

Get out of 1MDB now, PKR warns KWAP, EPF, Tabung Haji
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Three government-linked agencies with holdings in 1Malaysia Development Berhad (1MDB) and its subsidiaries should divest their investments in the companies, says PKR, amid worries that the debt-laden state-investment arm is in danger of a cross default risk which will have an adverse effect on the country's finances.

With 1MDB's creditors comprising a consortium of six foreign banks said to be planning to demand a repayment of the RM3.6 billion loan before a September due date, Rafizi Ramli (PKR-Pandan) said the company's failure to pay up would cause a cross default of its other debts totalling RM42 billion.

"This will have a huge effect on the country's financial market. It is better for KWAP, EPF and Tabung Haji to liquidate their investments now, rather than wait for the crash to happen," he said at the Parliament lobby today.

Pension fund KWAP has RM1.4 billion in investments and holdings in troubled 1MDB and its subsidiaries, while Employees Provident Fund (EPF) has RM1.52 billion investments in 1MDB's subsidiaries as well.

Pilgrims' fund Lembaga Tabung Haji (Tabung Haji) has a RM920 million bond in 1MDB's real estate development Bandar Malaysia and last month, bought 0.63ha from the Tun Razak Exchange (TRX) financial district, which is another 1MDB development.

Saying prevention was better than cure, Rafizi added that divesting their investments from 1MDB and its subsidiaries would protect depositors' interests.

"At the end of the day, in the current situation, depositors are looking at a worst-case scenario, in the event of a default, depositors will be the last people to be able to make a claim on their money," said the PKR secretary-general.

However, Rafizi speculated that Putrajaya will negotiate with KWAP, EPF and Tabung Haji in the event the state investment firm had difficulties paying up its debts.

"Do you think the government will allow 1MDB to crash the capital market? To save this, what will be done by the government is to call these agencies to delay payments or replace the repayments with non-cash assets".

Criticism has been mounting over the Finance Ministry wholly owned investment vehicle, established in 2009, which has chalked up debts of up to RM42 billion, backed by Putrajaya.

Scrutiny has grown more intense following Sarawak Report's recent exposes, which piled pressure on Prime Minister Datuk Seri Najib Razak and prompted opposition

politicians, former and current Umno leaders including long serving former prime minister Tun Dr Mahathir Mohamad and anti-graft bodies to demand a thorough investigation into the fund.

The Auditor-General is currently looking through 1MDB's books, with a preliminary report expected to be submitted to the Parliament in June, while the Public Accounts Committee (PAC) started its investigation into the company yesterday. – May 20, 2015.

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