

Newspaper
Date

Financial Times
1 February 2016

Swiss wreck effort to contain 1MDB scandal

Financial Times - 1/2/2016

Alpine nation finds 'serious indications' of \$4bn misappropriation

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Malaysia's leaders are battling the most severe international pressure yet over alleged large-scale corruption after Switzerland torpedoed efforts to contain the growing scandal around the 1MDB investment fund.

Kuala Lumpur's attempts to play down an affair that has rocked the country and embroiled Najib Razak, prime minister, have been derailed by a Swiss criminal investigation that said on Friday it found "serious indications" that around \$4bn was misappropriated.

Switzerland's unusually aggressive intervention reflects international concern the Malaysian authorities may have been trying to bury the story. Earlier in the week Mohamed Apandi Ali, Malaysia's attorney-general, cleared Mr Najib of any wrongdoing over payments of \$680m into his bank account. Critics alleged the transfers were linked to 1MDB, which the fund and the prime minister deny.

John Pang, a senior fellow at the S Rajaratnam School of International Studies in Singapore, said the Swiss statement undermined Mr Apandi's claim that the funds paid into Mr Najib's account were a donation from the Saudi royal family. "This makes it very difficult for the attorney-general to simply close off the investigation," Mr Pang said. "It makes the attorney-general's statement difficult to credit."

After the Swiss move, Mr Apandi said his office intended to "take all possible steps to follow up and collaborate with our Swiss counterparts", adding that investigations into 1MDB were continuing. He described the now-closed investigation into the donations to Mr Najib — which the country's anti-corruption commission is seeking to reopen — as "entirely separate".

Mr Najib has consistently denied claims of misappropriation of more than \$1bn at 1MDB, a debt-laden state



investment fund set up at his behest and whose advisory board he chairs. 1MDB has also been dismissive of critics who have alleged criminal wrongdoing, branding allegations against it "spurious". But Swiss authorities said a criminal investigation had "revealed serious indications that funds have been misappropriated from Malaysian state companies", adding that the \$4bn at stake had been intended for economic and social development projects.

The investigation follows a case opened last August against two unnamed former 1MDB officials on charges including bribery. The Swiss attorney-general said there were "allegations of criminal conduct" in four

Najib Razak, bottom right, attends a budget meeting in Putrajaya last week. — *Rafly binall/EPA*

cases involving 1MDB, in a period spanning 2009 to 2013. A spokesman for the Swiss attorney-general's office said at the weekend that Mr Najib was not a suspect in their investigation.

The Swiss authorities said the four cases involved a "systematic course of action carried out by means of complex financial structures". They added the cases related to five companies: PetroSaudi, a Saudi Arabia-based oil group with offices in the UK and Switzerland; SRC, a former subsidiary of 1MDB; Genting and Tanjong, two Malaysian conglomerates involved in leisure and property; and ADMIC, a joint venture between 1MDB and Aabar Investments, which is controlled by Abu Dhabi's International Petroleum Investment Company (known as Ipic).

Support from Abu Dhabi and Ipic has been highly important for 1MDB's business activities. The partnership with Abu Dhabi involved raising debt intended to finance the development of the Tun Razak Exchange, a new financial centre in the Malaysian capital named after Mr Najib's father.

The Swiss authorities did not say if the companies that they named were under investigation. PetroSaudi said it was not

[My office] will 'take all possible steps to follow up and collaborate'

Mohamed Apandi Ali, Malaysia attorney-general

the subject of any probe and had not been accused of any criminal conduct. It denied any wrongdoing and said it would co-operate fully with authorities, adding that its relationship with 1MDB had ceased in 2012. Genting and Tanjong did not immediately respond to a request for comment. Ipic and ADMIC could not be reached for comment. 1MDB declined to comment yesterday, referring to a statement the day before pledging to co-operate "with any lawful authority and investigation". 1MDB's president, Arul Kanda, said: "We have nothing further to add at this point."

Questions about 1MDB's business activities and its debt pile have consumed Malaysian politics for months and corroded public trust in Malaysia's government, prompting vast street protests last year.

But Malaysia has also become increasingly important as a moderate Muslim state in the fight against extremist terrorists. Western countries are bolstering ties with Kuala Lumpur: last year, Barack Obama became the first serving US president to visit the country since 1966.

Additional reporting by Ralph Atkins in Zurich