

Bank Negara starts 1MDB probe
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Bank Negara Malaysia (BNM) has launched a formal inquiry on debt-ridden strategic investor 1Malaysia Development Bhd (1MDB) for any contravention of the central bank's rules and legislation.

BNM said it would take statements from those involved in the governance process and obtaining information from other relevant domestic and foreign parties related to the government firm which has debts to the tune of RM42 billion. 1MDB today also issued a statement on what constituted its debts.

"This has involved the issuance of a legal directive requiring information from the entity," BNM said in a statement issued to state news agency Bernama in capital Kuala Lumpur today.

The central bank said it has forwarded information received from foreign authorities to the relevant investigation agencies after obtaining the permission from the foreign authorities.

"The central bank wishes to emphasise that further disclosure of details of the investigation may undermine the outcome of the investigation.

"The central bank is doing everything within the powers provided under its legislation, including collaborating with other agencies, to contribute towards a swift resolution of the matter," it said.

BNM also said its statement today was issued to provide clarity on the role of the central bank with respect to any resident entity, including 1MDB, that makes investments abroad or obtains offshore borrowings under Section 214 of the Financial Services Act 2013 and under the Exchange Control Act 1953 that was in force prior to 2013.

All investments that exceed RM50 million per calendar year and any offshore borrowings that exceed RM100 million by resident entities require the central bank's approval, it said.

BNM said all submissions made by 1MDB have had to comply with the same approval criteria applied to submissions by other business entities.

"If the criteria are not met, the submission will be rejected. No leniency or special exceptions were accorded to 1MDB," the central bank said.

Under the legislation administered by BNM, there are three developments that will trigger formal investigations – when monies for which approvals are given are not used for the purpose indicated in the submission; when incorrect or false information is provided in the submission; and failure to comply with the conditions in the

approval.

As part of an investigation process, BNM said it will issue a legal directive requiring information pursuant to the relevant Acts that the central bank administers.

"This will require the Board and Management of the entity to provide the information within a specified time frame. Under the Financial Services Act 2013, the penalty for failure to meet this request can result in a fine of up to RM50 million or up to 10 years in prison or both," it said.

In relation to cross-border movements of funds, BNM said it also relies on financial intelligence authorities in foreign jurisdictions to bring to its attention irregular or suspicious transactions made in their jurisdiction.

"Such arrangements for information sharing must conform to international protocols. The arrangements require that the information be kept confidential and any breach will lead to the termination of such arrangements.

"These arrangements also provide for the Bank to share the information with relevant domestic investigation authorities after securing the permission of the foreign authorities," it said.

But BNM said the scope provided under the central bank's legislation does not provide powers for it to investigate in areas such as fraud, tax evasion, corruption, cheating and criminal breach of trust.

"These will need to be pursued by other law enforcement agencies," it said. – June 3, 2015.

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