

WSJ: US probing if Goldman Sachs misled bondholders over 1MDB

MalaysiaKini.com

Mar 22nd, 2016

United States authorities are probing if Goldman Sachs Group Inc had misled bondholders when it sold securities issued by 1MDB, according to The Wall Street Journal.

Quoting a person familiar with the matter, the newspaper said: "As part of an inquiry being examined by a US grand jury, investigators are trying to determine if Goldman's employees had reason to believe that some of the proceeds from bond deals done for the fund, 1MDB, weren't being used for their intended purpose."

Authorities are also looking into whether Goldman's hiring practices in the region violated US anti-corruption laws.

Contacted today, 1MDB said proceeds of the US dollar denominated bonds were used according to legal agreements and any suggestion of wrongdoing is "baseless".

Leissner subpoenaed

Investigators, said WSJ, also subpoenaed Goldman's former top banker in Southeast Asia, Tim Leissner.

Another person familiar with the matter told the newspaper that Leissner has been informed that he is not the subject of the US government investigation at this juncture.

This person also disclosed that the grand jury is scheduled to meet again next month.

Leissner left Goldman last month after he was suspended for allegedly violating firm policies.

"Goldman profited handsomely from its dealings with 1MDB. Leissner helped counsel the fund from its inception, laying the foundation for a series of lucrative assignments.

"Goldman advised the fund on three acquisitions and arranged the sale of three bonds valued at a total of US\$6.5 billion that brought in US\$650 million for the firm.

"Goldman's biggest, and last, transaction with 1MDB came in early 2013 when it sold US\$3 billion in bonds that the fund said would finance a real-estate-development project in the center of Kuala Lumpur designed to spur economic development," read the article.

Proceeds sent to Swiss private bank

1MDB officials, it said, directed the firm to wire a portion of the proceeds from the deal to the fund's account at BSI SA, a small Swiss private bank.

"Private Banks don't typically receive transfers of that size, and the unusual step caught the attention of lawyers at Linklaters, Goldman's legal counsel on the transactions," WSJ reported.

A partner at Linklaters, Kevin Wong, alerted Goldman of the private bank transfer, it reported quoting a person familiar with the deal.

"Goldman executives approved the transaction and believed they were contractually obligated to send the money to the account their client had specified, according to people familiar with the matter. Linklaters ultimately signed off on the transaction," said the person.

"Goldman underwrote the entire offering, buying all US\$3 billion up front at a slight discount to the face value.

"It then resold the securities to other investors at higher prices. Goldman made nearly US\$300 million in fees from the bond sale, an outside figure that raised eyebrows across Wall Street and compelled Goldman to tell its client how much it stood to earn on the deal ahead of time," WSJ added.

1MDB and government officials have accused WSJ of being part of a campaign to topple Prime Minister Najib Abdul Razak, a charge which the newspaper has denied.

Both 1MDB and Najib have denied any wrongdoings and described the allegations against them as baseless and politically motivated.

When contacted, 1MDB said the proceeds of its US dollar denominated bonds were used according to legal agreements.

"Accordingly, any suggestion to the contrary is wrong and baseless," it said in a statement.

"1MDB continues to be focused on its successful rationalisation plan and will not be distracted by these desperate and malicious attempts to derail progress."