

1MDB says not contacted by foreign investigators

MalaysiaKini.com

Sept 30th, 2015

Yantoultra Ngui & John Chalmers, Reuters

Malaysia's troubled strategic investment fund 1Malaysia Development Bhd (1MDB) has not been contacted by any foreign investigators on allegations of mismanagement and corruption, the fund's president Arul Kanda said yesterday.

"In terms of the Swiss investigations or the Singaporean investigations or the Federal Bureau of Investigation investigations, 1MDB has not been contacted by any of those authorities," said Arul, who was hired from Abu Dhabi Commercial Bank in January to conduct a strategic review of the state-owned fund, which owns mostly power and property assets.

The fund, which has Prime Minister Najib Abdul Razak as chairman of its advisory board, has amassed debt of more than US\$11 billion (RM48.5 billion), engulfing Najib in a political storm amid allegations at home and abroad of graft and financial mismanagement at the fund.

1MDB has denied all the allegations.

Singapore's police said in July they had frozen two bank accounts as part of an investigation linked to 1MDB.

"As far as I am aware, none of our accounts have been frozen," Arul, aged 39, said at his office when asked about its Singapore accounts.

Swiss authorities said at the end of August they had opened criminal proceedings against two 1MDB executives for suspected corruption and money laundering. The Swiss froze several tens of millions of dollars at Swiss banks in conjunction to the probe.

The growing controversy has battered Malaysian markets; the ringgit has lost a quarter of its value against the US dollar this year, making it Asia's worst performing currency, and Malaysia's bonds have also fallen.

Ratings agencies have said they would be concerned if there were signs of broader policymaking being affected by the crisis, with Fitch warning it could downgrade the outlook on Malaysia's sovereign debt.

Asset sales on track

Arul said some media reports had been politically motivated to undermine Najib.

"Clearly there are other agendas being pushed forward; it's clear on the political front, of course, and I think that's now very apparent what each different group is trying to achieve,"

he said.

Najib has faced criticism from the public and within his party after The Wall Street Journal reported in July that local investigators looking into allegations of graft and financial mismanagement at 1MDB found that about US\$670 million was deposited in Najib's private bank accounts.

Reuters has not verified the report.

Najib has denied taking any money for personal gain, and Malaysia's anti-graft unit said the amount was given by a donor from the Middle East. It would not name the donor. 1MDB has denied transferring funds to Najib, and an interim government report said it found nothing suspicious.

Arul, a trained barrister who has experience in restructuring and corporate finance, concluded early in his tenure that 1MDB should sell many of its assets to cut debt.

He said yesterday that the process is on track.

The selling of assets in power unit Edra Global Energy Bhd is a major plank of those efforts. Arul said asset sales planned in the coming weeks would put 1MDB in a positive cash position from early 2016.

1MDB was established in 2008 as the Terengganu Investment Authority with RM10 billion to manage oil royalty payments to the resources-rich northern state of Terengganu.

When Najib came to power in 2009 he renamed it 1MDB and turned it into a fully fledged investment fund. 1MDB expanded by purchasing power assets and large plots of land in the capital and other local regions, racking up debt until it plunged to a loss last year.

Abu Dhabi's International Petroleum Investment Co (IPIC) agreed in May to provide 1MDB with US\$1 billion in cash, allowing the fund to repay a US\$975 million loan to a global banking syndicate.

The Abu Dhabi firm also agreed to assume US\$3.5 billion of 1MDB debt and forgive an undisclosed amount of debt owed to IPIC by 1MDB, in exchange for assets that have not been named.

1MDB plans to use a US\$1.4 billion deposit it placed with IPIC as collateral for the deal, Arul said.

- Reuters