

Goldman, former top execs fail to shake shareholder suit over 1MDB

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NEW YORK: Goldman Sachs Group Inc, its former chief executive officer Lloyd Blankfein and former chief operating officer Gary Cohn must face a shareholder lawsuit over the 1MDB global bribery scandal.

United States district judge Vernon Broderick denied requests from Goldman, Blankfein and Cohn to dismiss the lawsuit, led by Swedish pension fund Sjunde AP-Fonden, but dropped former co-chief operating officer Harvey Schwartz from the case.

Shareholders sued Goldman Sachs in late 2018, accusing it of misleading them about the firm's work with the sovereign wealth fund, for which the bank arranged US\$6.5 billion (RM27 billion) in bond sales.

The firm has denied culpability in the scandal and laid the blame on Tim Leissner, a former partner who has pleaded guilty and is cooperating with the government.

The 1MDB scandal has spurred court cases around the world, as Malaysian authorities try to track down more than US\$4 billion (RM16.6 billion) that was siphoned from the country's economic development fund.

The district judge said on Monday the shareholders had adequately alleged that several statements made by the bank and its top executives about the 1MDB case were false and misleading.

Among the examples cited were Blankfein's comment in a 2018 interview that he was "not aware" of any red flags and Cohn's chairing of a committee that approved Goldman's 1MDB deals.

Broderick found that the suit hadn't made any allegations of Schwartz's involvement in those deals.

"Taking these allegations as true, I find it unlikely that Blankfein would not have been aware of any warning signs about 1MDB prior to the scandal breaking," Broderick said.

Goldman Sachs declined to comment on the ruling. Sharon Nelles, a lawyer representing the company and the executives, didn't immediately respond to an email seeking comment.

The company had argued that the shareholders hadn't shown that the misstatements were important to investors, were false or omitted information, or that the bank intended to defraud shareholders or caused their losses.

While the judge said Goldman's statement that it is "dedicated to complying fully with the letter and spirit of the law, rules and ethical principles that govern us" would normally be "puffery" that would be immune from claims it was misleading, he said other courts have found that such statements are subject to legal action when "paired with unlawful behaviour or other actionable statements".

Goldman and its Malaysian unit have admitted to conspiring to engage in a scheme to violate a US anti-bribery law. The US said Goldman earned more than US\$600 million (RM2.5 billion) in fees while making illicit payments to officials in Malaysia and Abu Dhabi to get and retain business from 1MDB.

Leissner, who was one of Goldman's top bankers in Asia, admitted to conspiring to launder money and violating US anti-bribery laws as he participated in a kickback scheme from 2009 to 2014 to get 1MDB's business.

Goldman's Malaysian unit last year pleaded guilty and agreed to pay more than US\$2.3 billion (RM9.6 billion) in financial penalties, the largest fine in American history for violating anti-bribery laws.

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