

**Gov't has RM20 billion at stake in 1MDB, PAC confirms**  
**MalaysiaKini.com**  
**Apr 7<sup>th</sup>, 2016**

PAC REPORT The government would need to fork out RM20.31 billion, not including interest payments, if 1MDB fails to pay off its debts, the Public Accounts Committee said in its report on 1MDB.

This is more than the government allocation for higher education spending in 2016 and about seven times the size of the entire Selangor government budget this year.

The PAC probe into the state investment firm found that the federal government committed RM5.8 billion in government-guaranteed loans, RM13.56 billion through a letters of support and RM950 million in standby credit.

The letters of support were considered part of government exposure as it states that the government would step in to honour bond payments, if 1MDB fails to do so.

This is for the US\$3 billion fundraising exercise via investment bank Goldman Sachs, for a 50-50 joint venture with Aabar, a subsidiary of Abu Dhabi's International Petroleum Investment Corporation (IPIC)

The letter of support issued on March 14, 2013 with cabinet approval states that 1MDB will step in if its subsidiary 1MDB Global Investment Ltd (1MDB GIL) fails to honour the bonds.

1MDB GIL is a British Virgin Islands registered entity set up to receive the proceeds of the fundraising exercise.

"If 1MDB, as a shareholder in 1MDB GIL fails to provide the funds, the federal government will take over and provide what is necessary," the report reads.

1MDB and Aabar had managed to raise US\$2.72 billion for this, but the PAC found that US\$1.75 billion was instead invested in a portfolio with BSI bank in Lugano, Switzerland.

The PAC was told this was pending finalisation of the joint venture with Aabar.

1MDB earlier denied that the government had guaranteed the bonds related to any of its dealings with IPIC.

Other assistance extended by government to 1MDB are:

**-Government-guarantee for RM5 billion Islamic medium term notes (Apr 1, 2009).**  
The loan was for the setting up of Terengganu sovereign wealth fund Terengganu Investment Authority. It was taken over by the federal government on July 31, 2009.

**-Government-guarantee for RM800 million from Perkeso (Nov 11, 2011).** The loan was for 1MDB Real Estate, for relocation of Sungai Besi air force base to make way for construction of Bandar Malaysia.

**-Letter of support for US\$150 million loan from Exim Bank Bhd (March 13, 2015).** The loan was for working capital for 1MDB subsidiary Timeline Zone Sdn Bhd.

**-Standby credit of RM950 million (Feb 25, 2015).** This was after the cabinet cancelled its earlier approval of a RM3 billion loan to help 1MDB fulfill cash requirements of its Tun Razak Exchange project. The standby credit is to help ease 1MDB's cash flow issues, and was extended at 3.4 percent interest. 1MDB used all RM950 million by April 2015, and was to pay it back by Dec 31, 2015.

All government assistance to 1MDB was made with cabinet approval, the PAC probe found.

The Finance Ministry in a written parliamentary reply this week said 1MDB has paid all its overdue debts.

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd

Source: <https://www.malaysiakini.com/news/336882>