

Newspaper	FINANCIAL TIMES
Date	5 MAY 2016

Corruption allegations

# Malaysia dismantles 1MDB advisory board

FT- 5/5/2016

## Reforms also remove powers given to PM on investment decisions

JEEVAN VASAGAR — SINGAPORE

Malaysia dissolved the advisory board of state investment fund 1MDB yesterday following a parliamentary probe that found billions of dollars in transactions had not been accounted for.

The finance ministry said it would also abolish a clause that gives the prime minister the final say over its investment decisions, as it moves to implement governance reforms recommended by a parliamentary inquiry.

The Malaysian parliament's public

accounts committee last month called for the advisory board — headed by Najib Razak, the prime minister — to be dismantled following its investigation.

The decision casts a spotlight on the prime minister's role in the governance of the fund. At least six countries are conducting inquiries into allegations of possible corruption linked to 1MDB.

Wan Saiful Wan Jan, head of the Institute for Democracy and Economic Affairs, a think-tank in Kuala Lumpur, said: "The most powerful person in the country was chair of the advisory board. This is someone whose advice must be obeyed. It's a serious conflict in terms of corporate governance: who is in charge, the board of directors or the prime minister?"

Malaysia's attorney-general has cleared Mr Najib of wrongdoing over payments of \$681m into his personal account. The board of directors offered to resign when the parliamentary report was released. The finance ministry, 1MDB's sole shareholder, said yesterday it accepted the resignations and would appoint new board members.

The ministry said it would also remove Article 117 of 1MDB's constitu-

**'The most powerful person in the country was chair. It's a serious conflict in terms of corporate governance'**

tion, which requires the prime minister's written approval for decisions including investments and appointments to the board of directors.

Transcripts of the parliamentary investigation show there were regular references to Article 117 by 1MDB and government officials.

There is only one direct reference to the prime minister in the parliamentary report, in a listing of advisory board members. Both Mr Najib and 1MDB have denied any wrongdoing.

The ministry of finance said that Arul Kanda, the former investment banker brought in to head the fund last year, would remain in his role.

"He will continue to focus on his specific mandate to implement the

rationalisation plan, which will include resolution of the recent contractual dispute with IPIC," the ministry said.

Last week, 1MDB failed to meet a deadline to pay a \$50.3m coupon on a \$1.75bn bond following a dispute with Abu Dhabi sovereign fund International Petroleum Investment Company.

Authorities in Singapore have charged Yeo Jiawei, a former banker, with money-laundering, attempting to pervert the course of justice and cheating his former employer, Swiss bank BSI, following an investigation linked to international probes related to 1MDB.

Singapore says it has frozen a large number of bank accounts over possible money-laundering offences linked to inquiries into 1MDB.