

Irish Bank Says a U.S. Trader Lost \$750 Million

2-7-02 WJS

C1 142

Allied Irish Banks PLC said a rogue trader at its U.S. unit incurred losses of \$750 million through unauthorized trading, sparking an inquiry by the Federal Bureau of Investigation and a scramble by the big European bank to figure out what went wrong.

Allied said John Rusnak, a foreign-exchange dealer at the Baltimore headquarter-

By Wall Street Journal staff reporters Erik Portanger and Michael R. Sesit in London, and Alessandra Galloni in Dublin.

ters of U.S. unit Allfirst, allegedly tried to disguise huge losses through fictitious foreign-exchange trades from early 2001 through last month. Traders in the foreign-exchange market say Mr. Rusnak probably bet wrong on the direction of the Japanese



John Rusnak

yen, forcing him to dig even deeper to make up for the losses.

Though the bank initially said Mr. Rusnak had gone missing after questions about his trading surfaced during the weekend, a Baltimore lawyer who said he had been retained by Mr. Rusnak said the trader hadn't fled the area.

"He's not a fugitive, and he's never been in any trouble in his life," said David Irwin, a partner in the law firm of Irwin, Green, Dexter & Murtha.

Mr. Irwin denies that his client stole any of the bank's money. Mr. Irwin said he is working with the FBI to make Mr. Rusnak available for questioning. Agents from the federal agency spent yesterday interviewing family members, friends, co-work-

Traders Who Tripped

With yesterday's disclosure that foreign-exchange dealer John Rusnak may have defrauded Ireland's Allied Irish Banks of \$750 million, here is a gallery of 'rogue' traders from the past few years. In most cases, the traders asserted their innocence and said their firms were aware of their trading.

Joseph Jett (Kidder) April 1994

The top government-bond trader at General Electric's Kidder Peabody is accused of generating phony profits of \$350 million, an allegation he denied. Mr. Jett eventually is cleared of civil fraud charges and never charged criminally. GE sells most of Kidder's assets in late 1994 to PaineWebber.



Nick Leeson (Barings) 1994

Mr. Leeson elevated the phrase 'rogue trader' to new heights, bringing down Barings in 1995 with losses of \$1.38 billion from unauthorized trading. Scandal depicted in the 1999 movie, "Rogue Trader," which got tepid reviews.



Yasuo Hamanaka (Sumitomo) 1996

Mr. Hamanaka's illicit copper trades cost Sumitomo \$2.6 billion in losses. He is sentenced to eight years in prison for fraud and forgery.



Juan Pablo Davila (Codelco) April 1989-January 1994

Through unauthorized copper trading, this head futures trader defrauds the Chilean copper company of \$175 million. Scandal also ensnares German metals group Metallgesellschaft.



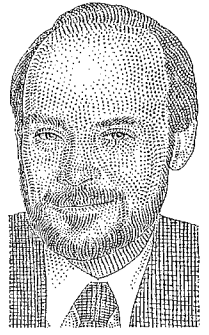
Toshihide Iguchi (Daiwa Bank) 1995

The former Daiwa employee confessed to losing \$1.1 billion over a period of 11 years through unauthorized trading in the U.S. bond market. Mr. Iguchi was convicted of fraud by a U.S. court in 1996, sentenced to four years in prison and fined. The bank was also fined, after it pleaded guilty to fraud charges



Martin A. Armstrong (Princeton Economics Intl.) 1999

Armstrong, a director at the New Jersey firm was alleged to have lost as much as \$950 million of Japanese corporate investment capital. Mr. Armstrong was charged with securities fraud in the U.S., where authorities said he used money from investors, mostly Japanese companies, to cover trading losses estimated to total at least \$368 million.



ers and neighbors of Mr. Rusnak. Peter Gullotta, a spokesman for the FBI in Baltimore, said no charges have yet been filed in the case.

Bank officials said they were stunned by the scale of the loss. "I find it very difficult to see how that much money can be lost in foreign exchange," said one Al-

lied executive, who asked not to be named. "If you gave me a license and a year to do it, I would struggle to lose that much money in foreign exchange; you'd need a whole trading room to do it."

Though details of his activities still are unknown, the dealings of Mr. Rusnak could represent the banking world's big-

gest scandal since Singapore trader Nick Leeson brought down Britain's Barings Bank in 1995 through \$1.4 billion in concealed losses. Coming after the Enron Corp. collapse in the U.S., Allied's problems once again raise serious questions about how such a major loss could have

Please Turn to Page C9, Column 5

AP Photo/Allfirst Bank of Baltimore