

1MDB, Malaysian Fund Tied to Scandal, Misses Payment to Abu Dhabi

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LONDON — Malaysia's scandal-hit sovereign wealth fund has missed a July deadline to make about \$629 million in payments as part of a settlement with an Abu Dhabi government fund, a setback to efforts to clean up a yearslong financial mess.

The payments were part of a deal reached in April by the funds, 1Malaysia Development Berhad and the International Petroleum Investment Company of Abu Dhabi, the capital of the United Arab Emirates.

1MDB said on Tuesday that it planned to make the payments this month.

The two sides had been in disagreement over \$3.5 billion in bonds that the Abu Dhabi fund backed in 2012 as part of an effort by the Malaysian government to buy power plants. An arbitration panel in London is overseeing that dispute.

As part of an international investigation into the Malaysian fund, officials in the United States have asserted that nearly \$1.45 billion from the bond sales had been illegally redirected, and that some of the cash ended up in the hands of friends and associates of the prime minister of Malaysia, Najib Razak, and with executives from Abu Dhabi's sovereign wealth fund. Mr. Najib has denied any wrongdoing.

In a further complication, 1MDB defaulted on the bonds, leaving Malaysia and Abu Dhabi arguing over who would pick up the tab. They eventually agreed that 1MDB would pay \$1.2 billion to the Abu Dhabi fund by the end of this year, and that it would assume all interest and principal payments on the bonds.

But in an announcement in London on Tuesday, the Abu Dhabi fund said that it had not received payments of \$602.7 million and \$26 million that were due at the end of July.

“Under the settlement, there is a five-business-day cure period” for 1MDB to remedy its nonpayment, the International Petroleum Investment Company fund said.

1MDB said that it was waiting for payments that had been due at the end of July as a result of a sale of assets. “Due to the need for additional regulatory approvals, the receipt of those funds has been delayed to August,” 1MDB said.

The Malaysian fund said that it had written to the Abu Dhabi fund and that it intended to make its July payments in August.

Unrelated to this dispute, 1MDB remains the subject of investigations in Singapore, Switzerland, the United States and other jurisdictions. American officials are seeking to recoup \$1 billion they say was ultimately spent in the United States.

There has been fallout elsewhere, too.

Goldman Sachs, which helped with the bond sale, put Tim Leissner, its main banker on the 1MDB account, on leave last year and he subsequently left the bank.

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