

Dr M: Jho Low got PM to guarantee 1MDB loans
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Flamboyant billionaire Jho Low convinced Prime Minister Najib Abdul Razak to get the government to guarantee the loans of 1MDB, former prime minister Dr Mahathir Mohamad claims.

This was after Jho Low persuaded Najib to make 1MDB's predecessor, Terengganu Investment Authority (TIA), into a sovereign wealth fund to raise RM5 billion using Terengganu's oil fields as collateral, but this was opposed by the state palace, Mahathir said.

"Jho Low then advised Najib that the federal government should guarantee the loan," Mahathir declared in his blog posting today.

However, the former prime minister claimed, all this was done without the knowledge of the cabinet.

"Strictly speaking such a matter should be discussed and approved by the cabinet.

"There is no evidence that a cabinet paper was prepared and presented for approval, despite the amount being unusually big. In fact, for a long time, the cabinet was not aware of this," he said.

RM5 billion loan on unfavourable terms

Furthermore, Mahathir said, 1MDB obtained the RM5 billion loan, with government guarantee, on unfavourable terms.

"It is not clear whether any government department or agency scrutinised the terms of the loan.

"But the terms were very unfavourable to 1MDB and the government," he said.

Mahathir said to avoid scrutiny, the loan was classified off-budget which would not require it to be presented to Parliament.

"Off-budget spending can be made, but usually only limited in amount.

"A sum of RM5 billion has never been borrowed by the government or any of its agencies. It should not be off-budget.

"It should get cabinet approval first and then be presented to Parliament. None of these procedures were followed," he said.

'A 10pct commission for Goldman Sachs'

Elaborating on the "unfavourable loan", Mahathir pointed out the loan was made at an interest rate of 5.9 percent and entailed a 10 percent commission for Goldman Sachs.

"What this means is that of the RM5 billion borrowed, 1MDB would get only RM4.5 billion.

"Goldman Sachs would get RM500 million as commission, an inordinately large sum.

But 1MDB would pay 5.9 percent interest on the whole of RM5 billion.

"Since it gets only RM4.5 billion, the rate of interest on this amount would be 6.6 percent plus," Mahathir said.

The former prime minister said this was in contrast to normal loans taken by the government, that cost around three percent in interest.

'Najib responsible for 1MDB loans'

"Who approved such terrible terms for a loan to a government-owned company? We would like to know who.

"There must be some documents with the signature of the approving authority.

"If not somebody needs to answer for this stupidity. Or is it abuse of authority," he said.

"But the final approval must come from the minister responsible and the minister responsible is also the effective head of 1MDB," he said.

Mahathir also noted that Finance Ministry-owned 1MDB is loan is ultimately led by Prime Minister Najib Abdul Razak, who is also the finance minister.

"When loans of more than RM100 million are raised for investment overseas, Bank Negara has to approve," he said.

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