

PERDANA LIBRARY
PERDANA LEADERSHIP FOUNDATION
NEWSPAPER CLIPPING

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IMDB

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tended purpose, according to people familiar with the probe.

One red flag, they believe, is that Goldman wired the \$3 billion in proceeds to a Singapore branch of a small Swiss private bank instead of to a large global bank, as would be typical for a transfer of that size, the people said.

Another is the timing of the bond sale and why it was rushed. The deal took place in March 2013, two months after Malaysia's prime minister, Najib Razak, approached Goldman Sachs bankers during the annual meeting of the World Economic Forum in Davos, Switzerland. And it occurred two months before voting in a tough election campaign for Mr. Najib, who used some of the cash from his personal bank account on election spending, the Journal has reported, citing bank-transfer information and people familiar with the matter.

Mr. Najib and Malaysia's attorney general say the money the prime minister received in his personal accounts was a legal political donation from Saudi Arabia and most was returned.

The fund says proceeds from the bond offering were moved to offshore investment funds, because they weren't needed immediately. The fund denies sending money to Mr. Najib and says it is cooperating with probes. In January, Malaysia's attorney general

cleared the prime minister of any wrongdoing.

Goldman had deep ties with IMDB and Malaysia. Its top regional banker at the time, Tim Leissner, was present at a meeting to launch a predecessor of the fund in 2009 and Goldman later made hundreds of millions of dollars underwriting three bond deals worth a total of \$6.5 billion and advising on two acquisitions for IMDB.

Over that same period, Goldman also underwrote bonds for an important province in Malaysia and worked on IPOs for a Malaysian port operator and a major hospital operator.

One question is why IMDB needed the cash so quickly for a development project.

Goldman has said it did proper due diligence on IMDB. But several current and former Goldman executives said in interviews soon after the bond deal that because this was a government-owned fund run by the prime minister, the bank could largely rely on their word that the money was being used as intended. The executives also said that corruption was common in many developing markets and the bank couldn't do business there without interacting with people and organizations that were potentially corrupt.

The IMDB fund is the focus of probes into alleged corruption in at least seven countries. Investigators believe more than \$6 billion of

IMDB's money is unaccounted for. Mr. Najib and his family used hundreds of millions of dollars originating with the fund on the election campaign, to buy real estate, clothing and jewelry, as well as to help finance a Hollywood film, according to people familiar with the matter and bank-transfer information.

The episode involving Goldman and IMDB comes at a time when regulators are closely watching banks' behavior and cracking down on money laundering.

After Mr. Najib asked Goldman to handle the bond offering, the bank effectively bought the entire \$3 billion is-

sue, gave IMDB the proceeds and then held the bonds on its balance sheet until it could sell them off to investors. For its efforts, Goldman was paid about \$300 million, far above fees for similar offerings and one of the bank's biggest paychecks of the year. Goldman has defended the fees as commensurate with the risk it assumed by buying the entire bond issue.

Later, though, IMDB claimed Goldman overcharged it and sought a partial refund. Mr. Leissner took the request to his Goldman colleagues, who rejected it, people familiar with the matter said. Mr. Leissner resigned from Goldman earlier this year after bank investigators

found he allegedly violated company policies by sending an unauthorized reference letter to another financial firm on behalf of a person involved with IMDB.

One question investigators are asking is why IMDB needed the cash so quickly for a property-development project that would take years to complete. Investigators also are looking into questions raised by Goldman's lawyer on the deal, Kevin Wong, a Singapore-based partner with Linklaters, who sent a note to Goldman bankers alerting them to the fact the money was to be sent to a private bank, according to a person familiar with the matter.

Goldman checked the credentials of the bank, Switzerland's BSI SA, and found no reason not to send money there, the person added. Mr. Wong declined to comment. A BSI spokeswoman didn't respond to a request for comment.

From BSI, half the \$3 billion bond issue was funneled into offshore investment funds because it wasn't needed immediately, IMDB said.

Some of the money ended up in Devonshire Funds, run by a Bangkok-based financial firm, according to bank-transfer information reviewed by the Journal. Devonshire in turn sent \$210 million to Tanore Finance, a now-defunct British Virgin Islands shell company. An employee of Devonshire declined to comment.

Tanore also received other money that originated with IMDB, according to investi-

gators and bank-transfer documents.

In March 2013—the same month Goldman had sold the \$3 billion bond—Tanore transferred \$681 million into Mr. Najib's private bank account, according to investigative documents.

The U.S. Bank Secrecy Act was used against HSBC Holdings PLC, which agreed to pay \$1.9 billion in late 2012 to settle charges involving money laundering in the U.S. and Mexico. In its settlement, HSBC admitted to violating the Bank Secrecy Act and other laws designed to prohibit money laundering.

The law was also used in the Madoff case by prosecutors examining why J.P. Morgan Chase & Co. didn't alert regulators about Mr. Madoff's activities despite red flags. J.P. Morgan settled the Madoff case to head off a criminal case. The bank didn't admit to any criminal liability, but did

CORRECTIONS & AMPLIFICATIONS

The Federal Reserve lifted short-term interest rates in December after keeping them near zero for seven years. A U.S. News article Tuesday about a speech by Fed Chairwoman Janet Yellen incorrectly said the central bank kept rates near zero for eight years.

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