

Goldman Sachs Likely to Escape Accountability for 1MDB Scandal

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Goldman Sachs' board of directors authorized the potential [claw back](#) of a number of top executives' compensation pending the outcome of the 1MDB scandal. Ex-CEO Lloyd Blankfein and CEO David Solomon are among the executives who could have to pay back stock awards.

The board of directors responded to increasing scrutiny around Goldman Sachs' role in the [1MDB scandal](#). Last year, the Justice Department claimed that \$2.7 billion had been misappropriated from a Malaysian sovereign wealth fund. Goldman's exposure stems from the bank's arrangement of three large bond offerings in 2012 and 2013. Nearly half of the \$6.5 billion in earnings for the Malaysian fund were misused to pay for kickbacks, fine art, jewelry, and bribes. The scale of the fraud committed—and the murkiness of the transactions—begs the question: What did Goldman executives know?

That question was partly answered when [Tim Leissner](#), Goldman's former Southeast Asia chairman, pleaded guilty to conspiring to commit money laundering and conspiring to violate the Foreign Corrupt Practices Act. The government also filed charges against another former Goldman Sachs banker and a Malaysian financier, both of whom the government claimed were central to the embezzlement plot.

Goldman has worked to paint these individuals as rogue bankers who conspired to defraud the fund for their own benefit. However, the charging documents indicate that the prosecutor may be reluctant to accept Goldman's "bad apples" defense. The government alleged that Goldman perpetuated a culture of prioritizing deal-making with little regard for regulations. While the government may have left the door to indictment open, such actions are exceedingly rare. Rather, all signs point to Goldman paying a hefty fine and presumably returning to business as usual.

