

It was a mistake, Putrajaya admits after confusion over 1MDB's Cayman assets

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KUALA LUMPUR, MAY 21 — Putrajaya admitted today that the US\$1.103 billion (RM3.91 billion) redeemed from 1Malaysia Development Berhad's (1MDB) Cayman Islands account had been mistakenly described as "cash" instead of just assets by the investment firm.

Explaining the matter, Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah confirmed his ministry's clarification earlier this week that the redemption, now parked in Singapore's BSI Bank, is in the form of "units" and not US dollars as previously claimed by 1MDB CEO Arul Kanda Kandasamy.

"There's a mistake... mistake in the sense that, the impression (given by 1MDB) when they said they have redeemed (the funds) and saved (them) in the Singapore bank (Singapore BSI)... so the impression is that there's cash, (but) actually that is a saving," Ahmad Husni said told reporters at the Dewan Rakyat today.

"That (the redemption) is (in) unit... that's what it is... in unit, and then, that is being backed sovereign wealth funds," Ahmad Husni said, but declined to explain further what he meant by "units".

He said that Putrajaya is also working to repatriate all its assets currently being kept in the bank in question.

Asked to comment on reports that 1MDB is in danger of defaulting on its massive RM42-billion debt, Ahmad Husni said it is Putrajaya's intention not to allow this to happen.

"We do not want it to default, because if there is a default, then it will cause a systemic effect, so we do not want this," he said.

"The problem is the short-term cash flow problem, that's all. So we will settle it," Ahmad Husni assured, adding that in terms of asset quality, 1MDB still has the assets to "pay all".

"It's only a short-term cash flow problem," he reiterated.

In January, the Finance Ministry said 1MDB had deposited the US\$1.103 billion it redeemed from its offshore account in the Cayman Islands into a Singapore-based branch of Swiss bank BSI Bank, with the amount held in US dollars.

Explaining why the funds were not repatriated back to Malaysia, Arul Kanda told a *Business Times* interview in February that this was because the funds were to be used to service 1MDB's US dollar debt interest payments.

Arul Kanda, in clearing the air over the movement of the recently redeemed funds, said it was only "sensible" that the money stays in US dollars.

“There’s a very sensible and simple reason for that. We are keeping the money in US dollars as we have US\$6.5 billion (RM23.06 billion) in bonds out there, in which interest payments come up to nearly US\$400 million (RM1.4 billion) a year,” he was quoted saying in the report.

Yesterday, however, DAP MP Tony Pua revealed a parliamentary reply from the Finance Ministry claiming that the US\$1.103 billion was in the form of “assets” and not in cash.

The news also contradicted a similar reply from the ministry on March 10 that said that the funds were fully redeemed and currently kept in BSI Bank in the form of US dollars.

The US\$1.103 billion is the second tranche of funds in 1MDB’s Cayman Islands foray, which totalled US\$2.32 billion (RM8.23 billion).

1MDB, a brainchild of Prime Minister Datuk Seri Najib Razak, is currently the subject of an investigation by the Auditor General’s Department and in line for further scrutiny by Parliament’s Public Accounts Committee.

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