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British banks caught in derivatives hit

Jake Lloyd-Smith, Evening Standard

TWO British lenders - Barclays Capital and Standard Bank London - are ensnared in a growing financial scandal in Singapore, where a locally listed Chinese company has admitted crushing losses from derivatives trading.

China Aviation Oil (Singapore) this week admitted it had run up \$550m (£299m) losses in oil derivatives. The company, which supplies most of the jet fuel used in China, has asked for court protection from creditors.

An affidavit filed by China Aviation Oil's now-suspended chief executive Chen Juilin states that among the creditors who have already demanded repayment are Barclays Capital, which is owed \$26.46m, and Standard Bank, which is seeking \$14.43m.

Spokesmen for the two banks were not immediately available for comment today.

The group's admission has evoked memories of the 1995 collapse of Britain's Barings Bank, which was brought down after its Singapore-based trader Nick Leeson ran up billions of dollars in losses when his market gambles went awry.

Chen's court statement said that seven creditors had between them demanded \$247.5m from China Aviation Oil.

Also listed was Australia's Macquarie Bank, which is owed \$2.6m.

Chen quit Singapore to return to China on Wednesday, shortly after news of the company's problems emerged.

The Singapore Exchange, which has courted Chinese companies aggressively in recent years, has asked other directors at China Aviation-Oil to persuade Chen to return. A team from accountants PricewaterhouseCoopers is now combing the books to find out what went wrong.

The probe was ordered by the Singapore Exchange.

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