

PM defends 'huge' 1MDB commissions

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The commissions and fees paid to global investment banker Goldman Sachs over a series of three bonds they raised for 1Malaysia Development Berhad (1MDB) subsidiaries in 2012 and 2013 were “appropriate”, Prime Minister Najib Abdul Razak said today.

In a written answer in Parliament to Tony Pua (DAP-Petaling Jaya Utara), Najib said the amount paid for the bonds raised were appropriate given the size of the bonds issued, the tenure, and the illiquidity of the bonds itself.

However, Najib did not answer Pua’s specific queries on the amount of “fees and tokens” that were earned by Goldman Sachs in the exercise involving US\$3 billion, US\$1.75 billion, and US\$1.75 billion respectively.

The bonds were raised for 1MDB Global Investment, 1MDB Energy, and 1MDB Energy (Langat) Limited.

Previously, there were allegations that the commissions paid to Goldman Sachs were way beyond the regular market rate for the bonds raised.

Pua had earlier alleged that 1MDB paid Goldman Sachs huge commissions, including US\$350 million to secure a loan guarantee.

But Najib (left) said that the unspecified amount was valued according to the discount price in the bonds issued, and also taking into account the credit risk for the bonds.

However, he said that any difference between the bonds issued and the net yield do not only consist of fees for services, but also “effectiveness, discount, and the remaining tenure of bonds”.

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