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TRANSCRIPT

Program Transcript

Read the program transcript of Nick McKenzie's report "Dirty Money", first broadcast 24 May 2010.

Reporter: **Nick McKenzie**

Date: **24/05/2010**

NICK MCKENZIE, REPORTER: It all started as the story of the home town boy made good... A Melbourne-based company, Securrency - marketers of Australia's polymer bank notes- was going to hit the big time.

SECURENCY CORPORATE VIDEO: Polymer banknotes were introduced into Australia...

NICK MCKENZIE: Its aim, to conquer the world.

MYLES CURTIS, MANAGING DIRECTOR, SECURENCY (Corporate Video): The Global acceptance of Guardian Polymer Technology has been extremely positive.

NICK MCKENZIE: Instead, something went terribly, terribly wrong, leaving the very pillar of the nation's financial system - the Reserve Bank of Australia - ensnared in an international bribery scandal

ANWAR IBRAHIM, MALAYSIAN OPPOSITION LEADER: It is part of a system, a corrupt system

JOHN BURBIDGE-KING, FORMER BRITISH BANKNOTE EXECUTIVE: Markets will start saying Australian companies bribe so don't touch them.

NICK MCKENZIE: Money trails to the Middle East, dodgy dealers in London, secretive middle men in South East Asia.

VOICE ON PHONE: Hello?

NICK MCKENZIE: Hello, Abdul Kayum it's Nick McKenzie from Australian Television...

There were red red-flags, warnings and tip offs but Australian agencies, including the Federal Police, did nothing.

DR DAVID CHAIKIN, ECONOMICS AND BUSINESS, SYDNEY UNIVERSITY: More than \$45 million dollars of commissions were paid to these agents over a six-year period

NICK MCKENZIE: Tonight on Four Corners, Dirty Money - a story of greed, corruption, and cover-ups.

In late 2008, an employee at one of Australia's most secure sites drove out for the day never to return.

The secrets he held would one day lay bare, one of Australia's worst corruption scandals.

The insider worked for Securrency, a subsidiary of the Reserve Bank of Australia.

His taped interview with Four Corners has been portrayed by an actor to protect the insider's identity.

INSIDER (Re-enactment): Oh we were told to be very careful what we said on the phone and what we wrote in emails in particular. I mean they basically didn't want a trail.

We were told that we had to be very careful, and we knew why.

NICK MCKENZIE: The secrets our insider held were known to very few, even within Securrency's fortress like headquarters.

And for good reason - Securrency was playing a very dangerous game.

INSIDER (Re-enactment): Well they'd refer to a deal or a bribe payment as "looking after" someone, or paying "baksheesh" to someone, or "carrying spare parts", you know, when you're doing business in these parts of the world.

KATRINA KELLY (Reserve Bank Promotion Video): Let me introduce a masterpiece of design and technology: Australia's new five dollar plastic note.

NICK MCKENZIE: Australia launched its first polymer bank note in 1988. It was indeed a technological marvel.

KATRINA KELLY (Reserve Bank Promotion Video): .and you see Australia's coat of arms.

CORPORATE NARRATION: (Reserve Bank Promotion Video): Dame Nellie Melba, Australia's famous international Opera Star...

NICK MCKENZIE: By 1996 all of Australia's notes were polymer.

CORPORATE NARRATION: Notes that lead the world in the fight against counterfeiters.

NICK MCKENZIE: That same year Securrency was established, half owned by the Reserve Bank of Australia.

CORPORATE NARRATION: Securrency is the world leader in polymer bank note technology...

NICK MCKENZIE: Now that Australians were using polymer notes, Securrency was given ambitious orders from the RBA to convince foreign central banks and governments to convert their currency from paper to polymer.

Inside Securrency, staff called it the plan to polymerise the world.

JOHN BURBIDGE-KING, FORMER BRITISH BANKNOTE EXECUTIVE: This company came along with plastic banknotes and it shook the industry because the currency has been traditionally printed on a paper substrate and it looked at the time as though this potentially could undermine and be an absolute paradigm shift in the way that currency was manufactured and produced - and could write off whole industries.

NICK MCKENZIE: Securrency's commercial operations are conducted in a joint venture with British Plastic film supplier Innovia. Their respective operations are side by side in Melbourne's outer suburbs.

The Reserve Bank of Australia is responsible for keeping watch over what is a multi-million dollar enterprise.

The RBA appoints half of Securrency's board, including the chairman who for a decade was former reserve bank deputy governor Graeme Thompson.

NICK MCKENZIE: How much was the name and the brand of the Reserve Bank of Australia a part of the name and brand of Securrency?

INSIDER (re-enactment): Very much so. I mean, if you look on their business cards, on their letterhead, it said Securrency. We're part of the Reserve Bank of Australia. It's a joint venture between the Reserve Bank of Australia and Innovia Films of the UK.

NICK MCKENZIE: So the marketing ploy was basically "Trust us we're the Reserve Bank of Australia"?

INSIDER: Oh sure. I mean we're part of the Reserve Bank of Australia, we're not some, you know, fly by night backyard operator. We're in the big league. This is - we're part of the big organisation.

NICK MCKENZIE: But behind the slick corporate roadshow lingered a darker side.

After joining Securrency our Insider learnt quickly that some within it would do almost anything to win over the foreign officials who decide whether to use polymer notes.

NICK MCKENZIE: What exactly were you asked?

INSIDER (Re-enactment): Well I was told that next time this official was in town that I was to procure him a bodyguard - you know, with a raised eyebrow and a wink.

He was suggesting that I might like to procure a prostitute for one of the central bank officials on his visit to Melbourne, which... again it just sort of staggered me as to the cowboy culture of the place.

KLAUS BENDER, AUTHOR, MONEymAKERS: Thank you, good afternoon, ok.

This is basically the centre of the Banknote World...

NICK MCKENZIE: In the financial district of London where we met him, to Berlin and Paris, author and journalist Klaus Bender has spent years investigating the secretive cabal of mostly European bank note suppliers.

KLAUS BENDER, AUTHOR, MONEymAKERS: It is like the armaments industry. The problem is, it's such a small circle. You find nobody outside this circle who would know anything serious asking you know.

Only insiders and the insiders they are all obliged by contract to keep absolutely quiet even after they go on retirement.

Something that came also to my attention was the rather strong colours you use...

NICK MCKENZIE: Securrency quickly learned that the old boys club of European money makers had a dirty little secret: the so-called "middleman" or commission agent usually hired to influence the foreign officials who issue bank note supply contracts.

KLAUS BENDER, AUTHOR, MONEymAKERS: He needn't understand a thing about banknote printing or machinery or security features. He has to open doors.

You work in an environment which is close to the top of the country with the top secret service people, the top central bankers - everybody on a first name basis. Now how will you there stop people if they want to...

NICK MCKENZIE: If they want to...?

KLAUS BENDER, AUTHOR, MONEymAKERS: Bribe.

NICK MCKENZIE: So is corruption a growing problem?

JOHN BURBIDGE-KING, FORMER BRITISH BANKNOTE EXECUTIVE: Well I don't think it's becoming a problem so much as corruption will always be there as long as people are greedy for money from things like commissions and acting on behalf of other companies.

NICK MCKENZIE: John Burbidge King knows plenty about commission agents. He worked for many years for British paper banknote supplier De La Rue. He is now a corporate anti-corruption consultant.

JOHN BURBIDGE-KING, FORMER BRITISH BANKNOTE EXECUTIVE: The classic use of the agent is to be able to help you in that country to network with the right people ethically, for them to feedback what's going on in that country 'cause they're your eyes and ears, and to represent your company - the front of your company.

What goes bad? You don't know them. You accept everything they say as verbatim and pay every commission they ask for and you don't bother to question or follow up where they're going.

And at that point that's when maybe a commission turns into a bribe. You don't know about it and at that point the company's now implicated in a corruption scandal.

NICK MCKENZIE: It was a risk Securrency was prepared to take as the company went global.

From Indonesia to Nepal and Mexico, scores of countries tested its product via commemorative notes or runs of smaller denominations.

Australian politicians and RBA officials were there cheering.

It is now clear that many of Securrency's overseas contracts were won with the help of commission

agents.

Using these middlemen was dangerous because of the risk they could use their Securrency commissions to pay kickbacks to convince foreign officials to buy Securrency's polymer.

Such kickbacks would represent bribery under Australian law.

SENATOR BOB BROWN, AUSTRALIAN GREENS, TASMANIA: Well we all know what a bribe is. You know, school kids know what a bribe is. That's what the law says should not occur in transactions between Australian companies - and certainly Australian governments - and overseas officials.

NICK MCKENZIE: At Securrency's Melbourne headquarters the huge size of some of the commissions paid to its middlemen started to raise a few eyebrows.

INSIDER (Re-enactment): Well all sales staff were on salaries and very good salaries but we'd also get a bonus ourselves of 0.3 per cent of the overall contract of any sales we achieved.

So 0.3 per cent... whereas the agent who did some work and not a whole lot of work would get between 10, 15 upwards to 20 per cent sometimes. So that again raised suspicions in my mind, that you know - 0.3 per cent versus 10, 15 per cent, I mean it just doesn't really add up.

JOHN BURBIDGE-KING, FORMER BRITISH BANKNOTE EXECUTIVE: Anything around 5 per cent and down - nought to 5 per cent - is fair.

And in a country where particularly there is a low cost of living and a low wage, commissions need to be tailored to commissions appropriate to earning in that country because otherwise you leave largesse to pay officials.

NICK MCKENZIE: From the late '90s Securrency's middlemen started fanning out across Asia and Africa, especially in countries that were both very poor and very corrupt.

INSIDER (Re-enactment): They did some work with translating and opening doors but ultimately anywhere where you saw an agent they were always in countries where you knew that bribery and corruption was a was just a way of life.

I mean that's what they were there for. If you didn't have the agents you wouldn't have got the contracts.

NICK MCKENZIE: Securrency's dealings in the notoriously corrupt country of Nigeria are a good place to start to understand just how dangerous a game the RBA firm was playing.

In 2006 Securrency won a massive contract to switch the Nigerian Naira to polymer. This contract was won with the help of several commission agents.

NUHU RIBADU, FORMER NIGERIAN ANTI-CORRUPTION OFFICIAL: They make things work and then they are the ones that connect. A company doesn't have to even talk to an official of government. Just get an agent.

NICK MCKENZIE: Nuhu Ribadu gained international acclaim as Nigeria's chief anti-corruption fighter - one of his main targets: commission agents.

NUHU RIBADU, FORMER NIGERIAN ANTI-CORRUPTION OFFICIAL: What is the use of an agent? Why do you have to go through an agent?

Do they hire agents if they are pursuing contracts in Australia? Or any other country? Do they do that when it comes to the US? Why should you do it in Nigeria?

What disrespect are you telling us, are you showing us? You mean that we are so bad, that we are... you don't even relate with us directly, you need to get crooks to deal, to relate with us? That is an insult.

NICK MCKENZIE: If I want to find a commission agent where do I go?

NUHU RIBADU, FORMER NIGERIAN ANTI-CORRUPTION OFFICIAL: Go to London.

TOM TOM VOICE: At the end of the road turn right.

NICK MCKENZIE: We had heard of one middleman who'd made millions from Securrency's Nigerian dealings.

Benoy Berry lives here in a posh London suburb.

NICK MCKENZIE: Hello there. It's Nick McKenzie from Australian television. I'm here to see Mr Benoy Berry. Is Mr Berry in?

MAN AT GATE: He's not in the country at the moment.

NICK MCKENZIE: Could you pass on my details to him and get him to give me a call while I'm in London - perhaps today or tomorrow? And just tell him we'd like to ask him some questions about the Securrency issue.

Okay thank you very much.

Benoy Berry never did return our call, nor did we get to see his very comfortable digs but there's no doubt he can certainly afford them.

Securrency paid him millions in commissions not that the money ended up here.

NICK MCKENZIE: What we would have liked to ask Mr Benoy Berry is exactly why he was paid \$6.4 million from Securrency, and why that \$6.4 million was paid into an offshore bank account in the Isle of Man and exactly what it was Mr Benoy Berry did in Nigeria to be paid \$6.4 million dollars by Securrency.

PATRICK SMITH, EDITOR, AFRICA CONFIDENTIAL: Many of us have got a pretty shrewd idea about you know consultants' daily rates - what is it worth to go on a consultancy trip to Nigeria. And I'm afraid for their sake you don't get a million pounds to go on a consultancy trip to Nigeria.

NICK MCKENZIE: Patrick Smith runs Africa Confidential, an online magazine that is required reading for most diplomats and serious Africa watchers. Benoy Berry, he says, has a track record in Africa.

PATRICK SMITH, EDITOR, AFRICA CONFIDENTIAL: There was investigation about him in Uganda.

NICK MCKENZIE: In 2006 corruption investigators from Uganda found that Benoy Berry's company had corrupt dealings with a Ugandan minister to win a contract in that country.

Their inquiry found that this minister had engaged in misconduct and abuse of office by helping Berry's firm win a deal by improper means.

It was after this public inquiry that Benoy Berry was paid by Securrency to help win deals in Nigeria.

PATRICK SMITH, EDITOR, AFRICA CONFIDENTIAL: The Ugandan investigation should have come up.

The fact that these allegations were made, they should've been investigated by the due diligence company and a report sent out.

And I think in many-in many cases if it's a company with open practices and some level of accountability then the deal wouldn't get any further after that.

NICK MCKENZIE: Benoy Berry's coffers weren't the only ones enriched by Securrency.

A payment of well over one and a half million dollars was made to a mysterious offshore company in the United Arab Emirates.

PATRICK SMITH, EDITOR, AFRICA CONFIDENTIAL: It's the first thing you'd- an auditor would note.

Why do you need to make payments to a tax haven, to a closed trust, if you're doing open and accountable business?

NICK MCKENZIE: The phone number for this United Arab Emirates company leads to the London suburb of Bracknell, home to a former business partner of Benoy Berry - a commission agent called Michael Harding.

NICK MCKENZIE: We visited Michael Harding to ask him about what he did to earn more than a million dollars and why it was sent by Securrency to an offshore account.

On our first visit, we found only a curious neighbour.

NEIGHBOUR: Right. Well, you do realise you're on security cameras.

NICK MCKENZIE: On our return to his residence we heard Michael Harding inside. But it was his wife who answered the door in a manner.

MICHAEL HARDING'S WIFE: Hello.

NICK MCKENZIE: Hello, Nick McKenzie from the Australian...

(Door slammed in reporters face)

NICK MCKENZIE: Hello. Is Mr Harding in please?

NICK MCKENZIE: Securrency's African middleman money trail was shaping as a tour of the world's most infamous tax havens, from the Isle of Man, to the UAE - and on to the remote Indian Ocean paradise of the Seychelles*, where another middleman, Johannesburg based businessman Donald McArthur, was paid tens of thousands of dollars by Securrency to win deals in Africa.

PATRICK SMITH, EDITOR, AFRICA CONFIDENTIAL: Donald McArthur is a South African citizen I understand and I understand that in the past in South Africa he's been investigated for corruption.

NICK MCKENZIE: The massive and very public collapse in 1999 of Donald McArthur's South African company sparked protracted racketeering and fraud investigations - McArthur eventually pleading guilty in 2008 to fraud related crimes.

PATRICK SMITH, EDITOR, AFRICA CONFIDENTIAL: That is all public record information available in South Africa and it seems remarkable that he should be hired by Securrency as a consultant.

NICK MCKENZIE: Inside Securrency the large payments to offshore accounts were increasingly drawing attention.

Our Insider recorded in his diary that another Securrency official told him that the commissions in Nigeria were as high as 20 per cent of the polymer contract value.

INSIDER (Re-enactment): The reason for that that I was I was told was that there's a lot of people feeding off that commission.

And by that I mean that there's a lot of people receiving a cut out of that commission so a range of senior government ministry officials and central bank officials would've been getting a slice of that 20, 25 per cent.

PATRICK SMITH, EDITOR, AFRICA CONFIDENTIAL: What went on here? Why is there a wilful negligence going on here? Why do so many corrupt contracts go through that company without anyone raising alarm bells?

Are they just incompetent or are they negligent?

NICK MCKENZIE: In Washington last month the Who's Who of global banking and finance assembled at the annual spring meeting of the World Bank and IMF.

The conduct of the Reserve Bank of Australia's polymer note company was being whispered about here as well.

LAMIDO SANUSI, GOVERNOR, CENTRAL BANK OF NIGERIA: From all indications and from the kind of feelers I get, it's a very corrupt industry.

NICK MCKENZIE: After he was appointed Governor of the Central Bank of Nigeria in June 2009 Lamido Sanusi had questions about the very expensive decision to switch his country's paper banknotes to Securrency's polymer ones.

LAMIDO SANUSI, GOVERNOR, CENTRAL BANK OF NIGERIA: The information I was given did not satisfy me as rigorous - as rigorous enough. But I've also asked for a clear process for measuring and for doing impact analysis of the movement from paper to polymer.

NICK MCKENZIE: As a result of his enquiries, and in order to protect the reputation of Nigeria's Central Bank Sanusi issued an order.

LAMIDO SANUSI, GOVERNOR, CENTRAL BANK OF NIGERIA: I've made it very clear to staff in Central Bank that we will not deal with any agents. We will deal with the companies directly.

We will get to know as these circumstances unfold whether the Reserve Bank of Australia did this as a matter of course or whether they had to do it because they were compelled by the Nigerian officials.

Governor Sanusi is certain of one thing: the commissions Securrency paid its agents were far too

high.

LAMIDO SANUSI, GOVERNOR, CENTRAL BANK OF NIGERIA: Most times when you talk about commission you talk about 5 per cent, 3 per cent, 2 per cent. Never, never, never do you talk about commissions of 10 per cent or more in any kind of business.

Any kind of business - I mean that goes beyond a commission. It's-it's a partnership.

NICK MCKENZIE: What does it suggest?

LAMIDO SANUSI, GOVERNOR, CENTRAL BANK OF NIGERIA: Clearly this is an act of corruption.

Clearly somebody took money and he bribed other people. Now who these people are is the question and how far up does it go, is the question.

NICK MCKENZIE: In 2007 in a Melbourne cafe our insider was given a firsthand glimpse of just how a corrupt middleman works.

Over a latte he met with a Securrency commission agent hired to win deals in Asia. After the meeting the insider recorded in his diary that he was told by the agent that a certain Asian central bank governor would be very happy if the commission was increased.

INSIDER (Re-enactment): Now that's an agent telling me that his commission - which on the surface looks like it's just for the agent - that the central bank governor would be would be happy if that could be increased.

Um... I guess you don't need to be a rocket scientist to work out that if the governor wants- if the governor thinks it's being increased, well obviously the governor's getting a slice of it.

ROYAL COMMISSION ARCHIVE: Payments flowed mostly to Iraq controlled bank accounts in Jordan and Lebanon...

NICK MCKENZIE: Two thousand and seven should have been the year Securrency and the Reserve Bank of Australia finally realised that something was amiss.

Just months earlier a royal commission had exposed another Australian company, AWB Limited, corruptly paying commissions via a middleman to the regime of Saddam Hussein

DR DAVID CHAIKIN, ECONOMICS AND BUSINESS, SYDNEY UNIVERSITY: The AWB scandal which is the biggest corruption scandal in Australia's history - in fact one of the biggest scandals, corruption scandals in history itself for that matter. That should've been a wakeup call for corporations to get their act together.

NICK MCKENZIE: Heeding this warning was Securrency's sister company and next door neighbour Note Printing Australia, a company fully owned by the RBA.

It immediately shut down its network of overseas commission agents.

The chairman of Note Printing Australia was the same man who chaired Securrency, Graeme Thompson but for some reason Securrency kept using and paying its network of middlemen.

INSIDER (Re-enactment): Well I mean the key is that the same guy was chairman of both companies at the time, so one them stops using agents the other one keeps using agents, so I mean I don't know how that was allowed to continue to go on.

NICK MCKENZIE: It was in Malaysia where this inconsistency played out most obviously.

In Kuala Lumpur's bustling outdoor markets you can see a Securrency success story - the 5 Ringgit note is made with Securrency's polymer. Securrency saw this contract as a first step in polymerising all of Malaysia's notes.

SENATOR TUNKU AZIZ TUNKU IBRAHIM, FORMER UN ETHICS ADVISOR: They must have known that for any business to be transacted successfully grease has to be applied.

NICK MCKENZIE: The agent Securrency appointed to apply the grease works in this building in downtown KL.

This middleman previously worked for an arms dealer and is known to boast of having big contacts among Malaysian politicians.

We've just been told by the security officer that we can't bring the camera inside but on level 13 is the office of Abdul Kayum Syed Ahmed. Abdul Kayum is the commission agent hired here in Malaysia by Securrency to help win the polymer note deal.

Abdul Kayum is one of the agents who Note Printing Australia stopped using because of integrity concerns but who Securrency, at least for a short while, kept on its books.

ANWAR IBRAHIM, OPPOSITION LEADER, MALAYSIA: Abdul Kayum is one of the personalities chosen because of connections with the ruling clique.

NICK MCKENZIE: Anwar Ibrahim is Malaysia's former Deputy Prime Minister now turned opposition leader.

ANWAR IBRAHIM, OPPOSITION LEADER, MALAYSIA: We want to know - and the Australian Government and the Central Bank has to offer an explanation - why they chose to pay such commissions for a deal or a contract that could be done legitimately, directly by central bank of both countries.

NICK MCKENZIE: Bank Negara - Malaysia's Central Bank - has refused an interview request about Securrency and Abdul Kayum, claiming the issue was too sensitive.

SENATOR TUNKU AZIZ TUNKU IBRAHIM, FORMER UN ETHICS ADVISOR: There's absolutely no need for a commission agent. You would deal directly with an established currency printing or security printing organisation such as you have in Australia.

You know? Why do you need ah a middleman?

NICK MCKENZIE: For his troubles, Abdul Kayum was paid as much as \$4 million in commissions by Securrency

ANWAR IBRAHIM, OPPOSITION LEADER, MALAYSIA: How could Securrency allow a private agent working under this dubious circumstances - it's something very difficult for me to comprehend.

How is it a system, with such a strong institution and respect for good governance, transparent manner, with clear, very rigid financial procedures ah could allow this?

NICK MCKENZIE: In early 2007, there was a flurry of activity at the Securrency's Melbourne headquarters after a sales manager, and colleague of our insider saw something he didn't like.

INSIDER (Re-enactment): He'd heard comments by the staff members about deals being done in each of those countries and what was paid and what had been paid and what was going to be paid to foreign officials.

Well he was concerned that it was contrary to our law and our own policies so the staff member raised those concerns in an email.

NICK MCKENZIE: The email was sent to managing director Myles Curtis who kept it to himself, but its author was soon out the door.

INSIDER (Re-enactment): Well the message was very clear that that's not the way the game is played at the company, despite what any policies and procedures or any laws say.

So there's a very clear message that if anyone wanted to make a complaint or raise concerns about bribery or corruption, a very clear message that your employment would come to an end very quickly.

NICK MCKENZIE: In August 2007 arrived another chance to wake up. The Reserve Bank of Australia decided to send in the auditors.

Incredibly the audit found that Securrency had a good and robust process at the very same time millions of dollars were flying offshore.

If there was any one deal that should have raised auditing red flags, it was Securrency's big contract win in Vietnam

INSIDER (Re-enactment): Vietnam was critical to Securrency. I mean it came along at a time when the company had been going along reasonably well but I guess not getting any really big clients, or new big central bank deals.

And when the deal with Vietnam came along, I think it was in the order of \$125 million. It's the biggest deal they've ever done.

NICK MCKENZIE: To win a deal to turn Vietnam's dong from paper to polymer Securrency asked Australian diplomatic and trade officials in Hanoi to help influence Vietnam's Central Bank via the perfect Vietnamese middleman.

RICHARD BROINOWSKI, FORMER AUSTRALIAN AMBASSADOR TO VIETNAM: I imagine the Ambassador would certainly be involved in facilitating the opening of doors, probably having dinners at the residence.

I certainly would have done that. Gone to talk to ministers about this, promoting Securrency as a company that's reliable to deal with members of the Vietnamese Cabinet.

NICK MCKENZIE: Federal Government Agency Austrade introduced Securrency to a man with impeccable connections but Austrade also alerted the firm that this man, Anh Ngoc Luong, was believed to be a representative of the Vietnamese government.

This meant that paying him even a single dollar could breach Australian bribery laws which strictly prohibit paying anything to a foreign government official or their representative in order to gain a business advantage.

INSIDER (Re-enactment): I was told several times by Securrency staff and managers that he was a good man to have onside because he was a senior person within the state architecture.

RICHARD BROINOWSKI, FORMER AUSTRALIAN AMBASSADOR TO VIETNAM: I can't imagine someone who has so-called free connections - who's an entrepreneur in Vietnam without any connections with the bureaucracy - to be entrusted with the job of being an agent for an important, a significant trading partner overseas without having strong connections with the Central Government.

It doesn't happen that way.

NICK MCKENZIE: So what you're saying is this middleman, this commission agent would have had to be in some form approved by the Government?

RICHARD BROINOWSKI, FORMER AUSTRALIAN AMBASSADOR TO VIETNAM: Yep.

NICK MCKENZIE: A representative of the Government?

RICHARD BROINOWSKI, FORMER AUSTRALIAN AMBASSADOR TO VIETNAM: I believe so. Oh yes.

NICK MCKENZIE: In 2006 Vietnam's media also revealed that Anh Ngoc Luong had during polymer contract dealings employed none other than the son of Vietnam's central bank governor.

BILL HAYTON, FORMER BBC CORRESPONDENT, HANOI: I mean the classic model is that you have a family member who fishes for business outside. And you know that seemed to be the allegation that was circulating in 2006 - that the Central Bank Governor's son was directly involved in the deal.

NICK MCKENZIE: Amid growing questions Securrency's Myles Curtis assured a Vietnamese journalist in Melbourne in 2007 that Anh Ngoc Luong's services were limited.

MYLES CURTIS, MANAGING DIRECTOR, SECURENCY: A lot of the roles in the early stages were to do with interpreting and translating.

NICK MCKENZIE: Luong and his company's primary role, said Curtis, was translation, arranging meetings and hotel accommodation.

MYLES CURTIS, MANAGING DIRECTOR, SECURENCY: Unfortunately we don't speak Vietnamese so that is the primary role that they play.

NICK MCKENZIE: What Curtis did not say was the amount Securrency was paying Anh Ngoc Luong and his company: \$14 million in commissions, including to offshore bank accounts in the tax haven of Switzerland.

BILL HAYTON, FORMER BBC CORRESPONDENT, HANOI: Fourteen million dollars is just astronomic.

NICK MCKENZIE: Bill Hayton is a Vietnam expert and former BBC Vietnam correspondent.

BILL HAYTON, FORMER BBC CORRESPONDENT, HANOI: I mean I've heard a figure for an

introduction to someone at ministerial level could be worth a \$100,000 so \$14 million is... you know, a different ballpark altogether.

It suggests a lot of people are going to have to be paid off or one individual has become way, way too greedy.

NICK MCKENZIE: Another Securrency executive, Joe Mamo, assured the Vietnamese journalist during the 2007 meeting that Anh Ngoc Luong's appointment was above board because Australian officials in Vietnam had said so.

JOE MAMO, SECURENCY EXECUTIVE: All of our agents that we appoint, we go through the Australian embassy...

RICHARD BROINOWSKI, FORMER AUSTRALIAN AMBASSADOR TO VIETNAM: Austrade... they weren't born yesterday, they know what's going on.

Their offices are very, very well versed and experienced tradies. Often they come from the private sector. How on earth could they not know the practices of companies? Of course they do.

NICK MCKENZIE: Austrade declined to be interviewed but said in a statement that Securrency had ultimate responsibility for checking the backgrounds of its agents and that Austrade never endorses improper practices.

Our Securrency insider tells a different story.

INSIDER (Re-enactment): I had an Austrade consultant in one meeting in an Asian country tell me that the way to do business in this country was to pass white envelopes onto officials. That's his words verbatim to me.

NICK MCKENZIE: By the end of 2008, Securrency's money trail was huge. In the preceding five years alone almost \$50 million in commissions had been wired across the globe.

Almost half of them went to offshore accounts, from the Seychelles, to the Isle of Man, Bahamas, Switzerland and the United Arab Emirates.

DR DAVID CHAIKIN, ECONOMICS AND BUSINESS, SYDNEY UNIVERSITY: Those are huge amounts of money and that should've sent the highest warning signs to any auditor, to any investigator, to the Board and to the Australian government.

NICK MCKENZIE: In late 2008 the RBA sent its auditors into Securrency again. For the second time they praised the company's good and robust processes.

DR DAVID CHAIKIN, ECONOMICS AND BUSINESS, SYDNEY UNIVERSITY: These seem to have been surface audits and the question should be raised as to why the RBA did not insist on more comprehensive audits.

The Reserve Bank has got itself into this problem because it decided to maintain a 50 per cent ownership in this business and because of that, it really is incumbent upon them to give a public explanation at some stage as to what they did, what they didn't do...

I mean one sense, this company is also half owned by the Australian people so the Australian um people deserve an answer to those questions.

NICK MCKENZIE: RBA assistant governor Bob Rankin, who became Securrency's chairman in April 2008, has declined repeated requests from Four Corners to be interviewed.

So has his predecessor, former RBA deputy governor Graeme Thompson, who chaired Securrency between 1998 and 2008.

But both referred Four Corners to a 2010 report by auditors KPMG which recommended a major overhaul of Securrency's polices - a recommendation recently accepted by the RBA.

This audit also blames Securrency Managing Director Myles Curtis for not implementing board policy.

DR DAVID CHAIKIN, ECONOMICS AND BUSINESS, SYDNEY UNIVERSITY: It really is not good enough just to say that "Well we set the policies and the management didn't comply with them".

The question is, why didn't the Board take measures to ensure that the policies were being implemented?

NICK MCKENZIE: To understand just how long the RBA's scandal has been brewing one need look no further than a 1999 deal between Securrency and our closest Asian neighbour, Indonesia.

Documents obtained by Four Corners and The Age newspaper detail dealings between Securrency and a Jakarta based middleman - Radius Christanto.

In confidential faxes to Securrency Christanto asks for his cut - US\$3.65 million of the \$55 million dollars the Indonesian central bank paid Securrency to use its polymer for the 100,000 rupee note. But there is another fax to Securrency written by Christanto: the RBA firm must pay "a very huge amount of money which has been committed to our friends".

These friends are named as the mysterious Mr S and Mr M, whom Four Corners believes were then senior Indonesian central bank officials. Mr S was due US\$1 million from Securrency. Mr M's cut was \$300,000.

INSIDER (Re-enactment): Any commission that was on top of the sale was an increase on the sale price if you like. So they're drawing more public funds out and funnelling them into private wealth. So schools, roads, hospitals - they don't get built because these deals are being done where large bribes are being paid.

NICK MCKENZIE: In another fax to Securrency - perhaps the most damning of them all - Christanto states that he's offered senior officials of Indonesia's Central Bank "the same commitment as our VIP friends".

"...being high ranking officers... They did ask the big amount up-front". Certainly "I could not afford to pay and take this risk". Therefore, I "guaranteed we would deliver our commitment" by percentage.

INSIDER (Re-enactment): Well the fact that it was happening right under the nose of the Reserve Bank of Australia was - again - it was staggering to me. I just couldn't believe that this was happening to a subsidiary of the Reserve Bank.

NICK MCKENZIE: By April 2008, our Securrency insider had seen enough.

He walked into the offices of the Australian Federal Police building in Melbourne with the same information he has exposed on Four Corners tonight.

DR DAVID CHAIKIN, ECONOMICS AND BUSINESS, SYDNEY UNIVERSITY: The information that that whistleblower had was gold.

NICK MCKENZIE: But instead of prompting action the Insider's information was all but ignored by the AFP.

INSIDER (Re-enactment): Well it was always like, "Yeah we're working on something else" or "We're overseas" or "We'll get back to you".

And it sort of petered out after four or five months to no contact at all and that was just where it stayed.

NICK MCKENZIE: Were you surprised?

INSIDER (Re-enactment): Yeah, I was surprised. Yes. I was surprised that a serious matter like this with very serious implications for the people involved in this activity that it could just be dismissed so relatively easily.

NICK MCKENZIE: In May last year, The Age newspaper finally lifted the lid on Securrency's dodgy deals.

That same day the Reserve Bank of Australia called in the AFP. A year had passed since federal agents were first tipped off.

Last March, Myles Curtis's 12 year stint as Securrency's managing director ended.

(To Myles Curtis) Mr Curtis Nick McKenzie from Four Corners, can we please ask you some questions?

MYLES CURTIS, FORMER MANAGING DIRECTOR, SECURENCY: Get off my property. Get off.

NICK MCKENZIE: We'd just like to ask you a few questions about Securrency sir.

MYLES CURTIS, FORMER MANAGING DIRECTOR, SECURENCY: You just can't understand the word get off my property. I'm calling the police now.

NICK MCKENZIE: On the same Curtis left the RBA firm, the KPMG audit commissioned by the Reserve Bank found that Securency had barely or never documented why specific agents were paid such massive commissions.

DR DAVID CHAIKIN, ECONOMICS AND BUSINESS, SYDNEY UNIVERSITY: There was just no documentation, there was no record of critical matters in order to prevent and detect corruption.

NICK MCKENZIE: The AFP's investigation into Securency is now expanding. It may even produce an Australian first - a foreign official bribery prosecution

SENATOR BOB BROWN, AUSTRALIAN GREENS, TASMANIA: How come ten years after this law was seen as required by the lawmakers of Australia because of emerging worries about Australian companies being increasingly involved in overseas transactions and in countries which were known to be corrupt - how come nothing at all has come of it?

NICK MCKENZIE: Greens leader Bob Brown has called for the RBA, Austrade and the other agencies tied to this affair to face a public inquiry.

SENATOR BOB BROWN, AUSTRALIAN GREENS, TASMANIA: What did surprise me - what really knocked me out - was that the Government and Opposition not once, not twice, but three times have moved to vote down my efforts to get an enquiry into the dealings of Securency.

There's a lot to be answered for here but what we're getting is cover-up.

NICK MCKENZIE: Last month we tried to get an answer from the Minister responsible for the RBA while he was in Washington.

NICK MCKENZIE: Mr Swan, Nick McKenzie from Four Corners. Do you have any concerns about the oversight by the RBA of its banknote firm Securency?

WAYNE SWAN, FEDERAL TREASURER: I am not going to make any comment on that issue. Comment for that is with the RBA. They are an independent body.

NICK MCKENZIE: Are you concerned that the RBA now is embroiled in a corruption scandal?

WAYNE SWAN, FEDERAL TREASURER: As I've said before - and I've answered this question on many occasions - that is a matter entirely for the RBA. They are independent of the government and have an independent board.

NICK MCKENZIE: The Reserve Bank of Australia, Austrade, and the Australian Federal Police have all refused to be interviewed about issues that flow from this scandal but both here and overseas, the demand for answers is growing.

NUHU RIBADU, FORMER NIGERIAN ANTI-CORRUPTION OFFICIAL: You take our own money, you use it to bribe our own officials of- who are in charge of our own affairs, thereby destroying everything and making it impossible for us to get value for this small little money that we have. It's sad. It's despicable.

JOHN BURBIDGE-KING, FORMER BRITISH BANKNOTE EXECUTIVE: It takes a long time to build a reputation - it takes a very short time to destroy it. And unless this is nipped in the bud now it's going to be start to be damaging to Australian businesses.

* **Editor's note:** The Seychelles is in the *Indian* Ocean, not the Pacific Ocean, as originally stated. (25 May 2010)

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