

US may take on movie, music roles in 1MDB asset seizure

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David Ingram, Reuters

The US government may become a movie and music industry player, at least temporarily, after moving to seize US\$1 billion in assets that prosecutors said were bought with money looted from the Malaysian state development fund.

The 2013 movie 'The Wolf of Wall Street' and an interest in the rights of EMI Music Publishing are among the targets of civil lawsuits that are filled with allegations that Malaysian officials, their relatives and associates laundered the fund's money and hid it in property, artwork and luxury goods in the United States.

Seizures of assets by government authorities are fairly common, but they more typically involve sports cars, yachts and jewelry bought with drug trafficking proceeds or with profits from white-collar crime.

The case of the Malaysian sovereign wealth fund 1MDB announced on Wednesday is unusually large and involves some out-of-the-ordinary assets, such as rights associated with the dark comedy film starring Leonardo DiCaprio as a corrupt New York stockbroker.

The film could make another US\$100 million in the near future, a box office analyst said.

According to the lawsuits, a Malaysian national involved in creating 1MDB, Low Taek Jho, used about US\$10 million from 1MDB to invest in the film and separately used about US\$107 million to buy "a substantial interest" in EMI, the world's third-largest music publishing company by revenue.

Low did not respond to requests for comment sent to his Hong Kong-based company, Jynwel Capital.

US government-seized assets are usually sold off at auction to raise money for victims. Until that can happen, US authorities must maintain the assets, officials said.

The US Marshals Service manages and auctions seized assets. If a judge approves the seizure of 1MDB-linked assets, the usual process would be followed, Justice Department spokesperson Peter Carr said.

The assets would be initially restrained so their owners could not sell or transfer them. Any profits generated would be held in escrow until the case was resolved, Carr said.

"We would sell those interests and, if possible and appropriate, use the proceeds of those sales for the benefit of the victim citizens in Malaysia," Carr said in an email.

Shares in casino

In the 1990s, the government-owned shares in a California casino and through a trustee helped to manage it, putting Washington for a short time in the gambling business.

A Marshals Service spokesperson said she did not immediately know if the agency had previously auctioned film and music royalty rights. The agency had 17,564 assets on hand as of September 2015, valued at US\$3.1 billion, its website said.

Court papers filed by the Justice Department would, if approved by a judge, grant sweeping powers to the Marshals Service to manage the 1MDB-linked assets.

Under a proposed restraining order, Red Granite Pictures, which produced 'The Wolf of Wall Street', would have to maintain present contracts related to the film and "allow the United States to join in and direct key business decisions about day to day operations."

In a statement, Red Granite said that to its knowledge, none of the money it received was illegitimate and that co-founder Riza Aziz and the company did nothing wrong. Riza is the stepson of Malaysian Prime Minister Najib Abdul Razak, who oversaw the 1MDB fund.

The Justice Department lawsuits said that high-level officials of 1MDB corruptly diverted more than US\$3.5 billion from the fund over six years.

- Reuters