chief, Hok Lundy and Cambodia's controversial Prime Minister Hun Sen.

Human rights groups and former senior Cambodian officials accuse Lundy, who died last year, of being responsible for dozens of murders. "There is hardly anyone in Cambodia who has shown more contempt for the rule of law than Hok Lundy," Human Rights Watch said.

Dealehr told The Age that he was surprised he had not yet landed a banknote deal for **Securency**, but said Cambodia's reserve bank was conservative and wedded to paper banknotes.

Dealehr said he had developed "very good contacts" with bank officials and had been **Securency's** agent for many years. He was unable to speak further about **Securency's** affairs due to privacy clauses.

In 2007, Dealehr's mining company won the rights to develop iron ore, gold

SOUTH AFRICA

VIVIAN REDDY, EDISON CORPORATION

The South African casino tycoon won the rights to promote **Securency's** banknotes in Africa a few years ago and has more recently declared he will push the notes across half the continent within a decade.

One of his senior employees said Reddy's relationship with **Securency** was over, but would not say when or why due to "confidentiality and non-disclosure issues".

Reddy is a controversial figure in South Africa due to his political connections and his bankrolling of the recently elected President Jacob Zuma.

The magnate was ensnared in the South African Government's aborted corruption trial against Zuma, who was alleged to have accepted a bribe from a French defence contractor seeking to build four ships for South Africa's navy.

In a related corruption case against Zuma's now jailed former financial adviser, prosecutors alleged a charitable trust account set up by Reddy was used to hide payments from French defence firm Thales to a company owned by the financial adviser and then to Zuma.

Reddy's lawyer has rejected the claims of corruption made by the state prosecutors.

SOUTH AFRICA

DON MCARTHUR

Securrency has had financial dealings with companies linked to South African businessman Don McArthur, who was the head of a major company involved in South Africa's biggest ever corporate failure in 1999.

In 2005, McArthur was arrested by South African police and charged with racketeering, fraud and corruption and accused of improperly pocketing money borrowed from banks.

Last year, he did a deal with the prosecutors and pleaded guilty to fraud and reckless trading. He paid a substantial fine instead of serving a two year jail term. He was also forced to pay money into a proceeds of crime fund.

McArthur worked for Vivian Reddy in 2005. McArthur repeatedly denied any association with **Securrency** when contacted by The Age, although **Securrency** said he has been an agent.

VIETNAM

CFTD AND BANKTECH

In 2002, as Vietnam switched from paper to plastic banknotes, **Securrency** teamed up with a Hanoi firm called CFTD and its subsidiary Banktech.

In early 2002, Banktech's deputy director was Le Duc Minh, the son of the State Bank of Vietnam's then governor, Le Duc Thuy, who was in charge of the deal.

The bank governor denied his son was involved, but Banktech documents reveal it was the "exclusive suppliers" of banknote printing materials for Vietnam.

Securrency was listed as one of its "overseas partners".

A 2007 Vietnam Government inquiry reportedly found "irregularities and weakness" throughout the banknote project. It found the bank governor had failed to include a comparison of the polymer and paper notes in his submission to the Prime Minister.

The inquiry concluded that the involvement of his son had "created a lot of suspicion", affected the "transparency" of the project and damaged the governor's reputation.

Securrency has paid millions of dollars in commissions to CFTD directors, who are connected to Vietnam's political

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