

# AGC, CAD and MAS take action against Goldman Sachs (Singapore) Pte. on 1MDB bond offerings



SINGAPORE  
POLICE FORCE



Monetary Authority  
of Singapore

Joint Statement by  
Attorney-General's Chambers, Singapore (AGC)  
Commercial Affairs Department, Singapore Police Force (CAD)  
Monetary Authority of Singapore (MAS)

Singapore, 23 October 2020... The Goldman Sachs Group Inc ("GSG") has entered into a Deferred Prosecution Agreement ("DPA") with the Department of Justice of the United States of America. The DPA provides for a global resolution, led by the US Department of Justice and discussed with, inter alia, Singapore, of GSG's role in bond offerings related to 1Malaysia Development Berhad ("1MDB"). As part of the DPA, GSG and its affiliates will pay approximately US\$2.3 billion to the US authorities. Goldman Sachs Singapore Pte ("GSSP") will pay US\$122 million to the Singapore Government for its role in the 1MDB bond offerings.

2. The Commercial Affairs Department ("CAD") has served GSSP a 36 month conditional warning ("Conditional Warning"), in lieu of prosecution for three counts of corruption offences punishable under Section 5(b)(i) of the Prevention of Corruption Act, Chapter 241 ("PCA"). The Monetary Authority of Singapore ("MAS") has issued GSSP a direction under Section 101 of the Securities and Futures Act, Chapter 289 to appoint an independent external party to conduct a review of its remedial measures.

## Conditional Warning Issued to Goldman Sachs (Singapore) Pte.

3. CAD investigated GSSP and two of its former Managing Directors, Mr Tim Leissner and Mr Ng Chong Hwa (also known as Roger Ng), in relation to the three bond offerings underwritten by Goldman Sachs International for the subsidiaries of 1MDB. Mr Leissner was based in Hong Kong Special Administrative Region ("HK SAR") at the relevant time as a responsible officer of Goldman Sachs (Asia) LLC ("GSA"). GSA was significantly involved in the conduct of the three 1MDB bond offerings <sup>[1]</sup>, while Mr Leissner was instrumental in procuring the bond deals from 1MDB.

4. In August 2018, Mr Leissner pleaded guilty in the United States District Court to one count for conspiracy to violate the Foreign Corrupt Practices Act and one count for conspiracy to commit money laundering. Mr Leissner disclosed that Mr Low Taek Jho had informed him and Mr Ng that some of the proceeds from the 1MDB bonds would be paid as kickbacks and bribes to certain Malaysian and Abu Dhabi officials, and Mr Leissner admitted to retaining some of these diverted funds for his personal use. Following Mr Leissner's guilty plea, MAS had on 19 December 2018 increased the 10-year Prohibition Order ("PO") initially issued against Mr Leissner to a lifetime order. [2]

5. In consultation with the Attorney-General's Chambers ("AGC"), CAD issued the Conditional Warning in lieu of prosecution to GSSP for the offences under Section 5(b) (i) of the PCA. Pursuant to the Conditional Warning, GSSP commits to, among other things, (i) paying US\$122 million to the Singapore Government's Consolidated Fund within 5 working days from the date of the Conditional Warning; (ii) continuing to cooperate with CAD in its 1MDB-related investigations; and (iii) complying with the terms of the DPA, whether directly or indirectly insofar as they relate or apply to GSSP. GSSP will also disgorge a sum of US\$61 million to the Malaysian authorities, which will be paid and/or credited in accordance with the DPA. This sum represents GSSP's share of fees earned from the 1MDB bond offerings. The total amount paid or to be paid by GSSP under the Conditional Warning is therefore US\$183 million.

#### **Direction Issued to GSSP by MAS**

6. MAS has directed GSSP to appoint an independent external party to review the measures taken by GSSP to remediate deficiencies uncovered during an inspection conducted by MAS in 2016 on GSSP's risk governance and controls in relation to the 1MDB bond offerings. MAS found lapses in GSSP's management oversight of enterprise-wide risk, inadequate documentation of risk assessments performed for the 1MDB bond offerings, and poor corrective actions taken for staff's non-compliance with its policies and processes.

7. MAS observed during its 2016 inspection that the control deficiencies uncovered extended beyond GSSP and involved aspects of GSG's firm-wide controls and processes. These included significant gaps in the management oversight exercised by GSG's global committees in approving the 1MDB bond offerings. MAS has shared its observations with the parent regulators of GSG, namely the US Securities and Exchange Commission and the Federal Reserve Board.

8. Following the completion of the inspection in end 2017, MAS required GSSP to undertake various remedial measures to address the identified control deficiencies. GSSP's internal audit of these remedial measures was completed in June 2020.

9. In view of the seriousness of the control deficiencies identified in MAS' inspection and the corruption offences that underpin the DPA and Conditional Warning, MAS has directed GSSP to appoint an external party to conduct an independent and rigorous verification of the effectiveness and sustainability of the remedial measures. MAS will also closely monitor the implementation of any additional measures to be taken by GSSP as part of the DPA.

## Conclusion

10. AGC, CAD, and MAS would like to thank the US Department of Justice, Federal Bureau of Investigation, US Securities and Exchange Commission, and the Federal Reserve Board for their close cooperation and assistance given in relation to this and other related investigations.

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[1] On 22 October 2020, the Securities and Futures Commission ("SFC") of HK SAR announced that it had reprimanded and fined GSA US\$350 million for serious lapses and deficiencies in various controls that contributed to the misappropriation of a portion of the funds raised in the 1MDB bond offerings.

[2] A 10-year PO had initially been issued against Mr Leissner on 13 March 2017 after he was found to have sent an unauthorised reference letter on behalf of Goldman Sachs (Asia) LLC without the firm's knowledge to a Luxembourg-based financial institution, and to have made false statements in the letter.