

Find out why 1MDB's RM4 billion parked in Singapore bank, says veteran journalist
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The investigation into troubled 1Malaysia Development Berhad (1MDB) should begin with its decision to park RM4 billion in a small private bank in Singapore that has also suffered millions of dollars in losses, a veteran journalist said today.

Datuk A. Kadir Jasin, the former group editor-in-chief of The New Straits Times, said it was suspicious that 1MDB would choose BSI Bank Limited Singapore when government-linked firms, corporations or agencies normally placed their funds in large local and international banks.

"To my knowledge, private banks are usually used by rich individuals and secretive family companies who do not want too many questions asked about their sources of the wealth," said Kadir in a post on his blog, The Scribe.

"The move by 1MDB to park the money in Singapore with BSI only heightens the suspicion that something is amiss. So the investigators have to make sure that every single sen that 1MDB purportedly deposited with BSI is accounted for."

He said BSI was a Lugano-based Swiss private bank that became part of Brazilian group BTG Pactual last year, and was previously owned by Italian insurance giant, Assicurazione Generali SPA.

Kadir (pic, left) said the bank had US\$1.8 billion (RM6.7 billion) share capital while its Singapore branch had a capital of US\$200 million.

Its latest financial account posted on its website showed that it suffered a loss of US\$722 million, he added.

"The investigators must ask 1MDB managers did they not check the credibility and financial strength of banks they deposited the company's money in? RM4 billion is no mean sum for a financially weak company like 1MDB.

"It is not my intention to penalise BSI or cast aspersions on it but with a staff of about 2,000 and a share capital of US\$1.8 billion, BSI is smaller than our Affin Bank," said Kadir.

He added that keeping 1MDB's money in Singapore alone was mysterious enough, given that the firm urgently needed to repay its debts to local lenders.

"But even if there is a billion-ringgit reason to park the RM4 billion in Singapore, why not keep it in Maybank Singapore or with other well-known banks like Citibank, JP Morgan and HSBC?"

"The money was taken out of the country just days before the 2013 general elections

to Cayman Islands tax haven. Then some weeks ago, purportedly on its way home, it was mysteriously deposited in Singapore allegedly to fulfil Bank Negara's regulations," said Kadir.

The Finance Ministry said on March 11 that the balance of 1MDB's US\$1.103 billion in the Cayman Islands is now kept in BSI in order to "facilitate easier withdrawals since regulations set by Bank Negara Malaysia (BNM) needed its approval for transactions above RM50 million."

In a written parliamentary reply to Petaling Jaya Utara MP Tony Pua, Finance Minister Datuk Seri Najib Razak said the amount was still in the form of US dollars.

Kadir said today that his sources had also said the investigators should summon Tim Leissner, the partner of Goldman Sachs Group Inc, a US investment banking group that had advised Putrajaya on the formation of 1MDB and helped in its borrowing.

"This is only a small part of the 1MDB monumental saga. But it is a good starting point to probe its operations and unearthing the truth."

Critics have questioned the high interest rate 1MDB paid to Goldman Sachs to manage its RM5 billion Islamic bonds, but Najib has since dismissed this as baseless.

"Concerns on the 5.75% interest rate charged for the Islamic bonds (issued) back in 2009, with the perception that the interest rates are particularly high, are baseless merely because the Islamic bonds were the first Islamic bonds issued in Malaysia that had a 30-year tenure," said Najib in a written parliamentary reply to Raub MP Datuk Mohd Ariff Sabri Abdul Aziz.

He said Goldman Sachs was chosen to manage the bonds because it was one of the very few banks in the United States that has the capacity to monitor such a sizeable bond issuance with large amounts.

Ariff had asked Najib, who is also chairman of 1MDB's advisory board, about the criteria used to appoint Goldman Sachs to manage the RM5 billion Islamic bonds at a 5.75% annual interest rate as compared with a Petrolia Nasional Bhd (Petronas) bond that paid an interest rate of 3.6% during a period when Goldman Sachs was involved in the sub-prime loans scandal in the US.

Ariff also raised concerns on whether the interest rate was the best rate for 1MDB.

Criticism is mounting against the wholly owned Finance Ministry investment vehicle, established in 2009 and has chalked up debts of up to RM42 billion.

After exposés by whistleblower site Sarawak Report, Najib on March 4 ordered the country's auditor-general to "independently verify 1MDB's accounts", with the findings to be passed to a bipartisan parliamentary committee on public accounts.

On March 10, Auditor-General Tan Sri Ambrin Buang told the media that the national

auditor's inspection of 1MDB's account had started, but did not set a time frame to complete the audit. – March 29, 2015.

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