International Corruption

U.S. Seeks to Recover $1 Billion in Largest Kleptocracy Case to Date

The U.S. government is seeking to recover more than $1 billion in assets tied to international public corruption and a global money laundering conspiracy in what Department of Justice officials describe as the largest single action ever brought under the Kleptocracy Asset Recovery Initiative.

At a press conference today, Attorney General Loretta E. Lynch announced civil forfeiture complaints to recover assets associated with a fund owned by the Malaysian government that raised nearly $8 billion to benefit the Malaysian people. Instead, much of the money was diverted by high-ranking fund officials and their associates to purchase yachts, hotels, a $35 million jet, artwork by Vincent Van Gogh and Claude Monet, and to bankroll the popular 2013 film The Wolf of Wall Street.
“This fraud went on around the world,” said Special Agent Darryl Wegner, chief of the FBI’s International Corruption Unit, which investigated the case along with the Internal Revenue Service’s Criminal Investigative Division. “At least $1 billion traceable to the conspiracy was laundered through the United States and used to purchase assets here.”

From 2009 through 2015, according to the complaints, more than $3.5 billion in funds belonging to 1Malaysia Development Berhad (1MDB) was allegedly misappropriated.

The fund was created by the Malaysian government to promote economic development in that country through global partnerships and foreign direct investment. But members of the conspiracy—which included 1MDB officials, their relatives, and other associates—diverted billions of dollars using a web of shell companies with bank accounts in Singapore, Switzerland, Luxembourg, and the U.S. These complex schemes were intended to conceal the origin and ownership of the funds.

The FBI has three dedicated international corruption squads—in New York City, Los Angeles, and Washington, D.C.—to deal with foreign bribery incidents that are often tied to kleptocracy, the term used when foreign officials steal from their own governments at the expense of their citizens.

“That is basically what we saw in the 1MDB case,” Wegner said. “And because these corrupt individuals used the U.S. banking system to hide or launder their criminal proceeds, the FBI took a lead role in investigating this matter.” He noted that the criminal investigation is ongoing.

Investigators found that at least three sophisticated fraud schemes were used by those who misappropriated 1MDB assets. In 2009, through the use of shell companies, 1MDB officials and their associates allegedly embezzled approximately $1 billion that was intended to be invested in an oil exploration joint venture with a foreign partner. Co-conspirators allegedly misappropriated another $1.3 billion in funds raised through two bond offerings in 2012 and $1.2 billion after another bond offering in 2013.
“Today’s action sends a message to corrupt foreign officials,” Wegner said. “The FBI, together with our international partners, will find these individuals and root out their corruption.” He added, “We are working very hard to make sure that the U.S. will not be a safe haven for these types of crimes.”

“When corrupt officials bring their ill-gotten gains to the United States, they also bring their corrupt practices and disregard for the rule of law,” said FBI Deputy Director Andrew G. McCabe during today’s press conference in Washington, D.C. “That presents a threat to our economy, impacts trade and investment, fuels the growth of criminal enterprises, and undermines our fair democratic processes.”

The Malaysian people were defrauded “on an enormous scale,” McCabe said, adding that the fraud scheme “reached around the world,” making it “beyond any single agency’s ability to effectively investigate.” The FBI and the Department of Justice, he explained, are “uniquely positioned” to investigate kleptocracy, and this case was a natural fit for the Bureau’s international corruption squads, which worked in conjunction with the Department of Justice, the Bureau’s overseas offices, and international partners including the Malaysian Anti-Corruption Commission.

Wegner noted that the leadership of the Malaysian Anti-Corruption Commission showed “tremendous courage” in pursuing the investigation, which was led by the FBI’s international public corruption squad in New York.

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**Fighting International Public Corruption**

The Kleptocracy Asset Recovery Initiative was established in 2010 to curb high-level public corruption around the world. Led by a team of Department of Justice prosecutors working in tandem with the FBI and other federal law enforcement agencies, its mission is to forfeit the proceeds of corruption by foreign officials and, where appropriate, to use recovered assets to benefit the people who were harmed. Individuals with information about possible proceeds of foreign corruption located in or laundered through the United States should contact federal law enforcement or send an e-mail to kleptocracy@usdoj.gov.

**Resources:**