

# 1MDB: MALAYSIA'S STUNNING FINANCIAL SCANDAL

**KUALA LUMPUR:** Malaysia has been gripped for more than a year by allegations that billions of dollars were looted from state investment fund 1MDB in an audacious campaign of fraud and money laundering. The US Justice Department has now filed suit to recover more than \$1 billion in assets it says were illegally purchased using 1MDB funds. On Thursday Singapore said it had seized nearly \$180 million linked to the scandal-tainted fund. Here are some answers to key questions in the saga.

## What is 1MDB?

1Malaysia Development Berhad, or 1MDB, is a state investment fund Najib launched in 2009 shortly after assuming office. Its portfolio has included power plants and other energy assets in Malaysia and the Middle East and real estate in Kuala Lumpur. The Ministry of Finance-owned fund has been closely

overseen by Najib, who serves concurrently as finance minister. Whistle-blowers say Low Taek Jho, or "Jho Low", a jet-setting Malaysian financier who is close to Najib but has no official positions, helped set up 1MDB and played a key role in its financial decisions.

## What went wrong?

The US Justice Department's filing emphatically endorses longstanding claims that 1MDB was used by corrupt Malaysian figures as a "personal bank account," in the words of US Attorney General Loretta Lynch. These figures include Najib's stepson Riza Aziz, Jho Low, other officials, and an individual the US filing calls "Malaysian Official 1"—a thinly-veiled apparent reference to Najib himself. The Justice Department says billions of dollars raised in 1MDB bond offerings were stolen and diverted across the globe for a range of corrupt purposes.

## How did the scandal emerge?

Concerns grew in 2014 as 1MDB slid into an \$11 billion debt hole, and the intensifying public scrutiny led to a string of revelations concerning missing funds. The issue exploded in July 2015 when the Wall Street Journal published documents showing Najib himself received at least \$681 million in payments to his personal bank accounts.

## What are key allegations?

In 2009, \$700 million was secretly diverted from a 1MDB joint venture with a small Saudi energy company to bank accounts controlled by Low. Another \$330 million was re-routed to his accounts in 2011. \$1.37 billion was diverted from a pair of 2012 bond offerings to accounts in the British Virgin Islands and Singapore believed controlled by Low, as was \$1.26 billion raised in a 2013 bond sale. Tens of mil-

lions of the diverted dollars were used in 2012 by Najib's stepson Riza, an aspiring film producer, to fund "The Wolf of Wall Street" starring Leonardo DiCaprio. Hundreds of millions were used, mainly by Riza and Low, to purchase a Beverly Hills Mansion, penthouse flats in New York, and a high-end London townhouse. Also acquired were a Monet painting for \$35 million, a Van Gogh for \$5.5 million, a \$35-million Bombardier jet and a \$100 million stake in EMI Music Publishing, according to the US filing.

## How is Najib implicated?

The Justice Department says "Malaysian Official 1" repeatedly conspired with Low to receive millions in illicit payments, and its description of the official strongly suggests that it refers to Najib. For example, US investigators said \$681 million of 1MDB money was illicitly transferred to an account

controlled by "Malaysian Official 1". Najib already has admitted receiving \$681 million in past deposits to his personal accounts after they were exposed last year by the Wall Street Journal. He denies they came from 1MDB, saying they were a "gift" from the Saudi royal family.

## The impact on Malaysia

As the scandal escalated, Najib purged 1MDB critics from his cabinet, curbed domestic investigations, and enacted a tough new security law, sparking accusations that he was imperiling Malaysia's already fragile democracy to save his skin. Political analysts say only a revolt within the ruling United Malays National Organization (UMNO) appears able to dislodge Najib. But they add that appears unlikely for now as Najib's crackdown has dramatically strengthened his hold on the party.—AFP



KUWAIT: KFH-Group CEO, Mazin Saad Al-Nahedh speaking to Sky News TV

## MARKET SHARE OF KFH-TURKEY ACCOUNTS FOR 37% OF THE PARTICIPATION BANKING

**KUWAIT:** "The market share of Kuwait Finance House- Turkey (KFH-Turkey) accounts for 37% of the participation banking in Turkey. The total assets of participation banks as percentage of the total assets of banks in Turkey account for 5-6% and is expected to surge" said KFH-Group CEO, Mazin Saad Al-Nahedh. Speaking to Sky News Arabia TV in an interview conducted at the KFH's Headquarters, Al-Nahedh added that the diversification of KFH-Turkey's financing portfolio makes its assets in a good position, indicating that the diversifications in the economic sectors allow KFH-Turkey to diversify the sectors to finance.

He revealed that no intentions now for new acquisitions in Turkey, however, nothing prevents KFH from that if the opportunity is good and the prices are suitable. The growth rates in KFH-Turkey outpace the rates in Kuwait, Bahrain and Malaysia. This is attributable to the diversification of economy resources that encompass infrastructure, education, health, real estate

investment and so forth. Al-Nahedh said that the failed coup in Turkey will diversely impact the investment in Turkey on the short term only, while the medium and long terms will witness robust growth and stability as the government won votes of confidence from its people, which lead to more political and economic stability, thus further lures investors.

He reassured that KFH closely and prudently monitors all the exposures of the bank in compliance with the instructions and regulations of the central bank and the regulatory authorities, indicating that the Kuwaiti banks have strong capital base. The capital adequacy ratio CAR of KFH-Group surpassed 17% as of end Q1. Al-Nahedh said that KD 700 million sovereign debt issuances to Islamic banks since the beginning of the program that had started last April. The share of KFH accounts for 50% which represents its market share of Islamic banks in Kuwait. He noted that the pace of offering bonds is suitable for the market and the liquidity volume.

## OOREDOO, AL BABBAIN OFFER A CHANCE TO WIN MINI COOPER

**KUWAIT:** In collaboration with Al Babbain, the authorized seller of Samsung devices in Kuwait, Ooredoo Kuwait, a member of international Ooredoo Group, has revealed its exclusive summer Shamel postpaid packages on Samsung's latest edition S7: in addition to the matchless packages, all subscribers will get the chance to enter the monthly raffle draw and win 2 mini cooper cars in the raffle draws planned to take place on August 24th and September 24th 2016. All customers can benefit from the new offer when subscribing to any of Shamel packages starting from 17.5KD with Samsung S7.

The offers come with all the exclusive benefits for Shamel where the packages give customers more flexibility, allowing them to freeze contracts up to three months a year while traveling. Customers can also enjoy unlimited local voice calls on Ooredoo network, a feature included in all packages. They can also transfer contracts at any time and carry forward unused Internet data to the following month, which

will provide customers with more freedom to use the web. Customers can also get the latest device from Ooredoo, even if they have existing contracts, which allows them more freedom and flexibility in use. Created for today's consumer lifestyle, Galaxy S7 leads the industry with a refined design, more advanced camera, streamlined software functionality and unparalleled connectivity to a galaxy of products, services and experiences. The device boasts a powerful battery with faster charging time and wireless charging functionality, in addition to a 12 megapixel camera and the latest version of Android. In addition to being water resistant. Ooredoo Kuwait has always been keen to provide its current and potential customers with the best offers and services and maximize their benefits, as a part of its strategic plan. Customers, who wish to seize this unique opportunity can visit any of Ooredoo's branches or authorized dealers to get further information about the summer offer.

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## US LAWSUITS LINK MALAYSIAN LEADER TO STOLEN MONEY FROM 1MDB FUND

### SINGAPORE SEIZES \$240 MILLION IN 1MDB-RELATED FUNDS

**KUALA LUMPUR:** Malaysian Prime Minister Najib Razak said yesterday judgment should be withheld until all the facts are known after the US government filed lawsuits seeking to seize \$1 billion in assets bought with money stolen from a state fund he oversaw. The US Justice Department lawsuits filed in a federal court on Wednesday did not name Najib, instead referring to "Malaysian Official 1." Some of the allegations against this official were the same as those in a Malaysian investigation into a \$681 million transfer to the premier's personal bank account.

The lawsuits said \$681 million from a 2013 bond sale by sovereign wealth fund 1Malaysia Development Berhad (1MDB) was transferred to the account of "Malaysian Official 1". A source familiar with the investigation confirmed that "Malaysian Official 1" was Najib. In Malaysia, the hashtag #MalaysianOfficial1 was trending yesterday. The civil lawsuits said that a total of \$3.5 billion was misappropriated from 1MDB, a fund Najib established in 2009 and whose advisory board he chaired. No criminal charges have been filed. Swiss authorities said on Thursday that, acting on a US request, they had seized three valuable paintings, by Vincent van Gogh and Claude Monet, connected to the 1MDB inquiry. A Swiss Federal Office of Justice spokeswoman said, "The operation is not over yet so we will not comment at the moment on the location of the paintings." US prosecutors are seeking to seize \$1 billion that they say was diverted from 1MDB into luxury real estate in New York, Beverly Hills and London; valuable paintings; and a private jet.

They also are trying to seize proceeds from the 2013 film "The Wolf of Wall Street". Riza Aziz, Najib's stepson and founder of Red Granite Pictures, which produced the movie, was named in the lawsuit. Red Granite said on Wednesday that none of the funding it received to make the Oscar-nominated film, which took \$400 million at the box office worldwide, was illegitimate and nothing the company or Riza did was wrong.

## Good governance

Najib, who has consistently denied any wrongdoing, said yesterday the US lawsuits were "a civil not a criminal procedure." "And we don't want to come to any conclusions until that process is done," Najib told reporters at an event in Kuala Lumpur. "We have to establish the facts first. I want to say categorically that we are serious about good governance." Najib said the government would give its full cooperation to international investigations of the 1MDB case.

Malaysia's Attorney-General Mohamed Apandi, however yesterday expressed "strong concerns at the insinuations and allegations" of wrongdoing against Najib in the lawsuits. He said in a statement that none of the probes conducted by law enforcement agencies across the globe over the past year show that any funds were misappropriated from 1MDB. Apandi said in January the money in Najib's bank account was a political donation from the Saudi royal family and most of it was returned. Saudi Foreign Minister Adel Al-Jubeir said in April that funds wired into Najib's personal bank account were a "genuine" donation originating from Saudi Arabia. Saudi authorities had no immediate comment on the US action.

## Closer ties

The lawsuits pose a potentially thorny issue between two countries that have grown closer during the administration of President Barack Obama, who has visited the Southeast Asia country twice in the last two years. Washington views the moderate Muslim nation as a partner in its fight against radical Islamists, as a member of a US-led Pacific trade group and as part of the US strategic "pivot" to Asia to counter China's rising ambitions.

Najib, however, said the lawsuits would not affect ties. "This is a separate issue, involving individuals," he told reporters at the yesterday event. A top White House official distanced Obama from the Justice Department's litigation. "The simple answer is we do not have any control over Justice Department actions," Ben Rhodes, deputy national security adviser, told Reuters on Wednesday during a visit to Myanmar. At home, former premier Mahathir Mohamad led a chorus of opposition voices calling on Najib to step down.

"The time has come where the nation must demand for the removal of the prime minister," Mahathir said at a news conference, and asked Malaysians to call for a referendum on Najib's leadership. Najib has weathered attacks on his leadership since the scandal first broke 18 months ago. He culled dissenting voices from within his ruling United Malay National Organization (UMNO) and used draconian laws such as the Sedition Act to silence activists and opposition party leaders.

## Singapore seizes assets

Singapore authorities said in a statement on Thursday they had seized \$240 million (\$177 mil-



KUALA LUMPUR: Malaysia's Prime Minister Najib Razak walks on the stage during an event in Kuala Lumpur. Singapore said it had seized nearly \$180 million linked to scandal-tainted Malaysian state fund 1MDB, raising the pressure a day after Washington moved to grab more than \$1 billion in assets over "enormous" fraud.—AFP

lion) of assets in an investigation of 1MDB-related fund flows for possible money laundering. They also said they found problems at three major banks: top local lender DBS Group Holdings Ltd, the world's largest private bank UBS AG, and British-based Standard Chartered. UBS said yesterday it had reported some deals it was concerned about and that it is working with authorities investigating banks' ties to 1MDB. "In this case, UBS self-reported the suspicious transactions and is working closely with regulators to address this matter," UBS said in a statement.

Singapore's announcement was the first time authorities there have mentioned 1MDB in statements about their money laundering investigation. In May, they said they were closing down the operations of Swiss private bank BSI AG in Singapore for serious breaches of anti-money laundering rules, the first such action in 32 years. They did not identify 1MDB in that announcement, though Swiss authorities did in a related move against BSI.

The US investigation is the largest set of cases brought by the US Department of Justice's Kleptocracy Asset Recovery Initiative, which seeks the forfeiture of the proceeds of foreign corruption. The previous largest case in February sought to seize \$850 million. 1MDB, set up shortly after Najib came to office, is being investigated for money laundering in at least six countries, including the United States, Singapore and Switzerland. 1MDB said in a statement "it is not a party to the civil suit,

does not have any assets in the United States of America, nor has it benefited from the various transactions described in the civil suit."

## Arranged transaction

The US lawsuits seek to seize assets "involved in and traceable to an international conspiracy to launder money misappropriated from 1MDB" over a four-year period. One transaction targeted by prosecutors was a \$3-billion bond offering in early 2013 that was arranged by Goldman Sachs International, said US Attorney Eileen Decker at a briefing on Wednesday. She is the chief prosecutor in central California. More than a third of that money was misappropriated by corrupt officials, she said. Goldman Sachs has not been accused of any wrongdoing. "We helped raise money for a sovereign wealth fund that was designed to invest in Malaysia. We had no visibility into whether some of those funds may have been subsequently diverted to other purposes," a Goldman Sachs spokesman said. The lawsuits also named Malaysian financier Jho Low and Abu Dhabi government officials Khadem Abdulla Al-Qubaisi and Mohammed Ahmed Badawy Al-Husseiny. Al Qubaisi and Al-Husseiny are former officials at a sovereign fund in Abu Dhabi that participated in deals with 1MDB. Jho Low did not respond to requests for comment sent to his Hong Kong-based company, Jynwel Capital. Al Qubaisi and Al-Husseiny could not be reached for comment.—Reuters

## LATIN AMERICA GROUP DECRIES FOOD SCARCITY IN VENEZUELA

**WASHINGTON:** The Inter-American Commission for Human Rights (IACHR) has decried the dire shortages of food and medicine in Venezuela, calling on officials in Caracas to undertake "urgent measures" to try to stem the crisis. The Washington DC-based group "regrets the urgent situation of extreme scarcity and shortages of medicine, medical supplies and food in Venezuela," it said in a statement. "This situation has led to a significant deterioration in living conditions in the country and an increase in violence, which results in harm to people's health, personal integrity and life, to the detriment of the rights protected by the inter-American and universal human rights instruments," the commission, an autonomous human rights arm of the Organization of American States, added. The ongoing crisis "has a negative impact

on conditions to guarantee that Venezuelans can live a life of dignity, and it urges the State to adopt comprehensive measures to overcome this crisis," the IACHR said. Among the hardships created by the shortages in medical care and supplies are "a significant number of neonatal deaths" and "long waits for critical surgical interventions," it added.

With respect to food scarcity, the group expressed concern that for many Venezuelans "it is impossible to obtain access to the food needed for an adequate diet." Venezuela's economy is reeling from the global crash in the price of oil, its main export. The plunge in crude revenues has unleashed a deep recession, chronic shortages and hyperinflation, threatening 17 years of socialist rule under President Nicolas Maduro and his late predecessor, Hugo Chavez.—AFP



MARACAY: An inscription on a wall in the low income Santa Rita neighborhood in Maracay, 70km from Caracas, reads Corrupt military, the people is hungry.—AFP