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IMDB had various dealings with an Abu Dhabi-based sovereign fund called IPIC which guaranteed some of IMDB's bonds. The dealings included a tie-up with Aabar Investments PJS, an IPIC subsidiary. IMDB transferred more than \$1 billion to what appeared to be a division of Aabar. Yet investigations allegedly suggest the money in fact went to a firm based in the British Virgin Islands (BVI) with an almost identical name to the Abu Dhabi concern.

This transaction seems not to have been recorded on the books of Aabar's parent, IPIC. (IMDB says it stands by its own accounts, which show the payment.) The suspicion is that financial sleight-of-hand may have been used to pass off the transfers as legitimate payments between corporate partners. Investigators believe much of this money ended up in Mr Najib's accounts after being routed through a second company in the BVI, according to sources cited by the *Wall Street Journal*.

IPIC is reported to be looking into what happened to the money paid out by IMDB but not booked as coming into the Abu Dhabi fund. Aabar denies wrongdoing.

Also in the spotlight is a joint venture between IMDB and PetroSaudi, an oil firm. IMDB injected \$1 billion into the venture. Two-thirds of this was moved to a Seychelles-based firm shortly afterwards, according to a draft report by Malaysia's auditor-general. IMDB later sold its interest in the venture, using some of the \$2.3 billion raised to invest in a Cayman-based vehicle. IMDB then reportedly sacked its auditor, KPMG, after the firm expressed concern over the identity and financial standing of the vehicle's owners. IMDB asserts that all the Cayman money is accounted for. PetroSaudi has denied doing anything wrong.

Investigators are also looking into who drove IMDB's complex transactions. Assuming it is genuine, correspondence obtained by Sarawak Report, an investigative website, appears to show that a key figure in the fund's dealings with PetroSaudi was a Malaysian financier, Low Taek Jho, a family friend of Mr Najib. Mr Low reportedly also helped direct some election spending for Mr Najib's ruling coalition, Barisan Nasional. IMDB and Mr Low have insisted he merely advised the fund, unpaid. He denies wrongdoing.

Banks, too, face awkward questions. Several global banks handled large payments that are under scrutiny, among them arms of JPMorgan Chase and Royal Bank of Scotland. One question is whether there were grounds for the banks to suspect that any of the transactions were questionable—or whether especially rigorous checks on public officials and other "politically exposed persons", or PEPs, were called for and carried out.

The role played by Goldman Sachs is also notable. The investment bank led IMDB's main bond issues, earning unusu-

ally high fees on them (Goldman has said this is because it temporarily held the risk on its own balance-sheet). Goldman's chairman for South-East Asia, Tim Leissner, grew close to Malaysia's elite. Last year Goldman put him on leave and now says he has left the firm.

Mr Najib's response to the scandal has been to swipe at his critics. Muhyiddin Yassin, a deputy prime minister who wanted investigations stepped up, was sacked from the cabinet last year, and the attorney-general was replaced—supposedly on health grounds, though Sarawak Report has published documents appearing to show that charges were about to be brought against Mr Najib.

On February 27th Mr Muhyiddin called for the prime minister to resign, saying the outgoing attorney-general had shown him "proof" that Mr Najib acted criminally in connection with IMDB. The government said this was part of a "politically motivated conspiracy" to topple Mr Najib.

The new attorney-general, Mr Apandi, has moved swiftly to exonerate Mr Najib, closing a probe into the \$681m "donation" and asserting that it had nothing to do with IMDB. The government says that most of the money was sent back to the donor after the election. Why, some ask, was so much of the payment returned if it was legal?

Not all Malaysia's institutions have been supine. Last year the central bank urged the attorney-general to begin a criminal prosecution of IMDB managers after concluding that the fund had moved \$1.8 billion overseas based on inaccurate disclosures. This money was supposed to go to the PetroSaudi joint venture and related loans. Instead, much of it went elsewhere and is unaccounted for, according to the auditor-general's draft report. (The final re-

port was supposed to be released last December, but has twice been delayed.) The central bank requested a review of the finding by Mr Apandi that IMDB did not commit any offences. This was rejected.

Malaysia's anti-corruption commission, an independent agency, investigated the payments into Mr Najib's account and handed its findings to Mr Apandi late last year. He returned them to the commission in January, requesting more information. The commission has denied reports, based on unauthorised briefings, that it recommended charging Mr Najib.

It was the haste with which Mr Apandi ruled out criminality that prompted the sharper tone from the Swiss authorities, who are investigating suspected bribery, corruption, misconduct in public office and money-laundering linked to IMDB. They appear to be unimpressed with the blanket exoneration, though they say Mr Najib is not a suspect.

Through a brass plate, darkly

Singapore is also investigating suspected money-laundering and says it has frozen a "large number" of bank accounts. The case is a test of the city-state's resolve in dealing with financial crime. Like Hong Kong, it has seen big inflows of wealth in recent years, including money of dubious provenance from Switzerland.

But the sleuths face many hurdles. The corporate secrecy offered by offshore centres makes the task of penetrating structures used to move money slow and difficult. The OECD and others have begun to try to lift this shroud, but transparency reforms are at an early stage.

Then there is the complex and clunky international system of "mutual legal assistance", or MLA, under which countries ask each other for help in investigations. Piecing together the jigsaw is all the harder if the country at the centre of the probe is unhelpful. Malaysia has said it will assist the Swiss, but that looks unlikely. Indeed, it is using blocking tactics, for instance by telling Switzerland to file its MLA request through Malaysia's foreign ministry. That is unusual: such requests would more typically go through the justice ministry, which is viewed abroad as less political.

Malaysian officials reacted angrily to Switzerland's announcement about misappropriation, accusing it of spreading "misinformation". When the Swiss and Malaysian attorneys-general met last year, the Malaysians are believed to have said they would arrange for those caught up in the affair to provide testimony in depositions, but this has not happened. Without Malaysian help, it will be hard for foreign sleuths to complete their probes. For now, though, they seem determined to keep digging, causing anxiety in the Malaysian capital, parts of the Middle East, and some of the world's largest financial centres. ■



The debts certainly advanced