

Malaysia's Leader, Najib Razak, Faces U.S. Corruption Inquiry
The New York Times
September 21, 2015
By LOUISE STORY

The prime minister of Malaysia, Najib Razak, second from right, leaving the Time Warner Center in New York last September. Credit Michael Appleton for The New York Times

The embattled prime minister of Malaysia, facing mounting political turmoil and a parade of inquiries at home and abroad into a sovereign wealth fund that he oversees, is now coming under the scrutiny of American investigators as well.

A federal grand jury is examining allegations of corruption involving the prime minister, Najib Razak, and people close to him, according to two people with knowledge of the investigation.

The inquiry, being run by a unit of the Justice Department that investigates international corruption, is focused on properties in the United States that were purchased in recent years by shell companies that belong to the prime minister's stepson as well as other real estate connected to a close family friend, said the people knowledgeable about the case, who asked for anonymity because they were not authorized to discuss it. Investigators are also looking at a \$681 million payment made to what is believed to be Mr. Najib's personal bank account.

Pressure in Malaysia on Mr. Najib intensified on Monday as two separate courts dealt him legal setbacks. And the head of the country's central bank, which is investigating transactions involving the sovereign wealth fund, said it had submitted its findings to the Malaysian attorney general.

"Right now, we know that the public wants answers to these questions, and they deserve to get the answers," said the head banker, Zeti Akhtar Aziz, according to the Malaysian Insider news site.

The Justice Department investigation is still in its early days, and it could take years to determine if any federal laws were broken. It was opened partly in response to an examination by The New York Times of condominiums at the Time Warner Center in Manhattan whose ownership is hidden behind shell companies, according to the people with knowledge of the case.

In one article, The Times documented more than \$150 million in luxury residential properties connected either to Mr. Najib's stepson, Riza Aziz, or to the family friend, a businessman named Jho Low. Mr. Low, The Times found, has also been involved in

business deals with Malaysia's sovereign wealth fund, which is a government investment fund.

That fund, called 1MDB, has run into serious financial problems in part because of aggressive borrowing. Investigators in several countries are examining allegations that money from the fund is missing. This month, Swiss authorities said they had frozen several individuals' bank accounts, and inquiries are underway in Hong Kong and Singapore as well as in Malaysia.

Mr. Najib's office did not comment on the Justice Department inquiry. A representative for Mr. Aziz said he was not involved in any investigation, adding that "there has never been anything inappropriate" about his business activities. A spokesman for Mr. Low said that he had not been notified that he was the subject of any investigations, and that his business "adheres to all relevant regulatory requirements." A spokesman for the Justice Department declined to comment.

The details of the corruption allegations involving Mr. Najib and people connected to him are complex and multifaceted. Authorities in each country are focusing on the aspects that fall in their jurisdictions.

In the United States, officials are examining the real estate tied to Mr. Najib's stepson and to Mr. Low, which could be seized if a case could be made that the properties had been purchased with the proceeds earned in corrupt practices, according to the people familiar with the investigation. The \$681 million payment being investigated falls under United States jurisdiction because it was routed through Wells Fargo, an American bank.

The inquiry is being run by the Justice Department's Kleptocracy Initiative, which has seized properties in the United States owned by relatives of politicians from Equatorial Guinea, Nigeria, South Korea and Taiwan.

Questions about where Mr. Low and the prime minister's stepson — a movie producer behind films including "The Wolf of Wall Street" — obtained money for the United States properties have helped fuel political unrest in Malaysia, where several political leaders in the opposition and in Mr. Najib's own party have called for the prime minister to step down. In the last month, there have been mass street protests, and a global network of nongovernmental organizations, the United Nations Convention Against Corruption, has joined the call for Mr. Najib's resignation.

Mr. Najib has held fast, denying the corruption allegations and saying the \$681 million payment, reported in July by The Wall Street Journal, was not improper. His office told The Times this year that he was not involved in the American properties connected to his stepson and to Mr. Low.

He has also struck back at his questioners and accusers. Over the summer, he dismissed several members of his administration, including the attorney general leading one inquiry, and he has barred several opponents from leaving Malaysia, including a member of his own party who was on his way to New York last week. That politician's lawyer told The Times that he had planned to meet with the F.B.I.

In July, Mr. Najib also shut down a newspaper, The Edge, because of its reports of payments between 1MDB and Mr. Low. On Monday, though, a court in Malaysia reversed the action, ruling that the paper could resume publication as soon as Tuesday. In a separate decision on Monday, a judge ruled that a lawsuit calling for Mr. Najib to return the money that had been transferred into his personal account, and for seizure of his assets around the world, could move forward.

All of that muddies Mr. Najib's international standing as he prepares to fly to London this week for a trade convention and then on to New York for the opening of the United Nations General Assembly. Since taking office in 2009, Mr. Najib has drawn his country closer to the United States and has used his annual United Nations trips to promote Malaysia as a moderate Muslim partner in the fight against terrorism and as a strategic Asian counterforce to China.

"Najib really, really values his international image, and he was going out of his way to curry favor with America and with the Europeans," said John Malott, a United States ambassador to Malaysia in the 1990s. In the current climate, he added, "he can travel, but is he going to be shunned? Are people going to shake hands with him?"

The \$150 million in American properties tied to the prime minister's stepson and to Mr. Low include a penthouse at the Time Warner Center at Columbus Circle in Manhattan purchased for \$30.55 million by a shell company connected to Mr. Low's family trust. Companies tied to Mr. Low's family have also purchased a \$39 million mansion on Oriole Drive in the Hollywood Hills in Los Angeles, the L'Ermitage Hotel in Beverly Hills and part of the Park Lane Hotel in New York. Through shell companies, Mr. Aziz purchased a \$33.5 million condominium at the Park Laurel on 63rd Street in Manhattan, a home in Beverly Hills known as the pyramid house for a gold pyramid in its garden, as well as other properties in the Los Angeles area.

The Park Laurel condo and the Beverly Hills home were owned by shell companies connected to Mr. Low's family before being transferred to shell companies tied to Mr. Aziz. Shell companies — trusts, limited liability companies and other entities — are commonly used in real estate for privacy, wealth transfer or shared ownership. They also make it difficult, however, for law enforcement authorities and others to discover the true owners of property.

In the case of the Beverly Hills home, the property was transferred without any public filings, with Mr. Low's family trust selling ownership of the shell company to a corporate entity controlled by Mr. Aziz, The Times found.

Mr. Low's spokesman said this year that the transfers to Mr. Aziz were done at fair market value and at arm's length.

New York City also appears to be home to at least one other person involved with Malaysia's 1MDB sovereign wealth fund.

A condo at 23 East 22nd Street was purchased for \$4.5 million in 2014 by a shell company called Cricklewood One Madison L.L.C. that listed Ai Swan Loo as its authorized signer, public records show. This summer, Malaysia's Central Bank announced that a person named Jasmine Ai Swan Loo, a former executive involved with the 1MDB fund, was wanted for assistance in its investigation. The bank placed her photo online with a large "Wanted" notice, asking people with information on her whereabouts to get in touch.

In New York, a lawyer for the Cricklewood declined to comment. Ms. Loo did not respond to a note The Times left for her at the condo building, but the concierge confirmed that a Jasmine Ai Swan Loo lived there.

© 2015 The New York Times Company

Source: http://www.nytimes.com/2015/09/22/world/asia/malaysias-leader-najib-razak-faces-us-corruption-inquiry.html?referrer&_r=1