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Newspaper	FINANCIAL TIMES
Date	25 MAY 2016

# Swiss bank BSI hit by \$100m penalties over scandal at Malaysian state fund

FT- 25/5/2016

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Authorities in Europe and Asia have taken dramatic action against Swiss private bank BSI, accusing it of serious anti-money laundering failures connected to the multibillion-dollar scandal at Malaysia's 1MDB state investment fund.

Switzerland launched a criminal probe against BSI, while Singapore ordered the bank to close its local operation.

Ravi Menon, managing director of the Monetary Authority of Singapore, said BSI's behaviour was "the worst case of control lapses and gross misconduct that we have seen in the Singapore financial sector".

The apparently co-ordinated moves are likely to be the first of several by international regulators investigating aspects of the 1MDB affair, amid claims

that at least \$4bn of Malaysian state money disappeared into a global web of bank accounts and offshore companies.

The Swiss attorney-general's office said it had launched criminal proceedings after an investigation by Finma, the country's financial supervisor, found BSI in "serious breach" of anti-money laundering regulations.

BSI failed between 2011 and 2015 to identify risks around "dubious" transactions totalling hundreds of millions of dollars involving "politically exposed persons", Finma said. In one instance an account was credited with more than \$98m without any effort to clarify the money's commercial background.

The Singapore monetary authority has ordered BSI to shut its local operation over alleged anti-money laundering infringements, poor management oversight and gross misconduct by

some bank staff. BSI acted as banker to 1MDB and related parties in Singapore, court documents in the city state suggest. Singapore has imposed a S\$13.3m (\$10m) fine on BSI and Switzerland has ordered the bank to disgorge profits of SFr95m (\$96m).

BSI said it was co-operating fully with authorities in both countries and had taken steps to improve management and compliance. It added that Stefano Coduri had resigned as group chief executive, to be replaced with immediate effect by Roberto Isolani.

The dual action against BSI highlights the risks facing the many other banks involved in contentious transactions linked to 1MDB, which racked up \$11bn of debt in ventures from the Middle East to the Cayman Islands.

*Additional reporting by Peter Wells*

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