

How did 1MDB execs conduct major deals without approval?

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MP SPEAKS My question now to the 1Malaysia Development Bhd (1MDB) Board of Directors is why did it allow 1MDB executives to conduct major transactions without the prior knowledge or approval of the board?

The latest exposé by Sarawak Report was the minutes of the 1MDB Board of Directors Meeting held on Jan 12, 2015.

1MDB president Arul Kanda has confirmed the minutes as genuine, although he denied that he lied to the Board of Directors, saying that he merely “miscommunicated”.

I have written last Saturday that Arul Kanda clearly lied, and not just merely “miscommunicated” the issue of 1MDB’s redemption of the US\$2.318 billion investment from Cayman Islands.

However, what was more revealing was the fact that the Board of Directors has completely failed to perform its fiduciary duties.

Over the years leading up to the full-blown 1MDB financial scandal, the Board of Directors, composed of illustrious individuals, allowed the 1MDB top executives to run circles around them.

The Jan 12 minutes reveal that key multi-billion ringgit decisions to be made without proper consultation with the Board of Directors.

In item 2.4, board chairperson Lodin Wok Kamaruddin (photo) “commented that in the past, the board has made decisions via DCR (Directors’ Circular Resolution) without the benefit of deliberation, including the decisions on the guarantee of loans, the pledge of the redemption of proceeds to Deutsche Bank”.

How can the Board of Directors be clueless when the entire proceeds to be received from the US\$2.318 billion investment parked in Cayman Islands was pledged to Deutsche Bank to secure a US\$975 million loan? The ensuing question, then is, if the board didn’t deliberate and approve the decision, then who did?

Najib okayed, without board’s approval?

Did the then top executives of 1MDB have the audacity to carry out the above transaction on their own accord? Or did Prime Minister Najib Abdul Razak approve the transaction and by-passed the Board of Directors?

This is because, according to Clause 117 of the 1MDB Memorandum and Articles of

Association (M&A), the prime minister's written approval must be obtained for "any financial commitment (including investment), restructuring or any other matter which is likely to affect the guarantee given by the Federal Government of Malaysia for the benefit of the company, national interest, national security or any policy of the Federal Government of Malaysia".

Regardless of whether it was the 1MDB top management that acted on its own accord, or the approval came from the prime minister, the 1MDB Board of Directors must be castigated for failing to fulfil its fiduciary duties as directors of the company.

It is clear that the appointment of the directors was only for show. They are mere stooges working for the powers that be.

No board worth its salt would have tolerated the degree of transgressions that took place within the company, which included embezzlement and misappropriation of billions of ringgit.

Lodin's request in the January board meeting that "last-minute proposals are to be avoided" in future, and the "Management is to alert the Board on any issues faced as early as possible, for example, on the delay in payment of the RM2 billion loan due to Maybank", only serves to prove the ignorance and incompetence of the board.

Lodin is also the chairperson of Lembaga Tabung Angkatan Tentera (LTAT), while another fellow director, Ismee Ismail, is chairperson of Lembaga Tabung Haji.

Malaysians are concerned that two other statutory funds managing billions more of Malaysian's hard-earned savings are led by these same directors who have demonstrated such incompetence in 1MDB.

Their complete failure to navigate the company, ensure proper corporate governance and institute checks and balances contributed in no small way to the financial disaster that MDB faces today.

The authorities investigating 1MDB, assuming there are any still investigating the debt-laden company, must investigate the role of these directors in the board and charge them for their complicity in the entire monstrous scandal.