The Real Wolves of Wall Street: 1MDB Scandal

Written by: Aashi Gupta, Case Western Reserve University

May 2025

This committee will be a NO TECHNOLOGY committee. This means delegates may not use electronic devices such as phones, laptops, and tablets during committee sessions for purposes including but not limited to directive writing, research, and accessing notes. Any exceptions to this rule can be made at the Chair's discretion, but will likely not be exercised. Please print out, write down, or obtain paper copies of any materials you'd like to use throughout the conference. A few background guides will be printed and available for your reference, but the expectation is that delegates have read the background guide and amply prepared/written down their own notes. A legal note pad will be provided to all delegates for note/directive writing purposes. Bringing additional notebooks, sticky notes, and writing utensils is strongly encouraged. While we welcome paper materials with your own research/preparation, please refer to the CCWA Conference pre-writing policies. Any questions about specific mechanics can be sent to axg1532@case.edu.

Crisis Committee Structure / Mechanics:

This committee will be run as a crisis committee. Crisis committees are run with a front-room/back-room structure. Front-room mechanics operate with formal and unstructured debates, and directive cycles. Back- room mechanics involve delegates writing "crisis" notes to associates of their choice in order to influence the committee from behind the scenes. Crisis notes are addressed to a character that your own character can contact, within reason, and these notes will help you to achieve your own personal committee goals, or arcs. These backroom "arcs" will be revealed periodically and help to move the committee forward. Delegates are expected to conduct their own research and prepare adequately for crisis mechanics. A quick overview will be provided at the start of committee session one, but in order to move debate along, limited time will be spent explaining the ins and outs of the crisis.

Committee Background:

An apartment owned by Jay Z and Beyonce. A $3.2 million dollar Picasso given to Leonardo Dicaprio. A birthday party featuring performances by Jamie Foxx, Chris Brown, Ludacris, Busta Rhymes and Pharrell Williams. Britney Spears jumping out of a cake. Confused? So were the Malaysian taxpayers, after finding out that these lavish expenditures came from misappropriated funds, designed to better their futures and country. The 1MDB scandal seems like it came straight out of a Hollywood writers room, involving the Malaysian government, Goldman Sachs, and several other stakeholders. Yet, despite the cinematic chain of events, it was a scandal that robbed taxpayers of their hard-earned money, toppled a government administration, and led to the death of a prosecutor.

In this committee, your role as delegates will be to investigate those in charge, mitigate the fall-out and financial damage done, and most importantly, appease the people whose trust in the government is perhaps irreversibly damaged. This committee will take place in July of 2015, but certain liberties may be taken by the Chairs to accommodate the timeline.

This entire scandal began in 2009, with the election of Prime Minister Najib Razak in April. At the time, a sovereign wealth fund called the Terengganu Investment Authority (TIA) holding an initial investment of 3.2 billion dollars aimed to create economic prosperity in Malaysia. Razak, with the intended purpose of attracting foreign investments, decided this fund should transform into a federal entity. Jho Low, the special advisor to the TIA, is also involved in this effort, and is an important figure in this tale. Razak became the chairman of this fund, named 1Malaysia Development Berhad (1MBD). The attraction became clear just months later, when 1MDB joined hands with PetroSaudi International, one of the leading Saudi Arabian oil companies. This collective venture ended up raising billions of USD, but started to slowly pile up debt over the years.

There were several red flags regarding this collaboration with PetroSaudi. Firstly, the company had four other smaller companies registered under the name, but this was deliberately not mentioned to the 1MDB board of directors (easy to see how this would *shell* out). Additionally, the joint venture contract failed to safeguard the interests of the company clearly in its contract, such as putting financial responsibilities on the company for asset evaluation, when that should have been done by 1MBD. On September 30th, 2009, a total of 1 billion dollars transferred to 1MBD, but instead of going in the joint venture account, $700 million of that cash was mysteriously transferred to GoldStar LTD, a PetroSaudi subsidiary. Again, approval for this was not granted by the 1MBD board. In 2012, after a complicated asset transfer, 1MBD sold the 40% stake that they had in the joint venture, and instead traded it for a 49% stake in PetroSaudi Oil Services Ltd (PSOSL), a PetroSaudi International Ltd subsidiary. PSOSL operated in Venezuelan waters despite sanctions put on them by America, but they still went ahead with the exchange. Just 45 days after the exchange, they once again sold their new-found shares, ending this complicated and shady saga.

The PetroSaudi investment was just one of many that 1MDB found itself tangled up with. In 2011, 1MBD created the SRC group, designed to provide coal to the country long term. They were granted RM15 million and several other donations and government grants. A 45 million USD investment was made out to a Mongolian coal company, but 1MBD was criticized for the lack of long term research in the project. Additionally, several real estate ventures were made by 1MBD. The Tun Razak exchange, a project designed to develop 70 acres of land, and Bandar Malaysia, tasked with relocating the Royal Malaysian Airforce Airport were just some of these ventures. Working with the State Grid Corporation of China, and Abu Dhabi Future Energy company, the fund had obtained 2.3 billion dollars worth of assets in the energy sector. These are just a few of the many investments made by the 1MBD group.

So, where did it all start to fall apart for this seemingly prosperous and extremely active fund? Between these various investments, Prime Minister Najib's opposition leader, Anwar Ibrahim, questioned the lack of financial transparency in the overall operations. Several other stakeholders were questioning the whereabouts of many of the funds, and parliament had to take actions. 1MBD claimed at the parliamentary hearing that no wrong-doing was occurring, and that they were following all the requirements and regulations as stated by the government. However, when they asked for a 6 month extension to publish their annual financial report, suspicions were once again heightened. Additionally, in just the four years of 1MDB existing, they had been audited by 3 different firms, further raising suspicion at this consistent change.

In 2013, journalist Clare Rewcastle Brown reported that the firm Goldman Sachs made a deal of 6.5 billion USD with 1MBD, resulting in exuberant amounts of profit for the company. In 2013, she published an article about Jho Low funding the $100 million dollar movie Wolf on Wall Street, and inquired as to whether the funding for the movie, and Low's lavish lifestyle (Britney Spears popping out of a cake on his birthday is just one example), came from 1MDB funds. At this point, 1MBD was nearly $12 billion dollars worth of debt. Her most shocking exposé came in 2015, revealing a misappropriation of $1.83 billion USD in funds, with a shell company called PetroSaudi (remember them?). She also alleged that $681 million USD was transferred to Najib's personal accounts from the 1MDB fund. Najib denied this allegation, and stated that it was simply a donation from his friends over in Saudi Arabia.

In July of 2015, a special task force offset from the Malaysian Anti-Corruption Commission (MACC) was created to investigate the allegations, leading a raid on the 1MDB office. MACC found that the money in the accounts was from donations, but the donors were never revealed. MACC did also find however, an additional $10 million USD was transferred from a PetrolSaudi subsidiary into Najib's account, but the attorney-general chose to ignore it at the time. 1MBD was then cleared of any wrongdoings.

In 2016, the FBI, United States DOJ, Swiss, and Singaporean investigators started looking into various breaches made in the flow of funds from 1MBD. The US Attorney-General announced that more than $1billion USD in assets needed to be recovered, and that they believed there was an international conspiracy to launder 1MDB funds. The following year, the US law enforcement found that hundreds of millions of dollars were used to fund art, cars, boats, parties, and other lavish spending. Interpol began their hunt for Jho Low, the 1MDB advisor who was believed to mastermind the entire operation with the prime minister.

In the 2018 election, to no one's surprise, Mahathir Mohamed beat out Najib in the general election, making it the first time the ruling party had lost since Malaysia's independence. This change in leadership led to full scrutiny into Najib, and they seized $270 million in assets, and $30 million USD in cash. Over 400 bank accounts, 80 people, and 55 companies have their assets frozen in suspected links to misappropriated funds. In 2018, Najib was finally arrested due to stealing funds using the SRC international subsidiary he created. Jho Low was charged with 8 counts of money laundering, and had his $126 million dollar yacht sold by the government. In 2020, Najib was finally convicted of abuse of power, money laundering, and criminal breach of trust. He was sentenced to 12 years of prison and fined $49.3 million dollars. Goldman Sachs, who was also sued by the government, settles to pay $3.9 billion dollars to have the criminal charges dropped. Jho Low remains in hiding, allegedly living in Shanghai under a Greek alias, but Interpol has failed to locate him till this day.

In total, an estimated $4.5 billion dollars was stolen from the fund, and 1MDB is now $7.8 billion dollars in debt to the government. The government was forced to assume the debts, and taxpayers are the one paying the majority of it off. This heartbreaking and infuriating scandal truly shocked the world with the depth of the corruption, with the country's own Prime Minister heading it up. As a committee, you will form the Special Task Force responsible for mitigating the imminent fallout.

<u>**Key Issues**</u>:

Identifying the perpetrators

Several, high level officers from various countries are involved, as a committee, identifying them will be crucial. Several of the suspected perpetrators, such as Jho Low, seemed to have already fled, or began making plans to. Before international waters and extradition treaties become necessary, gather evidence and get warrants out for arrests. Once you've found out who's involved, it is up to you as a committee how to proceed holding them accountable. Be careful who you trust, anyone in the room could be involved.

Finding the misappropriated funds

Where exactly did the money go, is the $4.5 billion dollar question here. With the hundreds of subsidiaries, joint ventures, investment portfolios, and projects that 1MBD has been involved in globally, finding the funds will prove to be a difficult task. Countries such as the US and Switzerland are looking to recuperate those funds, and finding the stolen cash flow would be a crucial first step. Investigating the accounts of the perpetrators, and identifying other sources of cash flow such as shell companies should also be a task force goal.

Prevention of further thefts

The trust of the Malaysian people has forever been shaking in both the government, and sovereign wealth funds. Lack of transparency with records, failure to properly research overseas companies, and incompetence from the attorney-general's office all led to the scandal's vast impact. As a task force, your goal should be creating a more rigid, regulated infrastructure to prevent this kind of scandal from ever happening again.

Key Questions to Consider:

1) How do you swiftly identify perpetrators, without causing a national/global panic amongst the people? How do you ensure justice will be brought to them when several different courts from many nations are involved?
2) Which agencies/countries should be involved in finding/reallocating misappropriated funds?
3) What new systems/infrastructure must be put in place in order to prevent fraud on this scale in the future?

(Crisis Hint: Approach these questions from your character's perspective, not just the committees. How do these key objectives/questions impact your character's arc, motivations, and ambitions?)

<u>Character Guide</u>:

Rosmah Mansor, Wife of PM Najib Razak

Mansor worked in banking, business development and other roles, but perhaps her most important role yet serving as Malaysia's first lady equivalent. During her tenure, she worked to create more programs for women, child development initiatives, and other political movements alongside her husband. As one of the most scrutinized women in the country, with her husband at the heart of this scandal, Mansor must choose her allegiances carefully. Will she aid the committee in investigating her husband, or will her loyalty lie to the residents she and her husband were elected to serve.

Tony Pua, Politician

A member of the Democratic Action Party, Tony Pua was a member of the Malaysian parliament from 2008, to 2022. He also served as the Political Secretary to the Minister of Finance in 2018. In 2010, Pua questioned Prime Minister Najib about 1MDB alleged profits, and brought him in front of parliament to explain the discrepancies. As a sharp politician, and former CEO of a business, Pua's skillset makes him a prime candidate for this task force. Tread carefully however, because questioning the Prime Minister could come with dire consequences.

Clare Newcastle Brown, Journalist

A relentless and talented British journalist, Brown made headlines for her extensive reporting on the 1MDB scandal. Clare graduated from King's College London, and the London school of economics, and went on to create the Sarawak Report, a famous blog focused on the destruction of Malaysian rainforests. Her detailed investigation, along with help from a PetrolSaudi whistleblower, allowed her to expose the inner workings of the 1MDB scandal, and the fun that Najib and Jho Low were having with the stolen funds. Brown's reports have made her extremely unpopular with the Malaysian government, leading to several threats and even an arrest warrant put out for her. Nevertheless, she is committed to report on this issue, and bring global scrutiny to the perpetrators.

Mahathir Mohamad, Politician

Mahathir Mohamad is one of the longest serving prime-ministers of Malaysia, serving for 24 years. As Najib's key opposition leader, he worked hard to bring the 1MDB scandal to the light, having a lot to gain by taking him down. Mahathir Mohamed had a very impressive political career, spanning for over 75 years, and is known as the "Father of Modernization" for improving the country's economic state. His vast political connections and understanding of Malaysian politics makes him a great delegate for this committee.

Tan Sri Ambrin Buang, Auditor General

Tan Sri Ambrin Buang served as the Auditor General of Malaysia from 2006, and completed his tenure in 2017. Prior to this appointment, he served in the Malaysian civil service for over 35 years. His many years of experience comprised in the Malaysian Timber Industry board, as well as the Ministry of trade and Industry. As auditor general, his role is to ensure that government agencies are spending money legally, and to hold publicly held corporations accountable. His reports and findings on the 1MDB fund will be vital for this committee's actions.

Woo S Lee, United States Federal Prosecutor

Lee played a vital role in the American asset recovery and multi-billion dollar case involving 1MDB. Lee worked as deputy Chief of the Money Laundering and Asset Recovery Section (MLARS). Lee's main role was to investigate the schemes of various ties and networks across America, such as those found tied to Goldman Sachs, and to help repatriate various assets back to Malaysia. In this committee, Lee seeks to protect American interests, as well as assist Malaysia in recovering from this multi-billion dollar loss.

Xavier Justo, PetroSaudi employee

Justo is not just any regular employee of this 1MDB related company, he was a key whistleblower in the case. Justo worked in the banking industry for over 20 years, before getting an offer to work with PetroSaudi, handling contracts from Venezuela. Upon noticing that the numbers the company flaunted didn't match the internal state of affairs, he left the company, but received a hard drive from a friend containing over 200k emails from the company. Using these emails, he promptly contacted Newcastle and became a whistleblower on the fraudulent company. Justo must move very carefully in this committee, as his actions have made him very unpopular with many people in the Malaysian and international landscape.

Zeti Akhtar Aziz, Governor, Bank Negara Malaysia

Zeti Akhtar Aziz was the first female central bank governor of Malaysia, and held the position for 16 years as one of the longest serving officials. She is recognized worldwide for modernizing
Malaysian banking and regulations. As a member of the 2015 Special Task Force, she plays a great part in investigating 1MDB foreign transactions, and can advise the committee well on any breaches of economic law that may be found.

Abu Kassim Mohamed, Chief Commissioner of Malaysian Anti-Corruption Commission

Abu Kassim Mohamed spent his career investigating corruption, joining the MACC agency in 1984, and becoming the Chief Commissioner in 2010. Mohamed is well-respected for his work on enforcing anti-corruption, and reforming the commission. As the Chief commissioner, he led the charge on the 1MDB fund misappropriation. In this committee, you must work swiftly and appropriately against any distractions and disturbances in this investigation, as there will be players attempting to hinder it.

Khalid Abu Bakar, Inspector-General of Police

Joining the Royal Malaysia Police in 1976, Bakar worked tirelessly to be appointed Inspector-General by Najib Razak in 2013. His tenure included working in the anti-narcotics department, head of police management, as well as Director of Internal Security and Public Order, giving him intel on various police departments and procedures. Serving on the 2015 Special Task Force, he was responsible for leading any police investigations regarding 1MDB. Bakar received criticism for his slow handling of investigation, and must work against the public perception to get to the bottom of the scandal.

Mohamed Apandi Ali, Attorney-General of Malaysia

Being a newly appointed Attorney-General in 2015 after the removal of Abudi Gani Patail, Mohamed Apandi Ali came into the role with extremely high stakes. Earning his law degree from the University of London, he worked as a prosecutor, High Court Judge, and Federal Court Judge before being appointed Attorney-General. He worked on the 2015 Special Task force, advising the members on legal matters, and ensuring that any investigation was being held in a lawful manner.

Michael Lauber, Attorney General of Switzerland

Michael Lauber studied law at the University of Bern, and built a steady reputation for his prosecutorial work in the 90's. He spent years working with Liechtenstein's Financial Intelligence unit, learning about financial regulations, something he'd focus on later in his Attorney General tenure. Swiss financial institutions were being used to launder 1MDB funds, so
Lauber will be key in freezing assets, gathering information and evidence, and cooperating with the American and Malaysian government authorities.

Turki Bin Abdullah Al Saud, Prince of Saudi Arabia,

The seventh son of the former King Abdullah of Saudi Arabia, Prince Turki cofounded PetroSaudi in 2005, later gaining notoriety for his role in the 1MDB scandal. The prince has a military background, serving as a pilot in the Royal Air Force, as well as being an investor in several businesses. A close acquaintance of Najib, Prince Turki claims to be the one who donated a gift of nearly 700 million dollars to the prime minister's personal account. His role in this committee will be to defend PetroSaudi's dealings, and uphold the reputation of the Saudi Royal family.

Shahrol Halmi, Former CEO of 1MDB

Serving as the first CEO of 1MDB prior to its takeover by Najib, Halmi is a key witness in this case, understanding the fund's inception and early investment decisions. Prior to being the CEO of the fund, Halmi worked as a consultant at Accenture, a leading consulting firm. He managed several high-profile joint ventures, and worked closely with Jho Low, a key perpetrator in this case. Halmi's unique understanding of the earlier investments in the fund, and his relationship with Low will make him very valuable to this committee's actions.

Nik Faisal Ariff Kamil, CEO of SRC International

Nik Faisal Ariff Kamil served as the CEO of SRC international after his tenure as a Malaysian Banker and investment professional, His role was managing this 1MDB subsidiaries operations, and was involved in the process of borrowing 1 billion USD from Retirement Fund incorporated into the SRC funds. SRC was created specifically for the coal, energy, and natural resources sector, to improve the Malaysian infrastructure. As CEO of SRC international, Kamil can provide key intel about SRC's movement of funds, but must work carefully in order to not incriminate himself of any wrongdoing.

Johan Idris, Managing Partner KPMG Malaysia

Starting off as an accountant, Johan Idris worked his way up to senior partner and eventually Managing Partner at KPMG, a leading consulting firm. He was a key player and senior figure in the company's audit process when 1MDB hired them, and Idris worked on the financial statements for the fund. As a private auditor, Idris and KPMG's role was to focus on the offshore accounts, overall valuations, and movement of funds through various funds. Idris's access to the original audit papers, understanding of the private auditing process, and stake in such a large company will create an interesting dynamic in this committee.

Tim Leissner, Goldman Sachs Southeast Asian Division Chairman

Coming from a professional German background, Leisenner entered the world of investment banking in the 1990s, working at JPMorgan Chase and Lehman Brothers. He climbed the corporate ladder later in Goldman Sachs, before eventually becoming head of the Southeast Asia department. He raised over 6 billion dollars and arranged 3 separate bond offerings for 1MDB, and had a close relationship with Jho Low. As a key witness for the US prosecution, Leissner has agreed to cooperate with the committee to expose Goldman Sach's role in this billion dollar scheme, but must tread carefully to deal with the Wall Street fall-out.

Tom Wright, Wall Street Journal Reporter

Alongside Newcastle, Wright and the Wall Street Journal were some of the leads in reporting on the 1MDB scandal. The 2015 report that blew open the case alleged that Najib's personal accounts held 1MDB funds, and was a huge turning point in blowing open the scandal. Wright was an American journalist, and served as the editor of the Asia Economics branch of Wall Street Journal. His protected sources and media influence will prove helpful, or perhaps dangerous, to this investigation.

Jasmine Loo Ai Swan, 1MDB General Counsel

Working in corporate law, Jasmine Loo Ai Swan was appointed to be a senior legal advisor to the 1MDB fund. Despite resigning in 2013, she remained in touch with Jho Low, and knew intricate details and on-going movements of 1MDB funds. She was a key liaison between 1MDB and the various estates the fund invested in, as well as working with Goldman Sachs. Swan has internal access to various contracts made by the fund, and received a gift of 16 million USD for her role in the scheme. While Jasmine lived as a fugitive until 2023 until her arrest, for the purposes of this committee, the timeline of her arrest and suspicion has been altered to help discover the whereabouts of Jho Low.

Lim Kang Hoo, CEO Bandar Malaysia

Lim Kang Hoo worked as the Chief Executive Officer of Bandar Malaysia, a land initiative created by 1MDB to alleviate the various debts the fund was facing. Hoo was the CEO of Iskander Waterfront Holdings, a key company in real estate development. Bandar Malaysia was designed to be a 15 year project creating an underground city in Malaysia. Hoo represents the various businesses and land projects that 1MDB holds stakes in, and he must do whatever he can to protect his company and complete Bandar Malaysia.

Bibliography:

Al Jazeera. "Timeline: How Malaysia's 1MDB Financial Scandal Unfolded." *Al Jazeera*, 28 July 2020, https://www.aljazeera.com/news/2020/7/28/timeline-how-malaysias-1mdb-financial-scandal-unfolded.

Harvard Law School Forum on Corporate Governance and Financial Regulation. "Goldman Sachs and the 1MDB Scandal." *Harvard Law School Forum on Corporate Governance*, 14 May 2019, https://corpgov.law.harvard.edu/2019/05/14/goldman-sachs-and-the-1mdb-scandal/.

The Edge Malaysia. "1MDB Close to Bandar Malaysia Deal by Year-End." *The Edge Malaysia*, https://theedgemalaysia.com/article/1mdb-close-bandar-malaysia-deal-year-end.

The Guardian. "1MDB: The Inside Story of the World's Biggest Financial Scandal." *The Guardian*, 28 July 2016, https://www.theguardian.com/world/2016/jul/28/1mdb-inside-story-worlds-biggest-financial-scandal-malaysia.

U.S. Department of Justice, Office of Public Affairs. "Justice Department Repatriates $1.4B Misappropriated 1MDB Funds to Malaysia." *United States Department of Justice*, 13 June 2024, https://www.justice.gov/archives/opa/pr/justice-department-repatriates-14b-misappropriated-1mdb-funds-malaysia.

Wall Street Journal. "1MDB Decoded." *The Wall Street Journal*, https://graphics.wsj.com/1mdb-decoded/.

Wikipedia contributors. "1MDB." *Wikipedia, The Free Encyclopedia*, Wikimedia Foundation, https://en.wikipedia.org/wiki/1MDB