

1MDB denies claim of gov't guarantee on IPIC

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1MDB has denied that the government will guarantee the recent commercial transaction between the investment firm and International Petroleum Investment Company (IPIC).

"Neither the finance ministry, nor the government of Malaysia, have provided guarantees for the recent commercial transaction between 1MDB and IPIC.

"It is publicly known that IPIC issued guarantees, in 2012, for the payment of interest and principal on two US\$1.75 billion (RM6.63 billion) bonds issued by 1MDB, totaling US\$3.5 billion (RM13.3 billion) of principal and up to US\$2 billion (RM7.58 billion) of interest.

"The government has not guaranteed either of these bonds," it said in a statement today.

Based on this, 1MDB said, it was irresponsible for Petaling Jaya Utara MP Tony Pua (photo) to suggest that the recent binding term sheet between 1MDB and IPIC, has resulted in Putrajaya having to bear further guarantee obligations.

Pua deliberately misled the public

On May 29, Second Finance Minister Ahmad Husni Hanadzlah (photo) announced that 1MDB had entered a binding agreement with IPIC.

Under the agreement IPIC gave 1MDB US\$1 billion (RM3.79 billion) to service its US\$975 million (RM3.7 billion) debt to an international banking consortium.

Pua today claimed that the government would guarantee this loan, if 1MDB did not perform, a claim the investment firm denies.

"Pua has deliberately misled the public by failing to mention the crucial 'and vice versa' clause in relation to the 'indemnity', for example the indemnity applies both ways – to IPIC as well as 1MDB – in relation to performance of obligations by the parties," it said.

It added that the binding agreement was a key component of the 1MDB rationalisation plan, and that commercial negotiations are underway to help clear RM16 billion of 1MDB's debts.

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