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Bank Probed Over 1MDB Dealings

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Switzerland starts criminal investigation of BSI; local arm in Singapore shut down

Authorities in Switzerland said they opened a criminal investigation of Swiss private bank BSI SA for failing to prevent suspected money laundering and bribery relating to its dealings with Malaysian state investment fund

1Malaysia Development Bhd., or 1MDB.

Also on Tuesday, Singapore's central bank ordered the local arm of the Swiss bank, BSI Bank Ltd. Singapore, to shut down its operations and fined it \$9.7 million after finding that it had breached money-laundering regulations.

Following the announcements, BSI's head office in

Switzerland said in a statement that group Chief Executive Officer Stefano Coduri would step down effective immediately, and that it has cooperated fully with investigations by regulators in both Switzerland and Singapore.

Authorities in Switzerland and Singapore are among those in at least six countries investigating the alleged mis-

appropriation of funds from 1MDB.

The Malaysian state fund has denied any wrongdoing and said it is cooperating with authorities.

On Tuesday, 1MDB said in a statement that it was aware of the statements from authorities in Singapore and Switzerland and "remains committed to fully cooperating with any foreign lawful authority."

Switzerland's Office of the Attorney General said the de-

cision to open criminal proceedings against Lugano-based BSI was based on information prosecutors have gathered from a long-running probe of 1MDB, as well as issues raised by the country's financial regulator, Finma. Swiss law allows for the prosecution of companies that fail to prevent corruption by third parties, the office said.

"The information suggests that the offenses of money
Please see BSI page A2

By John Letzing in Zurich and Jake Maxwell Watts in Singapore

BSI

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laundry" and bribery of foreign public officials "currently under investigation in the context of the 1MDB case could have been prevented had BSI SA been adequately organized," the Office of the Attorney General said.

The office has previously said that it had found serious indications that \$4 billion may have been misappropriated from the Malaysian state fund through complex financial structures.

The Wall Street Journal has reported that global investigators believe that more than \$1 billion originating from 1MDB landed in the private bank accounts of Malaysian Prime Minister Najib Razak.

Mr. Najib, who founded 1MDB in 2009 to promote development in Malaysia, has denied wrongdoing or taking money for personal gain. The Malaysian leader has said the money he received was a legitimate donation from Saudi Arabia and that most of it was returned. Malaysia's attorney general agreed the money came from Saudi Arabia legally and that most of the money was returned, and cleared Mr. Najib of wrongdoing.

In a separate statement Tuesday, Finma also said it found that BSI "committed serious breaches of money laundering regulations" in its transactions related to 1MDB.

"The bank executed numerous large transactions with unclear purpose over a period of several years and, despite clearly suspicious indications, did not clarify the background to these transactions," Finma said.

The regulator has ordered BSI to pay 95 million Swiss francs (\$96 million) to the

funds tied to 1MDB formed the bank's "most profitable client group."

BSI failed to adequately monitor transactions by clients affiliated with 1MDB who held roughly 100 accounts at the bank, it added.

In one case, the regulator said, a deposit of \$20 million was made into an account and described to the bank as a "gift," while in another instance an account was credited with \$98 million, with insufficient clarity on the source of the funds.

Singapore's central bank ordered BSI Bank Ltd. Singapore to shut down its operations.

Swiss government, and has started enforcement proceedings against two unnamed former managers of the bank.

In the same statement, Finma said it was approving the takeover of BSI by Zurich-based bank EFG International, in a deal announced earlier this year. EFG said it was aware of the actions taken by Swiss and Singaporean authorities, and that the payment sought by the Swiss regulators would lead to a lower offer per share, but that otherwise terms of the deal remain unchanged.

Finma said that BSI's business with sovereign-wealth

BSI's subsidiary in Singapore, which was a hub of the bank's business with 1MDB, was also not adequately supervised by the bank, Finma said.

The Monetary Authority of Singapore, the country's central bank, for its part, also came down hard on BSI on Tuesday, accusing the bank of poor oversight of its operations and gross misconduct by some of its staff.

"BSI Bank is the worst case of control lapses and gross misconduct that we have seen in the Singapore financial sector," MAS managing director Ravi Menon said in a statement.

MAS said its decision to revoke BSI's merchant banking license is the first time it has taken such action against a bank since 1984.

Singapore's central bank said Tuesday that it had referred the names of six members of BSI Singapore's senior management and staff including its former chief executive to the public prosecutor to assess whether they have committed criminal offenses.

Singapore authorities have been probing into BSI activities as part of the city's state's investigations into 1MDB, but didn't name the fund in its statement on Tuesday.

One of the employees the central bank referred to the attorney general for possible criminal conduct was a former wealth planner at BSI Singapore, Yeo Jiawei, who has been charged in the city-state in recent weeks for multiple counts of money laundering and attempting to pervert the course of justice. One of the charges relates to a subsidiary controlled by 1MDB, though the other charges weren't explicitly linked to the fund.

Mr. Yeo, who has been in custody for over a month, is fighting the charges, according to his lawyer. On Tuesday, Singapore prosecutors requested that the court deny Mr. Yeo bail until his trial be-

gins. The judge adjourned the hearing until Thursday.

BSI isn't the only financial institution to face scrutiny for its dealings with 1MDB.

CORRECTIONS & AMPLIFICATIONS

President Barack Obama will become the first sitting U.S. president to visit Hiroshima when he travels there this week. A Page One article Monday about his trip to Vietnam and Japan incorrectly said he would be the first U.S. president to visit Hiroshima.

The Zumwalt is now the largest destroyer in the U.S. Navy fleet. A headline in a U.S. Watch item on May 16 about the Navy taking ownership of the Zumwalt incorrectly said it was to be the largest warship in the Navy fleet.

Abu Dhabi sovereign-wealth fund International Petroleum Investment Co. was incorrectly called International Petroleum Investment Corp. in a Money & Investing article April 25 about a debt-payment disagreement involving 1Malaysia Development Bhd.

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