

## 1MDB 1 Malaysia Development Berhad (United States)

**Case ID:**

ARW-254

**Jurisdiction of Origin of Public Official or Entity Allegedly Involved:**

Malaysia

Saudi Arabia

United Arab Emirates

**Jurisdiction of Asset Recovery:**

United States

**Jurisdiction of Asset Recovery ? Description:**

(1) Jurisdiction that initiated legal action to recover assets; (2) Jurisdiction of asset location

**Asset Recovery Start:**

2016

**Asset Recovery End:**

Ongoing

**UNCAC Offenses Implicated:**

Art.17

Art.23

**Money laundering Implicated:**

Yes

**Legal Basis for Asset Recovery:**

Actions Initiated by Foreign Jurisdictions

**Contributing Factors in Asset Recovery:**

Ongoing case

**Status of Asset Recovery :**

Ongoing

**Assets Frozen or Seized (USD):**

over \$1.6 billion

**Assets Adjudicated, Not Yet Returned - Description:**

\$30 million

**Agreement for Returned Assets:**

Ongoing

**Case Summary:**

Members of an international conspiracy allegedly diverted more than \$4.5 billion in state funds from 1Malaysia Development Berhad (1MDB), a state investment fund wholly owned by the government of Malaysia, according to a series of civil forfeiture complaints filed in 2016 and 2017 under the U.S. DOJ Kleptocracy Asset Recovery Initiative. The United States is seeking to recover almost \$1.7 billion of 1MDB funds that were allegedly laundered through the United States and are traceable to the conspiracy in the largest single action ever brought under the [U.S. DOJ's] Kleptocracy Asset Recovery Initiative. In August 2017, the U.S. DOJ asked for a stay of the civil forfeiture cases pending the conclusion of a related federal criminal investigation.

The DOJ complaints allege that using fraudulent documents and representations, the co-

conspirators allegedly laundered the funds through a series of complex transactions and fraudulent shell companies with bank accounts located in the Singapore, Switzerland, Luxembourg and the United States. These transactions were allegedly intended to conceal the origin, source and ownership of the funds, and were ultimately processed through U.S. financial institutions and were used to acquire and invest in assets located in the United States.?

U.S. assets that were allegedly purchased with diverted 1MDB funds and are subject to forfeiture actions include high end real estate and hotel properties in New York, Los Angeles, and London; a \$35 million jet airplane; a 300-foot luxury yacht; works of art by Vincent Van Gogh, Pablo Picasso, and Claude Monet; a substantial interest in the music publishing rights of EMI Music; the production of the 2013 film *The Wolf of Wall Street*; shares in Tech company Palantir and fitness company Flywheel; gambling expenses at Las Vegas casinos; and over \$27.3m worth of diamond jewelry.

As of June 2018, U.S. authorities have frozen or restrained over \$1.6 billion in assets related to this case. These assets are subject to ongoing, active litigation. Around \$30 million in assets forfeited by U.S. authorities have been fully adjudicated. The restrained assets are located in the United States, Switzerland, Indonesia, Singapore, and London.

Prosecutors portray a Malaysian national called Jho Low as the mastermind of the complex embezzlement scheme. Although he held no official position with 1MDB, he de facto conducted extensive business for the state fund and set up a myriad of opaque shell companies around the world through which 1MDB funds were diverted and ultimately channeled into the United States, for the personal benefit of members of the conspiracy. Other conspirators allegedly implicated include a group of high-ranking Malaysian officials at 1MDB, two high-ranking UAE officials at an investment fund owned by Abu Dhabi government (Khadem Abdulla Al-Qubaisi and Mohamed Ahmed Badawy Al-Husseiny), and two Saudi nationals affiliated with a little-known Saudi oil company (PetroSaudi International). Malaysia's former prime minister Najib Razak and his stepson Riza Aziz are allegedly implicated in the scheme and benefitted from diverted 1MDB funds, with Razak receiving funds totaling approximately \$681 million directly into a bank account in his name, according to the U.S. DOJ's forfeiture complaints. One of the conspirators, Al-Husseiny, served as chairman of Falcon Bank, a private bank in Singapore and Switzerland, that was allegedly extensively used for moving and laundering funds in the scheme.

To divert funds from the 1MDB fund, disguise their origin, disguise the identity of the conspirators, and launder funds into the United States, prosecutors claim that the members of the conspiracy set up a vast network of corporate vehicles in offshore secrecy jurisdictions around the world. Corporate vehicles employed in this scheme were incorporated in jurisdictions including Seychelles, British Virgin Islands, Hong Kong, United Arab Emirates, Curaçao, Malaysia, Cayman Islands, Luxembourg, and the United States (New York, Delaware). The diverted funds were allegedly transferred through bank accounts belonging to these companies in, among others, Singapore, Switzerland, USA, Netherlands, Luxembourg, Germany, and Barbados, with a majority of the money at some point passing through Singapore accounts, according to the forfeiture complaints.

Prosecutors further claim that several corporate vehicles were deceptively named to mimic an affiliation with a genuine, operational entity that 1MDB was doing business with or to mimic an affiliation with well-known global financial service companies, when in fact no such affiliation existed. Two shell companies, both called "Aabar Investments PJS Ltd", one registered in

BVI and the other in the Seychelles, were named to give the impression that the CV was associated with Aabar Investments PJS, a legitimate subsidiary of Abu Dhabi investment company IPIC, which entered into a joint venture agreement with 1MDB. ?Blackstone Asia Real Estate Partners Ltd?, ?Affinity Equity International Partners Limited?, ?Vista Equity International Partners Ltd? were all named to mimic well-known global financial service companies. Also of note is the alleged use of an Interest on Lawyer Account (IOLA) and another attorney trust account held by U.S. law firms to launder diverted funds into the U.S. by purchasing real estate assets. Transfers totaling \$368 million were made directly from an account of a Seychelles shell company to an IOLA account of a U.S. law firm.

The U.S. DOJ forfeiture complaints outline four distinct phases of the complex corruption scheme, named after key corporate vehicles that were employed: (1) the ?Good Star? Phase, 2009-2011; (2) the ?Aabar-BVI? Phase, 2012; (3) the ?Tanore? Phase, 2013; and (4) the ?Options Buyback? Phase, 2014.

During the ?Good Star? Phase, 1MDB officials entered a joint venture agreement with PetroSaudi International, a little-known Saudi oil company founded in 2005 by a son of the late King Abdullah, for the stated purpose of exploiting certain energy concessions in Turkmenistan and Argentina. Under the terms of the agreement, 1MDB agreed to invest \$1 billion in the newly created joint venture in exchange for a forty percent equity interest. 1MDB only transferred US\$300 million into the account of the ?legitimate? joint venture company and allegedly diverted US\$700 million into a bank account at RBS Coutts, Switzerland, that was held by Good Star Limited, a Seychelles-registered corporate vehicle beneficially owned by Jho Low. Conspirators made false representations to banks that Good Star was a wholly-owned subsidiary of PetroSaudi.

During the ?Aabar-BVI? Phase, 1MDB raised additional funds through two separate bond offerings arranged and underwritten by Goldman Sachs. The bonds were guaranteed by both 1MDB and International Petroleum Investment Company (IPIC), an investment fund wholly-owned by the government of Abu Dhabi in the United Arab Emirates. 1MDB officials allegedly caused approximately \$1.367 billion (40% of the bond proceeds) to be wire transferred to a Swiss bank account belonging to a British Virgin Islands entity that was deceptively named to mimic a legitimate subsidiary of IPIC.

During the ?Tanore? Phase, several individuals, including 1MDB officials, allegedly diverted more than \$1.26 billion out of a total of \$3 billion in principal that 1MDB raised through a third bond offering arranged by Goldman Sachs in March 2013, via two bank accounts in Singapore held by a BVI-registered company.

During the ?Options Buyback? phase, an additional \$850 million in 1MDB funds was allegedly misappropriated under the guise of paying an IPIC subsidiary to relinquish certain options 1MDB had given in return for IPIC?s guarantee of the 2012 bonds. To fund this options buyback, 1MDB borrowed a total of \$1.225 billion from a syndicate of banks led by Deutsche Bank in Singapore, of which more than \$850 million was allegedly diverted via two companies incorporated in BVI and in the Seychelles.

#### **Disposition of Criminal Case(s):**

In August 2017, the U.S. DOJ asked for a temporary stay of the civil forfeiture cases related to the 1MDB case, pending conclusion of related federal criminal investigations. In an affidavit supporting the government's motion to stay the forfeiture cases, a FBI special agent wrote: "The related criminal investigation is global in scope because the underlying crimes were committed over several years in numerous jurisdictions. Perpetrators, which includes both

entities and individuals acting in individual and representative capacities, are believed to have committed violations of both U.S. and foreign laws. A significant amount of the evidence and witnesses with knowledge of these violations are located in foreign jurisdictions, and will take time to pursue." The FBI agent warned that any further disclosure of information in the civil cases would risk revealing "potential targets and subjects of the investigation and the investigative techniques that have been and will be used in the investigation." No further information about the criminal cases is publicly available, as of June 2018.

**Jurisdiction of Origin: Investigative Agency:**

Malaysian Anti-Corruption Commission (referenced in the FBI's press release, 20 July 2016)

**Jurisdiction of Asset Recovery: Investigative Agency:**

FBI's International Corruption Units in New York and Los Angeles Internal Revenue Service's Criminal Investigative Division

**Jurisdiction of Asset Recovery: Prosecuting Authority/Civil Attorney(s):**

This case is part of the U.S. DOJ's Kleptocracy Asset Recovery Initiative, led by a team of prosecutors in the Criminal Division's Asset Forfeiture and Money Laundering Section. Deputy Chief Woo S. Lee and Trial Attorney Kyle R. Freeny of the U.S. DOJ's Criminal Division's Asset Forfeiture and Money Laundering Section and Assistant U.S. Attorneys John Kucera and Christen Sproule of the Central District of California prosecuted the case. The Criminal Division's Office of International Affairs provided additional assistance.

**Jurisdiction of Asset Recovery: Courts Involved:**

U.S. District Court for the Central District of California

**Documents:**

<b>Attachment</b>	<b>Size</b>
 DOJ Press Release - July 2016.pdf	105.81 KB
 DOJ Press Release - June 2017.pdf	87.24 KB
 FBI Press Release - 20 July 2016.pdf	472 KB
 Viceroy_complaint.pdf	3.57 MB
 wolf_of_wall_street_complaint.pdf	487.9 KB
 van_gogh_drawing_complaint.pdf	661.55 KB
 park_laurel_complaint.pdf	1.23 MB
 oriole_drive_complaint.pdf	1.23 MB
 park_lane_complaint.pdf	1.23 MB
 lermontage_complaint.pdf	665.68 KB

**Other Sources:**

U.S. DOJ Kleptocracy Asset Recovery Initiative - Documents

<https://www.justice.gov/archives/kleptocracy-enforcement-action>