

Crime-lord Goldman Sachs Ensnarled in Vast Fraud Scandal...AGAIN!

The Goldman Sachs offices in Manhattan. Goldman has played down any role in the so-called 1MDB scandal. John Taggart for The New York Times

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Goldman Sachs is facing one of the most significant scandals in its history, a multibillion-dollar international fraud that investigators say was masterminded by a flamboyant financier with a taste for Hollywood and carried out with help from the Wall Street firm’s bankers.

Federal prosecutors on Thursday unveiled a guilty plea from one former Goldman Sachs banker and announced bribery and money laundering charges against a second banker, as part of an investigation into the alleged embezzlement of billions of dollars from a state-run investment fund in Malaysia. Prosecutors also brought charges against the Malaysian businessman they believe stole some of the money: Jho Low, who spent millions of dollars on gifts to celebrities like the actor Leonardo DiCaprio and the model Miranda Kerr.

The money was used to buy a Picasso painting, diamond necklaces and Birkin bags as well as to pay for the Hollywood blockbuster “The Wolf of Wall Street.” Najib Razak, the Malaysian prime minister who established and oversaw the so-called sovereign wealth fund, lost his re-election bid over the scandal, in which

American prosecutors said \$731 million of the missing money was deposited into his own bank accounts.

The bank has spent years trying to rehabilitate a reputation that was severely damaged by allegations of financial crisis and putting profits ahead of clients in the financial crisis. Goldman Sachs CEO David M. Solomon said in a statement that the bank is cooperating with the FBI and DOJ in their investigation of the bank's role in the 1MDB scandal.

The lengthy court filings by prosecutors in Brooklyn paint an ugly picture for Goldman, which was instrumental in raising money for the fund, 1Malaysia Development Berhad, or 1MDB. According to court documents, the former bankers paid bribes and kickbacks to foreign leaders to secure \$6 billion in bond underwriting deals for Goldman that generated \$600 million in fees.

The authorities said that at least one high-ranking executive in the bank's Asian operations was aware of the scheme, which dodged Goldman's systems to detect the payment of bribes. That person, unidentified in the court filings, has not been charged. According to three people familiar with the matter, the executive was Andrea Vella, who was the co-head of Goldman's Asian investment banking business.

Federal prosecutors said Tim Leissner, a former Goldman investment banker who spent years courting Mr. Low, pleaded guilty in August to taking part in the bribery and money laundering scheme. He left the firm in 2016 after the scandal first emerged.

Although the bank knew Mr. Leissner was at the center of the investigation, the breadth of the charges appeared to have caught men, Mr. Low and Roger Ng, Mr. Leissner's former deputy, were Goldman off guard. The bank was not expecting a leader of its Asian investment bank to be implicated as well. Goldman on Thursday charged Mr. Ng, who left Goldman in 2014, was arrested in Malaysia; Mr. Low remains at large. Goldman suspended Mr. Vella, according to a person with direct knowledge but was not authorized to speak publicly.

Goldman has repeatedly played down its role in the 1MDB scandal, saying it was unaware of how money from the fund was being used.

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The company said in a statement that it was cooperating with the investigation.

Goldman's chairman, Lloyd Blankfein, sought to frame the matter as the misdeeds of rogue employees.

"These are guys who evaded our safeguards, and lie, stuff like that's going to happen," Mr. Blankfein said on the sidelines of The New York Times DealBook conference on Thursday. "Somebody's going to use phones away from us, and personal this and personal that," he said, referring to personal devices.

Federal prosecutors have depicted Mr. Low as the mastermind of the scheme to loot the Malaysian sovereign wealth fund. During one exchange with Mr. Leissner, Mr. Low advised of the need to "suck up to" 1MDB officials, including sending "cakes" — that is to say, bribes, according to government filings.

Court filings unsealed on Thursday showed that federal prosecutors have built out their case since they first filed charges against Mr. Leissner in June. Back then, the charges did not contain any reference to the co-conspirator identified by people familiar with the matter as Mr. Vella. But the court documents associated with Mr. Leissner's plea on Aug. 28 do.

According to that filing, the co-conspirator identified separately as Mr. Vella agreed with Mr. Leissner and Mr. Ng, in a 2012 meeting, to keep Goldman's compliance department in the dark about the people who were government officials to secure financing for a deal.

Court papers filed by federal prosecutors describe a long-running scheme begun in 2009 by the Goldman bankers to conceal Mr. Low's involvement in the fund's business and the money paid out on his advice. Those bribes and kickbacks helped stave off business for the bank while a group of people with close ties to the former Malaysian prime minister [stole from some of the bond proceeds](#) to fuel their lavish lifestyles.

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Prosecutors contend that the bankers had to conceal Mr. Low's unofficial involvement in the fund because the Goldman's legal team had concerns about the source of his wealth. Mr. Leissner and other Goldman bankers helped 1MDB raise money through three bond issues while making hundreds of millions of dollars in commissions. During each deal, Mr. Leissner followed Mr. Low's directions about whom to bribe to win contracts for bond issues that were internally nicknamed "Project Magnolia," "Project Maximus" and "Project Catalyze."

The money raised was supposed to be spent on projects to help the Malaysian people like those described in the deals' financing documents. Instead, the court filings describe an elaborate plan to funnel millions of dollars of bond proceeds to so-called shell companies controlled by Mr. Low and others. Some of the money went into bank accounts in Hong Kong.

Internal emails, included in the court documents, show that Mr. Leissner and his team referred to one of the bank's earliest proposed deals with the Malaysians as "Project Tiara." Among the luxury goods Malaysian authorities eventually seized because they had been purchased with money from 1MDB: 14 diamond-studded tiaras.

Until recently, public attention toward the scandal focused mainly on where that money ended up. Federal prosecutors in Los Angeles [have filed multiple civil suits](#) to recoup assets bought with \$44 million that he earned from scheme. Mr. Leissner also kept some of the funds for himself, according to the authorities. In pleading guilty, he was ordered to forfeit nearly some of the money.

Mr. Leissner's lawyer did not return a request for comment. It was According to those lawsuits, Mr. Najib's wife, Rosmah Mansor, not known who was representing Mr. Ng. received \$30 million worth of jewelry bought with money originating from 1MDB including a 22-carat pink diamond necklace worth \$27.3 million alone.

"As noted in the indictment today, Mr. Low held no formal position at 1MDB, nor was he ever employed by Goldman Sachs," the spokesman, Jim Haggerty, said. He added, "Furthermore, the bond offerings detailed in the indictment were undertaken openly and

lawfully between experienced, well-regulated financial institutions and government entities.”

The fraud led Malaysian voters to oust Mr. Najib in May; prosecutors there brought corruption charges against him in July. The new prime minister, Mahathir Mohamad, has moved quickly to investigate. The Malaysian government is [seeking restitution from Goldman Sachs](#).