

When the buck stops at the top

November 28, 2009

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AMONG those caught up in the horror of last year's terrorist attack on Mumbai's opulent Taj Mahal Hotel were the two top executives from Reserve Bank of Australia subsidiary Securrency International. Managing director Myles Curtis and global sales director Hugh Brown took refuge in the hotel's library as gunmen went on a rampage, killing and wounding dozens of guests. At one stage, they unwittingly shared a hiding place with one of the gunmen, who was later shot dead by police.

The pair were in India to lobby Indian Government and central bank officials about printing some of the country's banknotes on Securrency's patented polymer formula, which is used for Australian currency.

Supporting their effort was the full weight of the Australian Government. Foreign Minister Stephen Smith had lobbied India's Finance Minister on a recent visit and Australian diplomats had spent years continually pushing Securrency's case with their Indian counterparts.

As a company insider explained recently, this joint marketing effort between Securrency and various arms of the Australian Government in India was nothing new.

"There was a saying in Securrency's headquarters that we were in the business of 'polymerising the world'. This effort involved ministers from the previous and current federal government. It involved ambassadors and trade commissioners opening doors and fixing problems," the Securrency

source said.

"The RBA itself would encourage other central banks to consider the polymer notes at every opportunity. To the outsider, Securrency appears as just another arm of the Australian Government. That is certainly the way it is perceived."

A year on from the Mumbai attacks that began on November 16 and killed at least 173 people in a series of bombings and shootings, Securrency's Curtis and Brown are again facing a traumatic experience involving police. This time, though, the police attention is focused on them.

Last week, Australian Federal Police officers raided Securrency's headquarters at Craigeburn in Melbourne's outer-west, seizing computers and files that might shed light on the way Securrency has won banknote supply contracts from some of the world's most corrupt countries. The homes of Curtis and company secretary John Ellery were also raided.

In Britain, Brown and another Securrency sales director, Peter Chapman, are believed to be under scrutiny from Britain's Serious Fraud Office.

In response to the raids, the Securrency board, chaired by assistant RBA governor Bob Rankin, has asked Curtis and Ellery to stand down until the police inquiry concludes. Chapman resigned from Securrency months ago, citing ill-health.

The AFP began investigating Securrency in May after *The Age* exposed the company's payment of multimillion-dollar commissions to dubious middlemen in its drive to win banknote contracts.

Some of the middlemen had been involved in previous corruption scandals and one had a criminal conviction. Most had political connections in the various countries in which Securrency was seeking business.

In apparent breach of Reserve Bank of Australia policy, Securrency wired millions of dollars into offshore tax haven bank accounts associated with its foreign agents.

The AFP is searching for evidence that Securrency has breached Australia's criminal code by making payments to foreign government officials to obtain a business advantage. Those found guilty of foreign bribery face 10 years' jail and big fines.

The company's activities in Vietnam and Nigeria are attracting great scrutiny, with millions of dollars being paid to businessmen suspected of being government officials or having close ties to powerful political figures.

Forensic accountants from KPMG are conducting a separate inquiry and have found evidence that Securrency management has tried to hide internal concerns about its practices from RBA auditors.

The exposure of Securrency's activities has put the reputation of the Reserve Bank - the pillar of Australia's financial system - at risk. For the central bank of a first-world country such as Australia to be closely associated with what could be the nation's first prosecution for foreign bribery is an enormous embarrassment. It is a situation being watched closely by governments, central banks and rival currency firms around the world. Behind

closed doors at the RBA in Sydney and in government buildings in Canberra, questions are being asked about the how, the who, the what and the why of the corruption scandal.

The Department of Foreign Affairs and Trade and the trade agency Austrade in particular are bracing for any fallout and are already distancing themselves from a company they have wholeheartedly supported for 13 years.

A former senior Austrade official with an intimate knowledge of Securrency's dealings told *The Age*: "Like AWB or BHP Billiton, Securrency was one of our top clients. We were told to promote Securrency at every opportunity and to write up its achievements as another Australian export success story."

Amazingly for a scandal with many serious implications for Australia, including heat from US authorities under the Foreign Corrupt Practices Act - there has been only silence from RBA governor Glenn Stevens, Prime Minister Kevin Rudd, Treasurer Wayne Swan and Opposition Leader Malcolm Turnbull. All say the AFP investigation prevents them from making comment.

Contrast this with the daily commentary and accusations of corruption among Coalition ministers from Rudd when he was shadow foreign minister during the 2006 Cole inquiry into AWB's payment of \$290 million in kickbacks to Saddam Hussein's Iraqi regime.

This is what Rudd said when then foreign minister Alexander Downer suggested he calm down and wait for the Cole inquiry to finish before leaping to judgment.

"Australia has international obligations here at stake ... my challenge to Mr Downer here today, who is still buried in some bunker in the Adelaide hills, is to come out and tell Australians how this should be put right." This was in January 2006, some 10 months before the Cole inquiry concluded.

"Our job as a responsible opposition in this country is to ensure that all matters which are relevant to this unfortunate scandal are put into the public domain. Not just those relating to the wheat board itself, but the actions, responsibility, culpability of the Howard government itself."

The Securrency case shares many similarities with the AWB scandal. Both companies sell iconic Australian products. Both enjoyed high-level access to ministers and received the strongest possible support from DFAT and Austrade. Both operated in markets where corruption and bribery were rife.

So why the lack of comment from our political leaders? The short answer is the fear of complicity. Usually a corruption scandal involving a government agency is a gift to an opposition. But many of Securrency's suspect deals happened under the Howard government and with the support of senior ministers and the departments they controlled. So there is little point in the Coalition pursuing the matter.

For the Labor, there is nothing to gain by giving the affair any oxygen as Securrency's controversial business practices have continued since Rudd won power in November 2007.

Only Greens leader Bob Brown - supported by Family First senator Steve Fielding and independent senator Nick Xenophon - have called for a Senate inquiry to examine the roles played by Foreign Affairs and Trade, not to mention the RBA, in helping Securrency around the world. Labor and the

Coalition senators voted against the Greens' motion.

No one is suggesting ministers or diplomats were aware of Securrency's massive commission payments to politically connected agents or were allegedly bribing foreign officials.

However, Australian officials and ministers knew full well the company was seeking business in corrupt countries. In many cases, Australian embassies approved or suggested local agents to Securrency.

This is sure to be raised by the company and its executives if charges are laid, raising questions about the level of due diligence done by Australian officials.

Evidence of the close relationship between Securrency and Foreign Affairs and Trade can be found in several regions. In Vietnam, where the firm is alleged to have paid \$5 million to a Vietnamese official, it was Austrade that set up the early meetings between Hanoi businessman Anh Ngoc Luong and Securrency.

In Latin America, Paul Martins, the Austrade senior commissioner in Mexico City, left his job to become Securrency's sales chief for Latin America in 2006-07. He is now back at Austrade as senior trade commissioner in Indonesia.

Documents obtained through freedom-of-information laws show the Australian embassy in Brazil going to great lengths in the late 1990s to help Securrency combat a negative press campaign about its banknotes, with diplomats handing samples of polymer notes to local television crews to do "vox pops".

An area deserving of even greater public scrutiny is the level of knowledge of Securrency's activities within the RBA itself. Several serving and former RBA officials, including board members, approved Securrency's business model of offering agents over-the-top commissions if they landed contracts.

"The political dimensions of this scandal need scrutiny while the police investigations in Australia and overseas proceed. At stake here is the reputation of the Reserve Bank itself because members of its board were in key positions of governance over the subsidiaries," Bob Brown said.