

1MDB's Arul confirms Sarawak Report expose, but explains miscommunication
Malaysian Insider
Oct 10, 2015

1Malaysia Development Berhad (1MDB) boss Arul Kanda Kandasamy today confirmed that Sarawak Report's latest expose had been based on authentic minutes of the troubled firm's board meetings, but denied the website's claim that he was a liar over cash that was redeemed from an overseas investment.

Instead, the firm's president and group executive director said there had been a misunderstanding which he then clarified to the board and 1MDB's shareholder, the Finance Ministry.

Confirming that a copy of the troubled firm's January 12 board meeting minutes had been used in the latest Sarawak Report expose, Arul Kanda said his knowledge of the redeemed funds then was based on his "understanding of events which had occurred before my time, that the redemption of fund units happened in cash for an amount of US\$940 million".

He said his clarification to the board and Finance Ministry was recorded in subsequent board minutes and can be verified.

Sarawak Report had published documents it claimed was evidence that Arul Kanda had lied about the repatriated funds kept at BSI bank in Singapore.

The website said it found that 1MDB's assets at the bank were categorised as "Level 3", meaning they had no guarantee of their actual worth.

However, 1MDB and Putrajaya had described the assets as being in the form of units.

But the UK-based website said it had now obtained minutes from a January 2015 board meeting, in which Arul Kanda was recorded as telling board members that there was indeed cash in the Brazen Sky company account at BSI Bank.

In his statement today, Arul Kanda said it had been the first 1MDB board meeting he attended after joining the state investment vehicle a week earlier on January 5 this year.

The next day, on January 13, he then confirmed via a press statement that a remaining US\$1.11 billion had been fully redeemed.

However, what had not been made clear at the time was that the redemptions were partly in cash and partly through the sale of fund units, with cash payment deferred.

"It is this important distinction which caused a misinterpretation of my statement, first during a Business Times interview on February 9, 2015, and subsequently by the Ministry of Finance, in a Parliamentary answer on March 12, 2015.

"Of the US\$1.11 billion in fund units, US\$170 million were redeemed in cash, leaving a balance of approximately US\$940 million in fund units," Arul Kanda said, adding that this was in November last year.

On January 2, before he joined 1MDB, the final redemption of US\$940 million was undertaken through a sale of fund units to Abu Dhabi-based firm Aabar Investments, with cash payment being deferred.

"Upon further investigation and verification, it became clear that this was a misunderstanding, which I then clarified to the Board and our shareholder, the Ministry of Finance.

"I have explained in detail the sequence of events to the National Audit Department and to 1MDB's auditors, Deloitte, as part of their thorough and professional review of 1MDB's past transactions. In addition, I have openly and publicly taken full responsibility in June 2015 for the misunderstanding on this matter – i.e. the buck stops with me.

"In my capacity as president, I answer to the Board and the shareholder of 1MDB. My strong track record speaks for itself and my only professional agenda is to fix the challenges in 1MDB.

"There is no need for me to lie or cover-up what has happened in the past, as has been alleged by those who make sensationalist claims to drive their own political agenda.

"Accordingly, I look forward to being questioned in detail on this matter at the upcoming Public Accounts Committee hearings and for my answers to be a part of the public record, to conclusively put this matter to rest," he said. – October 10, 2015

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