

1MDB coy on paying US\$50m interest due on bond

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While 1MDB noted that International Petroleum Investment Company (IPIC) has not paid the US\$50 million in interest now due on the sovereign fund's issued bonds, it stopped short of saying if it will pick up the tab.

"A dispute has recently arisen between IPIC and 1MDB, concerning, among other things, 1MDB's obligations to IPIC and IPIC's corresponding obligations.

"Consequently, as of the time of this statement, 1MDB understands IPIC has not paid the interest," said the government-owned firm in a statement today.

This referred to interest on one of the two bonds of US\$1.75 billion each, amounting to US\$3.5 billion which 1MDB issued via its subsidiary 1MDB Energy (Langat) Limited and 1MDB Energy Ltd, co-guaranteed by IPIC.

The interest was payable on the semi-annual interest payment date due today in respect of the US\$1.75 billion 5.75 percent notes due 2022, issued by 1MDB Energy (Langat) Limited.

On June 4, 2015, IPIC assumed 1MDB's obligation to pay the interest due on the bonds in a bailout plan that was to see 1MDB in exchange undertaking to transfer assets and cash as compensation to IPIC.

However, IPIC now says that 1MDB and the Ministry of Finance are now liable for all claims arising from the bonds, including paying for the interest, as it had terminated the rescue deal claiming that 1MDB and the ministry have failed to live up to their end of the bargain.

1MDB also pledged that it is committed to paying off all its "other" obligations under "any other" deals and is able to do so as it still has the cash surplus to meet its commitments.

"1MDB wishes to make clear that it and its group entities will meet all of their other obligations under any other financing arrangements and have ample liquidity to do so," said the fund.

However, no mention was made by 1MDB if it will pay the US\$50 million in interest that is due today.

If 1MDB fails to pay the interest, with IPIC already backing out of the rescue deal, it will result in a default which reports say may trigger "cross-defaults" on 1MDB's other commitments, with other creditors demanding early settlement or accelerated payments for 1MDB's other debts which now stand at about US\$5.1 billion.

This may even impact Malaysia and its financial credibility and the economy as a whole as

quite a number of 1MDB loans are guaranteed by the government, which the recent Public Accounts Committee findings state to be to the tune of US\$20 billion, which taxpayers may have to pay for in the end.

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