



Henley & Partners Videoconference Meeting

Summary of meeting

Valetta/Strasbourg/Brussels - 14/03/2018

Participants:

Henley & Partners (H&P):

Dr. Christian H. Kälin

Group Chairman

Dr. Juerg Steffen

Group Chief Operating Officer

Stuart MacFeeters

Managing Partner Malta

MEPs:

Sven Giegold

Ana Gomes

David Casa

Dr. Juerg Steffen made an introductory statement.

Summary of Questions and Answers:

1. How was the IIP in Malta set up? How was the contact between you and the Maltese government established? Who established it? When was it established?

H&P is the global leader in the investment migration field, in big and small countries. In most cases and programmes, there is an involvement of H&P and countries seek advice from H&P. Competitive tenders for managing these programmes are common, and H&P usually wins. That is what happened in Malta, where we acted as professional advisers. H&P designed the programme and promotes it globally. We never dealt with due diligence, as a concessionaire, we have a mandate to promote the IIP around the world and we are also a registered agent, among others. We have a presence in Malta for over 20 years, and assisted the government in the reform of the residence programme, which was badly managed. We have and had a constant interaction with the governments (this one and the previous one) about their residence programmes, and this new government picked up the "citizenship idea".

In the case of Malta, the government issued a tender and H&P received a mandate. We have been in Malta for 20 years, so we have a history in Malta and had interactions with previous governments.



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Parlament Ewropew Europees Parlement Parlament Europejski Parlamento Europeu Parlamentul European
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2. What was the chronological order of contacts?

We had some interaction with the previous government on the IIP, but then it was the current government who formalised it.

3. With regards to the email exchange between H&P and the Maltese Prime Minister and his Chief of Staff about the lawsuit against journalist Daphne Caruana Galizia (DCG): who wrote the email? Was it the CEO? The informality and closeness of the writing between the CEO of H&P and the PM seemed quite striking.

H&P has close relations with governments around the world. We are closer to some governments than others, but in small countries like Malta, it is possible to approach a member of government quite informally. We have known them for a long time, and it is not possible to compare relations with the government of Malta to Germany or another big country.

Regarding the subject of the email, H&P just wanted to know if it was ok with the government to proceed with a lawsuit because it has public and political implications. We have a good relationship with the government. H&P maintains good and close relations with clients. The point of the email was to ask the government if they would be ok with a legal action H&P was planning to take (which can have political repercussions). As a concessionaire of the IIP programme, we wanted to inform the government. We would not go ahead with something like that unless we got at least an informal 'OK' of the key decision makers.

4. The Panama Papers revealed emails between you and Mossack Fonseca. What is the business relationship between H&P and the law firm Mossack Fonseca (MF)?

Dr. Juerg Steffen: when I joined H&P, I set up the office in Singapore. MF has offices around the world, and they helped us establish a local entity. In 2013 I started dealing personally with them (local office of MF in Singapore), but the relationship between the firms was established before. MF also helped to setup offices in other countries. Happy to check with our corporate governance department when exactly it started.

MF was one of many agents we used, but I think we stopped in the meantime. It was a matter of convenience to us.



5. What is your relationship with Ali Sadr Hasheminejad, Chairman of Pilatus Bank?

Dr. Christian Kälin: He was a client with H&P and I got to know him personally because he was our client. There is absolutely no link between us and the setting up of Pilatus Bank in Malta. We did not refer clients to him. At one point we were approached by Pilatus to collaborate but it never happened. Pilatus Bank contacted us about setting up a scheme for Pilatus to finance (through loans) the acquisition of citizenship in Malta to H&P clients. But this never went through.

6. Why did you pursue legal action to effectively shut down The Shift?

We are very open and very supportive of journalism and of investigative journalism. However, The Shift is making false statements and “fake news”, so we requested those to be taken down. We decided not to take further action yet.

7. Was the company involved in the St Kitts and Nevis passport that Mr. Ali Sadr uses?

Yes, but not the Maltese office of H&P, it was the H&P office in St Kitts and Nevis.

8. Did H&P introduce Mr Ali Sadr to the Prime Minister of Malta?

No, he had been in Malta before and contacted the PM before. We organised a meeting with the Prime Minister Muscat and him in London, but we were never involved in their relationship or the licensing of the Bank in Malta. There was a meeting where Pilatus Bank did a presentation, where they suggested offering financing services to our clients, but there was no interest.

9. What due diligence (DD) measures do you take with regards to your clients? And specifically regarding politically exposed persons (PEPs)? Is there a specific supervisory body that oversees your compliance obligations?

When we initiate contacts, before we sign an agreement, we ask for passport and proof of residence. We then check the data with a software called World Check, that scans through sanctions lists, police lists such as Interpol, etc, and we do further internet searches. Regarding PEPs, we perform extra DD by hiring an external due diligence company. The prospect has to pay for it (around \$3000). These services are provided by Thomson Reuters or another firm (we use several of them); they send us a report of 20-30 pages on the person. After all of this is done, we decide if we take the person as a client or not. The compliance person usually speaks the language of the client.

In several countries we are regulated AML entities, but we always apply the same group DD policies and standards. We support more regulation and stricter standards; we apply



extremely good standards and in many ways we have the same agenda that you have. In Malta, specifically, there are extremely good standards, so much so that governments looking into setting up their own investor schemes say that Malta is a kind of gold standard, with an independent regulator - the only country that does so, as far as I know. The regulator, which is an office separate from identity Malta, and is a public auditor, published now its fourth annual report with much detail. They check about 50% of the applications, so I would say it is almost an extreme level of audit.

We very much welcome strict systems and standards and best practices on DD and AML on these programmes - which are rightly under your scrutiny, since in this industry, just like in any other, there are many issues and badly-run programmes.

10. Do you have any statistics on when Identity Malta decides against your recommendation?

We do not make recommendations regarding individual applications to the government, but we meet with the government often in the role of the Concessionaire, looking at the procedures. We are also a normal agent, in the sense that we hand in the applications for our clients. We do not have comprehensive statistics, but we know that in 1101 applications, there was a 22% rejection rate.

11. In Portugal there is a golden visa scheme. You have an office there; could you clarify your involvement in the setting up of that programme?

We have not been involved in the design or operations or any other thing regarding the setting-up and follow-up of the programme in Portugal. We only use it for clients who show interest. We are concerned about how things are done there and have made recommendations to the government about the programme. We only made promotion of the programme, but we are concerned since we noticed that there are client rip-off schemes (making people pay a price much higher than the real value of the real estate).

12. One of your competitors is Arton Group. Who are the others?

The Big Four mainly; they start to go in different countries and see that this is a very attractive industry. The other one is Fragomen (a US law firm based in New York). There are also big companies in China, but they mainly deal with residence-by-investment programmes, helping Chinese clients looking to move to Canada and the US, although they are starting to focus on Europe too. The Arton Group has about 40-50 staff, they do a lot of marketing but they are not a player at our level.



13. Why did you plot with the government of Malta to shut down investigations by journalists, and why are the lawsuits filed by H&P in London?

We already answered the first question, but basically we have not plotted anything with the PM or anyone else. We only wanted false statements to be taken down. We needed to engage lawyers because they would not reply to our requests to remove fake news. We file lawsuits in London because it is our main base and our lawyers and advisors are there. We are Concessionaires in Malta so, obviously, when we take these decisions with a political impact, we ask the government whether it is ok to do so.

14. Identity Malta paid 700 000 € in DD services. Who are they paying as subcontractors? Why?

We submit our own DD pack to Identity Malta, and Identity Malta does its own DD work. Normally it would take about two weeks for Identity Malta to come back with a decision. They have a panel of at least six companies, independent DD groups. They mandate two different external companies for each application. Not many governments do that.

15. Do you have statistics of nationalities that get the citizenship? Can they be sent to us? By country and year.

You should try to get this data from identity Malta, and we will ask ourselves. There should be some information on the reports of the auditor.

16. Have you been in touch with Cambridge Analytica, namely in the context of the Maltese elections?

We had no involvement in the Maltese elections. We reached out to Cambridge Analytica after an article was published on the work they were doing in the US elections, to see whether they could help us reach clients in North America. But it did not lead to anything, because in order to make an offer they wanted access to historical data from our clients, and we could not provide that.

17. What DD did you perform on Seyed Ali Sadr Hasheminejad as a client? Was there any link with Pilatus Bank?

We had nothing to do with his operations or DD in Malta. We helped him with acquiring a St Kitts and Nevis citizenship through our office there. Shortly after, we discontinued any relations with Iranian people, to this date, due to the international sanctions. We lobbied countries to discontinue relations with citizens from sanctioned countries, but St. Kitts and Nevis authorities did not listen to us for a long time.



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18. How come you pay for politicians in Malta to promote these programmes in your conferences, etc.?

We have a strict anti-bribery and anti-corruption policy (following the UK Anti-Bribery Act). We sometimes pay expenses of travel for politicians if they do not have a budget for it, but that is all. Sometimes we also pay one or two nights if there is a conference.

The Prime Minister of Malta has no obligation to come to our events. In the contract, it merely says that members of the Maltese government support our events, but there is no specific requirement. The PM is always invited to the events but he only goes when he wants.

19. Who are the owners of H&P?

H&P is owned by a number of shareholders, I and members of my wider family (Dr. Christian Kälin) are some of the shareholders, so is Juerg and others.