



Mr Matthias Kloth
Executive Secretary
MONEYVAL
Directorate General of Human Rights and Rule of Law
Information Society and Action against Crime Directorate
Council of Europe 67075 Strasbourg CEDEX
FRANCE

July 12, 2018

Dear Mr Kloth,

Our organisations are actively involved in fighting corruption and money laundering.

Considering the situation in Malta - see details below - and the European Banking Authority (EBA)'s decision to open a formal investigation in May 2018 on the failures of the Maltese regulatory authorities in their handling of Pilatus Bank, we therefore request that you, in your capacity as MONEYVAL's Executive Secretary, take the information below into account in the 5th Round Evaluation of Malta.

We also request that you monitor the practices of the MFSA for the potential failure to comply with AML/CFT obligations imposed by the Financial Action Task Force (FAFT) recommendations and the EU anti-money laundering directives.

As you know, Pilatus Bank was allowed to obtain a license to operate in Malta and to continue operating even following revelations that the bank was at the centre of corruption and money laundering¹.

Pilatus bank has long been a concern however, the MFSA only froze Pilatus Bank's assets after the bank's owner arrest in the US on charges of money laundering. MFSA failed to investigate last year, closing one eye to such serious allegations and

¹ https://abonnes.lemonde.fr/projet-daphne/article/2018/04/18/pilatus-la-banque-maltese-qui-recycle-l-argent-de-l-azerbaïdjan-en-europe_5287282_5286994.html

thus making way for such a outrage to happen in the European Union². Despite having identified Pilatus Bank's non-adherence to AML laws as 'glaring' and 'deliberate', Maltese authorities failed to take any action against Pilatus bank. In fact, no sanctions were ever imposed on the bank that is now at the heart of a financial scandal.

The Maltese journalist Daphne Caruana Galizia, assassinated on October 16, 2017, had discovered links between Pilatus bank and the Maltese government, as well as the existence of bank accounts opened by relatives of the Azeri regime. She suspected Pilatus bank of laundering funds.

After her death, the investigative consortium Forbidden Stories launched the "Daphne Project" that continues the investigations of Daphne's stories. They were able to confirm that Pilatus bank was indeed, in Malta, the bank of the Azeri regime. The Maltese bank has served as a cover for the two most powerful families in Azerbaijan, the President and his Minister for Emergencies to transfer money to Europe and invest in different sectors of the economy from dummy companies established in Malta. All of these companies have accounts with Pilatus bank.

It is pertinent to note that the FIAU was aware that the bank's owner was being investigated for money laundering by FinCEN³. In fact, this is referenced in another two leaked FIAU reports published in 2016 that concerned the Malta Prime Minister's Chief of Staff, Keith Schembri. These FIAU reports concluded that police action was necessary against Keith Schembri for money laundering using Pilatus Bank accounts. The FIAU has stated that Pilatus bank has been intensively monitored since the end of 2015, despite the bank having been allowed to continue its activities.

Moreover, the MFSA claims to have hired a foreign firm to provide an "intelligence report" before Pilatus Bank got a license to settle in Malta but has refused to disclose the identity of the company that prepared the report. In view of the fact US prosecutors are alleging that Pilatus Bank was set-up with proceeds of crime, the contents as well as the authors of this "intelligence report" has become all the more significant as it constitutes a failure of the private firm that is either the result of gross negligence or complicity in serious crime and it is relevant of a lack of transparency.

In addition, Nexia BT, the firm that created the money laundering structures exposed in the Panama Papers leak continues to operate with complete impunity. The evidence on Nexia BT is overwhelming and largely in the public domain. It has been

² <https://money.usnews.com/investing/news/articles/2018-06-30/malta-asks-ecb-to-withdraw-license-of-scandal-hit-pilatus-bank#close-modal>

³ Financial Crimes Enforcement Network

reported on extensively following the Panama Papers leak, the leaked analytical reports from Malta's FIAU and now through the revelations of the Daphne Project⁴.

The continued operation of Nexia BT exposes systemic defects in the Maltese regulatory and supervisory system that protects those that service members of the present government.

We recall that MONEYVAL is an Associate Member of the Financial Action Task Force (FATF) and we underline the importance of MONEYVAL as a leading international partner in the global network of evaluation bodies the fight against money laundering and the financing of terrorism (AML / CFT).

We therefore request that you, in your capacity as MONEYVAL's Executive Secretary, take this information into account in the 5th Round Evaluation of Malta in order to improve the capacity of national authorities to combat money laundering and terrorist financing more effectively; we are also calling on your duties to monitor the practices of the MFSA and see that procedures are in place to avoid such future scandals from happening again.

Sincerely,

Franceline Lepany – Sherpa

A handwritten signature in black ink, appearing to read 'Tina Urso', enclosed within a light grey rectangular box.

Tina Urso – Il-Kennesia

⁴ <http://theshiftnews.com/2018/06/25/withdraw-warrants-of-brian-tonna-and-karl-cini-mep-david-casa/>