

1MDB scandal will deter foreign investors, says unit of rating agency Fitch
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The sheer scale of the 1Malaysia Development Bhd (1MDB) scandal will deter foreign investors from coming to Malaysia, says a firm tied to world financial rating agency the Fitch Group.

International businesses would also be wary of dealing with government-linked companies (GLC) and institutions as they risked being implicated in corruption scandals, said BMI Research.

"The number of international authorities investigating [1MDB operations](#), the size of the amount misappropriated, as well as the alleged public authority involvement in the scandal will all concern foreign investors," BMI said in a statement today.

Global companies would also be cautious in dealing with Malaysian GLCs and institutions as getting caught in corruption scandals could lead to fines, reputation damage and loss of investors, clients and customers, BMI said.

"Businesses already operating in the country must ensure that their compliance programmes are well publicised and enforced to avoid exposure to corrupt practices," BMI said.

The report comes as investigators from Switzerland, Singapore, Hong Kong and the United States ratchet up their own probes into 1MDB, the state investor of which Prime Minister Datuk Seri Najib Razak is an adviser.

Swiss authorities have already requested Malaysia for help into their 1MDB probe where US\$4 billion was allegedly misappropriated from GLCs.

A The Wall Street Journal report last July claimed US\$681 million (RM2.6 billion) from 1MDB-related companies flowed into Najib's bank accounts.

Attorney-General Tan Sri Apandi Ali, however, said there was insufficient evidence to charge Najib with any wrongdoing in [receiving the US\\$681 million](#) as it was a personal donation from a member of the Saudi Arabian royal family.

"The 1MDB scandal has nonetheless added to growing concerns over the extent of corruption, levels of impunity, and overall erosion of the rule of law in Malaysia, which is dampening investor sentiment towards the country," BMI said.

The controversy would hurt Malaysia's score in the legal environment category of BMI's trade and investment index. The category measures the strength of rule of law and transparency in government.

Malaysia currently performs strongly and scores 75.2 out of 100, placing fifth among

35 countries in the Asian region.

“Nevertheless, this score is expected to slide over the medium term, as the sheer scale of this corruption scandal will deter foreign investors considering entering the Malaysian market.” – February 11, 2016.

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