

## **1MDB boss confirms IPIC loan default can affect other debts**

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1MDB president and group executive director Arul Kanda Kandasamy has confirmed that a failure to settle its US\$1 billion loan from Abu Dhabi-based International Petroleum Investment Company (IPIC) may trigger cross defaults on the fund's other debts, including some bonds.

In a cover story interview with The Edge Financial Weekly, he said the debts include "the one that everyone is worried about" – a US\$3 billion bond the fund issued in 2013 to fund the Tun Razak Exchange development.

While 1MDB has declared that it is free of all its bank and short-term debts, it also still has a RM5 billion sukuk with a government guarantee; another RM2.4 billion Bandar Malaysia sukuk; and a RM800 million loan from the Social Security Organisation or Socso.

Arul Kanda also shared what had derailed the asset for debt settlement with IPIC, which he thought was a done deal and the final piece of the jigsaw to rescue 1MDB from its massive debt woes.

More importantly, the bigger question is what could happen next with IPIC's declaration of default against 1MDB.

According to Arul Kanda, the binding term sheet 1MDB signed with IPIC in June 2015 got the cash-strapped fund the US\$1 billion it needed to settle some immediate obligations, including a US\$975 million syndicated loan led by Deutsche Bank AG.

There is one crucial item on the term sheet, which is that 1MDB has to transfer the amount that IPIC paid, the cash plus the interests – amounting to US\$1.15 billion – by Dec 31 last year.

"Actually, we were in default since December," Arul Kanda reportedly said in questioning why IPIC waited until now to make the announcement.

"It should have been made immediately after the default as it's a large amount. Why wait until April to say you don't own Aabar BVI?," he asked.

In response to the interview, PAS deputy president Tuan Ibrahim Tuan Man said that Arul Kanda has a duty to expose all information related to the alleged fraud.

1MDB, the brainchild of Prime Minister Najib Abdul Razak, has been riddled with allegations, which the firm often dismisses as being politically motivated.

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