

M'sia still owes RM13.3b in 1MDB loan, ex-MOF officer testifies

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Hidir Reduan Abdul Rashid

1MDB TRIAL | Malaysia still owes US\$3 billion (RM13.3 billion) in debt as a result of a joint venture (JV) between 1MDB and Aabar Investments, a former finance ministry officer testified.

Siti Zauyah Md Desa, who used to be part of the ministry's loan management division, said 1MDB had never reported to her division regarding the JV (1MDB is wholly owned by MOF Inc).

During the RM2.28 billion 1MDB corruption trial against former prime minister and finance minister Najib Abdul Razak, the 23rd prosecution witness claimed that the Malaysian sovereign wealth fund tended to deal directly with the accused rather than going through her division.

Siti Zauyah noted that Najib signed the letter of support (LOS) for the JV between 1MDB and Aabar Investments PJS, which is a subsidiary of International Petroleum Investment Company (IPIC).

“I confirm that the status of the US\$3 billion loan referred to in my witness statement, that 1MDB as the borrower of the US\$3 billion, had failed to repay the loan in accordance with the terms.

“This matter caused the government today to be forced to incur repaying of 1MDB’s debt based on the LOS issued by the government signed by finance minister Najib Abdul Razak in 2013.

“After the issuance of the letter of support to 1MDB in 2013, the finance minister no longer issued any guarantee to 1MDB,” Siti Zaudah said today.

She told the Kuala Lumpur High Court that in the event that 1MDB fails to repay its debt, the lender bank will go after the Malaysian government as the LOS was signed by Najib.

The prosecution contended that the US\$3 billion was raised for the purported JV - which was allegedly to develop the Tun Razak Exchange (TRX) in Kuala Lumpur - whereby the Finance Ministry issued the LOS for 1MDB to raise the loan.

The loan was allegedly raised through the issue of bonds by 1MDB from the Bank of New York Mellon Group. The bonds mature next year.

The prosecution contended that as a result of a convoluted monetary trail, the amount of US\$681 million (RM2,081,476,926 according to the foreign exchange rate then) went into Najib's account in early 2013.

Najib dealt directly with 1MDB

Back in April 2013, KiniBiz reported that Standard and Poor's Ratings Services (S&P) assigned its "A-" issue rating to the US\$3 billion notes - due 2023 - issued by 1MDB Global Investments Ltd (1MDB GI), a wholly-owned subsidiary of 1MDB.

In a press release, it also assigned an "axAAA" Association of South-East Asian Nation Countries (Asean) regional scale rating on the notes.

S&P said the rating on the notes facility is equal to the long-term foreign currency sovereign credit rating on Malaysia, based on the expected timely financial support from the Malaysian government.

During examination-in-chief by deputy public prosecutor Nadia Md Izhar, Siti Zauyah testified that nobody from the Finance Ministry or from the MOF Inc was appointed to 1MDB's board of directors.

She noted that, unlike other MOF Inc-owned companies, then finance minister Najib dealt directly with 1MDB.

“It is whereby the finance minister, who is Najib Abdul Razak, appointed himself to be chairperson of 1MDB’s board of advisers (BOA).

“In other MOF Inc-owned companies, this does not happen,” she claimed.

Proceedings before trial judge Collin Lawrence Sequerah continues this afternoon.

The accused is on trial for four counts of abuse of power and 21 counts of money laundering involving RM2.28 billion of 1MDB’s funds.

The Pekan MP was alleged to have committed the four counts of corruption at AmIslamic Bank Berhad’s Jalan Raja Chulan branch in Bukit Ceylon, Kuala Lumpur, between Feb 24, 2011, and Dec 19, 2014.

In regard to the 21 money laundering charges, Najib is purported to have committed the offences at the same bank between March 22, 2013, and Aug 30, 2013.

The prosecution contended that the wrongdoing at 1MDB was carried out by Low with the blessing of Najib.

The accused's defence team however claimed that he had no knowledge of the crime perpetrated at 1MDB and that the embezzlement was solely masterminded by Low and other members of the fund's management.

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