

Swiss OAG: 'Ponzi'-like scheme used to cover up embezzled SRC cash
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The Swiss Attorney-General Office (OAG) said investigations revealed that substantial amounts of money were allegedly misappropriated from former 1MDB subsidiary SRC International and that fraud was committed based on a form of "Ponzi" scheme to cover it up.

"On analysing the evidence obtained, the OAG identified further suspect transactions involving the Swiss financial sector. Firstly, the sum of US\$800 million appears to have been misappropriated from investments in natural resources made by the SRC sovereign fund.

"Secondly, it is suspected that a 'Ponzi' scheme fraud (i.e. paying the returns on initial investments from funds obtained from subsequent investors rather than from legitimate revenue from the investments) was committed to conceal the misappropriations from both the SRC fund and from 1MDB," said the OAG in a statement.

The Swiss authority said these suspected misappropriations from 1MDB were the subject of the OAG's first request for mutual legal assistance to the Malaysian authorities.

"The aim of the OAG's latest request is therefore to obtain further evidence in corroboration of the latest findings, in addition to the assistance requested in the OAG's initial request of January 2016, which is still pending," it added.

The OAG explained that its request for assistance from the Malaysian authorities was also so that the presumed companies or persons suffering harm from the alleged fraud can assert their rights in the Swiss criminal proceedings.

It noted that it all started when the OAG opened proceedings against two former officials at 1MDB and against persons unknown on suspicion of bribery of foreign public officials, misconduct in public office, money laundering and criminal mismanagement, on Aug 14, 2015.

This was the trigger for the first OAG's requests for mutual legal assistance from the Malaysian authorities.

The investigation later extended in April 2016 to include two former officials from the United Arab Emirates, and later led to the action against Swiss-Based BSI Bank in May.

At this stage of the criminal proceedings in connection with the Malaysian sovereign funds 1MDB and SRC, four persons and one bank are under investigation.

In addition, the OAG has confirmed receipt, to its full satisfaction, of the evidence requested in April 2016 from the authorities in Singapore via mutual legal assistance.

While it is still waiting for the Malaysian response to its request for assistance, the OAG said that it remains confident that the two requests for mutual legal assistance made to the authorities in Malaysia will be executed.

A Ponzi scheme is a fraudulent investment operation where the operator, an individual or organisation, pays returns to its investors from new capital paid to the operators by new investors, rather than from profit earned through legitimate sources.

Malaysiakini is attempting to contact 1MDB, SRC International and the Malaysian Attorney-General's Chambers for their response.

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