

PANA Newsletter

Issue 5 - February/March 2017



Dear Reader,

I want to begin this newsletter on a positive note. Our Committee has made good progress in the first months of 2017. We have had three successful hearings in which we looked closely into the roles that lawyers, bankers and accountants play (ed) in the setting up of offshore companies.

We zoomed in on practices in Germany, Sweden, France and Switzerland and learned a lot of the detailed accounts that were given, not only by such intermediaries, but also by prosecutors, financial intelligence units, ex-employees, researchers and investigative journalists.

Moreover, delegations of our Members visited the United Kingdom, Malta and Luxembourg to learn more about the national rules and practices. And, last but not least, the results of the studies that we commissioned - an important part of our fact finding - are coming in. In view of the work ahead, we requested that our mandate could be extended.

But not everything goes as smoothly as my introductory words may suggest. Disappointing was the fact that some invitees - especially some national authorities and banks - declined to cooperate with us.

Particularly difficult is also the lack of cooperation on documents requested to Member States and Commission. Yes, almost six months (!) after our first request the Commission has transferred some documents related to the Council's Code of Conduct Group on Taxation. Our Members were allowed to read them under strict conditions in a secure reading room. However, a lot is redacted (marked black) at the request of the Member States, which is disappointing and goes against the loyal cooperation and trust in which we would like to cooperate with the other institutions.

The same goes for the questionnaire that we sent to Member States already in November to learn about national follow-up on money laundering and tax evasion issues revealed in the Panama Papers. Some countries have responded with high quality papers giving a detailed outline of what they have put on track to fight money laundering and tax evasion. Other countries merely inform us that they comply with international standards. And 10 countries - including the one currently holding the Council Presidency - have not replied until today (7 March).

This does not withhold us from our determination to present a comprehensive and detailed set of findings and recommendations and I am confident we will deliver. We will keep you posted.

Werner Langen
Chair of the PANA Committee



In this edition...

- PANA Fact-finding mission to USA 21-24 March 2017
- Presentation of PANA Studies
- PANA Fact-finding mission to Luxembourg 2-3 March 2017
- PANA Fact-finding mission to Malta 20 February 2017
- PANA Fact-finding mission to United Kingdom 9-10 February 2017
- PANA Public hearing on 6 March 2017
- PANA Public hearing on 9 February 2017
- PANA Public hearing on 24 January 2017
- Joint ECON/PANA meeting of 31 January with National Parliaments
- Presentation of the Working document on the Inquiry into Money Laundering, Tax Avoidance and Tax Evasion on 26 January
- Useful links
- Next upcoming PANA meetings

PANA Fact-finding mission to USA 21-24 March 2017



From 21 to 24 March, the Inquiry Committee into Money Laundering, Tax Evasion and Tax Avoidance (PANA) will conduct a fact-finding mission to the United States.

The purpose of the visit is to discuss with interlocutors the state of play and future perspectives for transatlantic cooperation in the fight against Money Laundering, Tax Evasion and Tax Avoidance, at international, OECD and G7/20 level, and both tax and beneficial ownership transparency at US state level.

In Washington, delegation members will meet with counterparts in the US Congress (both Senate and House of Representatives) as well as with representatives of the US Treasury, the Internal Revenue Service (IRS), representatives of think tanks and civil society. On Thursday

and Friday meetings will be held in the State of Delaware with representatives of the Delaware General Assembly, the Department of State and the Department of Finance as well as with other government bodies of the State of Delaware.

Further information:

- [Study on "EU-US trade and investment relations: Effects on tax evasion, money laundering and tax transparency"](#)

Presentation of PANA Studies



An important part of our fact finding is based on scientific research that is carried out or outsourced by our Policy Department and the Parliamentary Research Service (EPRS). The studies that have been commissioned on the request of our Members aim at outlining the impact of the Panama Papers in the Member States and to assess how effective the European countries are in fighting money laundering and tax evasion. Furthermore we will shortly receive the results of two studies that look in to the roles and responsibilities of intermediaries in the Panama papers and one on offshore practices in EU Overseas Countries and Territories.

The results of these studies will shortly become available and will be presented in **Committee meetings on Thursday 27 April, from 14.00 to 17.30 and Tuesday 2 May, from 15.00 to 18.30** by the researchers who conducted them.

- The impact of schemes revealed by the Panama Papers on the economy and finances of the sample of Member States (Policy Department D)
- How and why economic and financial indicators may hint at unreported assets held abroad and potentially tax evasion (Policy Department A)
- Roles of advisors and intermediaries in the schemes revealed in the Panama Papers (Policy Department A)
- Rules on independence and responsibility regarding auditing, tax advice, accountancy, account certification services and legal services (Policy Department A)
- Overview of the performance of the competent administrative and judicial authorities as regards investigating cases of tax evasion, tax avoidance, tax fraud and money laundering (EPRS)
- Fighting tax crimes: ex-post evaluation of the cooperation between FIUs at the European and International level (EPRS)
- Assessment of the legal, political and institutional framework on offshore practices related to tax evasion, money laundering and tax transparency in the EU Overseas Countries and Territories (OCT) (EPRS)

PANA Fact-finding mission to Luxembourg 2-3 March 2017



A delegation of our Members visited Luxembourg on 2 and 3 March. On day one, successive meetings were held with the two responsible ministers, Pierre Gramegna (Finance) and Felix Braz (Justice) and Members of the Finance Committee in the Chamber of Deputies. The ministers explained that the challenge of money laundering and tax crimes can - in their view - only be addressed through "enhanced international cooperation and increased transparency". The country has for example taken over the common reporting standards and committed to international information exchange agreements between tax administrations starting in 2018, Mr Gramegna explained. Luxembourg has also revised its national prosecution and penalty regime for tax related offenses whereby from 1 January 2017 six types of tax fraud are now considered criminal offenses, his colleague Mr Braz added.

Delegation leader and Committee chair Werner Langen acknowledged that Luxembourg was making progress, but was less impressed by the Luxembourgish efforts to increase transparency. Referring to the Councils documents that were transmitted to the Committee (see also words by the chair) he noted that almost everything related to Luxembourgish positions (and of ten other countries) in the Council's Code of Conduct Group on Taxation was marked in black. Asked about the Luxembourgish position on public country-by-

country reporting for multinational companies, Mr Gramegna replied to vice-chair Ana Gomes (S&D, PT) that he is in favour of country reports as such, but as long as they are not made public. "Unless this is done worldwide", he added.

The following day meetings continued with representatives of HSBC Luxembourg, Price Waterhouse Coopers and KPMG, the Luxembourgish Bar Association and the Financial Sector Surveillance Commission (CSSF). With them the discussions focused on the role played by intermediaries.

The Panama Papers revealed 3600 links between Luxembourgish companies and Mossack and Fonseca; the infamous law firm in Panama from which the leaks originated. A peek in the relations can be seen in 2009, after which the numbers significantly decreased.

Questions that were raised concerned the question of hard law versus self-regulation and self-sanctioning, the scale of involvement of Luxembourgish lawyers, accountants and banks and to what extent follow-up action was taken by the supervisor and professional associations.



Further information:

- [Press release: Panama Committee visit Luxembourg on fact-finding mission, 2-3 March 2017](#)
- [Reply letter from Pierre Gramegna, Minister of Finance to Werner Langen, PANA Chairman](#)

PANA Fact-finding mission to Malta 20 February 2017



A delegation of our Members visited Malta on 20 February to look into the issues of money laundering, tax avoidance and tax evasion. The delegation, made up of 10 MEPs from 7 political groups and 5 out of 6 Maltese MEPs, met with Finance Minister Edward Scicluna, officials from the Financial Intelligence Analysis Unit, a public entity which investigates reports on suspicious transactions, and the Police Commissioner. They met with the Malta Financial Services Authority and representatives from private financial intermediaries and encountered enormous interest from Maltese media.

Chairman Werner Langen concluded: "We looked at Malta's taxation system as a whole, and how well European legislation has been implemented and enforced. We got information on how the authorities in charge of investigating alleged money laundering cases work and how things could be improved. Malta had made a lot of progress in terms of transparency, but it was clear that there was still a lot of work to do."

The PANA delegation called on the Maltese authorities to step up their efforts in combating tax evasion and tax avoidance and encouraged collaboration with their European counterparts. A coordinated effort at EU-level was required because loopholes in various Member States were being used by individuals and corporations seeking to avoid or evade taxes.



PANA Committee Co-rapporteur Jeppe Kofod said: "Malta's beneficial corporate taxation schemes must be further investigated and Malta should set up a public registry for ultimate beneficiary owners of companies."

The MEPs had a meeting with Maltese Minister Konrad Mizzi, one of two politically exposed persons named in the Panama Leaks. The other politically exposed person mentioned in the Panama Leaks, Keith Schembri, from the office of the Prime Minister, refused to meet the delegation, calling into question the mandate of the PANA Committee in a written statement.

Further information:

- [Press release: Panama Committee visit Malta on fact-finding mission, 20 Feb 2017](#)
- [Press release: PANA MEPs call for increased transparency in Malta's taxation system](#)

PANA Fact-finding mission to the United Kingdom 9-10 February 2017



On 9 and 10 February, Members of the PANA Committee went on a mission to London (UK) to meet representatives of public authorities, politicians, experts, representatives of civil society and representatives of the professions.

The purpose of this mission was to look into the involvement of the UK in the Panama Papers, the follow-up measures that were taken and to discuss possible ways of overcoming tax evasion, tax avoidance and money laundering through the offshore business.

The delegation had several exchanges on issues of public transparency, the necessity to regulate, supervise and improve transparency with regard to trusts, the legitimacy of offshore companies, the definition of tax havens with regards to setting up a blacklist and legal professional privilege. It was pointed out that the international framework for transparency and exchange of information had to be improved, that the anti-money laundering supervision in the UK and in the EU was too fragmented and that there was a lack of adequate resources for regulators, supervisors and law enforcement.

Representatives from Treasury and from HM Revenue & Customs did not attend the meeting and were criticised by the Chair and Members of the delegation. Moreover, officials from HM Revenue & Customs could not reply to questions on Overseas Territories or Crown Dependencies.



Further information:

- [Press release: Panama Committee visit UK on fact-finding mission, 9-10 Feb 2017](#)

PANA Public hearing on 6 March 2017

The Role of Lawyers, Accountants and Bankers in Panama Papers (Part III)

On 6 March, our Committee held its third and last public hearing on “the role of intermediaries in the Panama Papers”. This time the focus was on the practices in France and Switzerland.

Speakers in the French panel were Patrick Suet (Société Générale & Trust Luxembourg), Sylvie David-Chino (BNP Paribas), Olivier Boutellis-Taft (Accountancy Europe), Bruno Dalles (the French FIU; TracFin) and Anne Michel (investigative journalist of Le Monde). The Swiss panel comprised of Oliver Zihlmann (Le Matin Dimanche), Giuseppe Marino (University of Milan), Peter Lutz (Swiss Bar Association and Swiss Notary Association) and Jean-Bernard Schmid (public prosecutor in Geneva). Credit Suisse and UBS declined to appear in the hearing and the same goes for the Swiss FIU and the Swiss supervisor (FINMA).



French banks gave an account of their involvement in the Panama papers, underlining that the Panama Papers data cover a period going back to the seventies and that the Know Your Customer (KYC) rules have been put in place so that it is almost impossible for ultimate beneficial owners of offshore structures to stay out of the books. Banks try to reduce risks of facilitating money laundering by the installation of additional client acceptance committees and the use of risk score boards.

TracFin, the French Intelligence Unit (FIU) that receives all the suspicious transaction reports said the banks are good for 65% of these reports. Lawyers hardly report suspicious transactions to the FIU, he said. Asked what he would welcome to facilitate his work, Mr Allo said a national bank account register and interrogative capacity would be of great help. He also pointed at new risks such as crowd funding initiatives and online wallets.

Investigative journalists Oliver Zihlmann explained that in Switzerland there is a loophole - or grey area - that is being exploited by Swiss lawyers who represent foreign clients vis-a-vis Mossack Fonseca. They look at Mossack and Fonseca for client due diligence, whereas Mossack and Fonseca assume the responsibility for this lies with the Swiss lawyers involved. The result is that in many cases, information on ultimate beneficial ownership is lacking.

Public prosecutor Jean-Bernard Schmid explained about the difficulties in the anti-money laundering investigations he carries out: "The underlying crimes are often in other countries, which makes it more complex." Adding that "we are more and more plea-bargaining instead of going for lengthy proceedings in Court. Instead of going after the facilitators, we go after the money. We want to recover the assets", he said. Professor Marino from the University of Milan pointed at another loophole that is being exploited by wealthy Europeans. If they successfully apply for Swiss citizenship, the Swiss authorities do not transfer information to national tax authorities" he explained.

Further information:

- [Programme of the hearing](#)
- [CVs, contributions and replies to written questions from speakers](#)
- [Webstreaming / Recording](#)

PANA Public hearing on 9 February 2017

The Role of Lawyers, Accountants and Bankers in Panama Papers (Part II)

On 9 February, the Committee held a second hearing with intermediaries who were involved in the Panama Papers scandal. The focus of this hearing was on the German experience and the case of the Nordea Bank.

In the first panel, Benedikt Strunz, a journalist at Norddeutscher Rundfunk who researched the Panama Papers, Katrin Keikert, a former compliance officer at Berenberg Bank, Michael Kemmer and Throsten Höche, two representatives of the Association of German Banks, and Ulrike Paul and Frank Johnigk, two representatives from the German Federal Bar, discussed the involvement of German banks and lawyers in money laundering, tax evasion and tax avoidance. Katrin Keikert's narrative about how compliance officers in her bank were put under pressure highlighted the importance of an appropriate corporate culture for carrying out proper due diligence checks. Despite significant progress in regulating banks, some loopholes in German law were pointed out, as for instance the possibility to outsource know-your-customer procedures to third parties.



In the second panel, the Danish journalist Søren Kristensen, Matthew Elderfield and Johan Ekwall, two representatives of Nordea, and Biörn Riese and Adreas Steen, representatives of Mannheimer Swartling, talked about the case of Nordea Bank, the biggest bank in Scandinavia. Nordea had commissioned an external investigation into its Board and management following the Panama Papers scandal. Despite improvements in the AML system and reviewed ethical standards, MEPs criticised that Nordea's review was only partial and that the bank did not commit to stop setting up offshore structures. The need for standardised registers of beneficial owners and international cooperation between prosecutors was pointed out. The Nordea representative explained that proper codes of conduct were in place but that they were not always adhered to. "We are learning and have a way to go", he acknowledged.

Further information:

- [Programme of the hearing](#)
 - [CVs, contributions and replies to written questions from speakers](#)
 - [Report on Investigation of Nordea Private Banking in Relation to Offshore Structures](#)
 - [Press release: MEPs challenge bank over continued ties with tax havens](#)
 - [Webstreaming / Recording](#)
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The Role of Lawyers, Accountants and Bankers in Panama Papers (Part I)

On 24 January, the Committee held a first hearing with intermediaries who were involved in the Panama Papers scandal. The Members discussed with experts, representatives of civil society and representatives from the professions (lawyers, accountants and bankers) about the roles and responsibilities of intermediaries involved in the Panama Papers.

In the first panel, Professor Ronan Palan, Senior advisor at Tax Justice Network, Professor Brooke Harrington, and Daniel Hall, a solicitor who chases assets for creditors, presented their perspective on the involvement of intermediaries in creating offshore structures that allowed for tax evasion, tax avoidance and money laundering. The aim of policies should be to make the secrecy business unprofitable and create incentives for intermediaries to cooperate with policy makers, they said. Both, Professor Palan and Professor Harrington, suggested the EU should take over the US FACTA model.



In the second panel, representatives of the Council of bars and Law Societies of Europe (CCBE), of the European Banking Federation (EBF) and of PricewaterhouseCoopers presented the perspectives of the professionals. They emphasized that progress was being made to prevent the abuse of offshore structures and that there was strong adherence to highest professional standards. However, a global approach would be needed to tackle money laundering and tax evasion, one speaker said.

Further information:

- [Programme of the hearing](#)
- [CVs, contributions and replies to written questions from speakers](#)
- [Press release: Wealth managers provide “law avoidance” to the rich, PANA MEPs hear](#)
- [Transcription of the hearing](#)
- [Webstreaming / Recording](#)

Joint ECON/PANA meeting of 31 January with National Parliaments

Panama Papers, Bahamas leaks: which follow-up did national Parliaments give to the revelations? Which lessons can be learned?

On 31 January, the PANA Committee held a joint hearing with the ECON Committee and representatives of national parliaments in the context of this year's European Parliamentary Week.

Professor Mark Pieth, who worked together with Professor Joseph Stiglitz on a research for the Panamanian government, was invited as a guest speaker to give recommendations. He supported the creation of a global public company register and noted the importance of investigating where professional privileges are abused by lawyers, advisors, or others who are acting beyond the legal scope of their work.



Representatives of the Dutch and the Belgian Parliament, both of which are doing an inquiry into the Panama Papers, as well as a representative of the Austrian National Council presented their work on tax evasion, tax avoidance and money laundering. The discussion highlighted the importance of international cooperation and data exchange among authorities. Moreover, it was suggested to adapt the US FACTA model to the EU and to set up an EU Financial Intelligence Unit.

Further information:

- [Agenda of the interparliamentary meeting ECON/PANA](#)
- [Biography of Mark Pieth](#)
- [Report by Joseph E. Stiglitz and Mark Pieth on "Overcoming the Shadow Economy"](#)
- [List of written questions to Mark Pieth](#)
- [Replies to written questions from Mark Pieth](#)
- [Transcription of the hearing](#)

PANA meeting of 26 January 2017

Presentation of the Working document on the Inquiry into Money Laundering, Tax Avoidance and Tax Evasion

On 26 January, the two co-rapporteurs of the PANA Committee, Jeppe Kofod (S&D, DK) and Petr Ježek (ALDE, CZ) presented a working document, which outlines the aim of the Committee's investigative work and provides a common understanding of the issues that are at stake.



Jeppe Kofod
Co-Rapporteur (S&D, DK)



Petr Ježek
Co-Rapporteur (ALDE, CZ)

The working document was positively received by the Members of the Committee. However, they pointed out that the document covered a very broad range of topics and that the Committee should focus on essential points. Especially, the mandate of the Committee, which is to investigate alleged contraventions and maladministration of EU law by EU institutions, EU bodies and Member States, should be kept in mind.

The issue of access to documents, especially from the Council's Code of Conduct Group on taxation, was brought up by Members as many relevant documents that were requested from the Commission had not yet been received. This was seen as a significant obstacle to the Committee's work.

Further information:

- [Jeppe Kofod](#)
- [Petr Ježek](#)
- [Working document](#)
- [Transcription of the hearing](#)
- [Webstreaming / Recording](#)

Useful links

- [PANA draft work programme of the upcoming activities](#)
- [Presentations, speeches and replies to questionnaires from hearings](#)
- [Transcriptions of the meetings and press releases](#)
- [Official letters \(Invitation letters, letters related to request of request of documents, request for Member States contributions\)](#)
- [Coordinators' decisions](#)
- [PANA hearings, workshops and missions](#)
- [Supporting analyses \(Studies, briefings, fact sheets\)](#)
- [Committee mandate \(powers, numerical strength and term of office\) as adopted by the European Parliament on 08.06.16](#)
- [List of members of the PANA Committee](#)

For further links, please visit the [PANA website](#).

Next upcoming PANA meetings

- Thursday, **6 April** (9.00 to 12.00) in room Louise Weiss (LOW) N1.3 - Strasbourg
- Thursday, **27 April 2017** (14.00 - 17.30) - Brussels - Presentation of studies (Part I)
- Tuesday, **2 May 2017** (15.00 - 18.30) - Brussels - Presentation of studies (Part II)
- Thursday, **4 May 2017** (9.00 - 12.30) - Brussels

PANA Bureau, Coordinators, Co-Rapporteurs and Shadow-Rapporteurs

Bureau:	<ul style="list-style-type: none"> ▪ Chair: Werner Langen (EPP) ▪ 1st Vice-Chair: Ana Gomes (S&D) ▪ 2nd Vice-Chair: Pirkko Ruohonen-Lerner (ECR) ▪ 3rd Vice-Chair: Fabio De Masi (GUE/NGL) ▪ 4th Vice-Chair: Eva Joly (Greens/EFA)
Coordinators:	<ul style="list-style-type: none"> ▪ Dariusz Rosati (EPP Coordinator) ▪ Markus Ferber (EPP Deputy Coordinator) ▪ Peter Simon (S&D Coordinator) ▪ Bernd Lucke (ECR Coordinator) ▪ Michael Theurer (ALDE Coordinator) ▪ Louis Michel (ALDE Deputy Coordinator) ▪ Patrick Le Hyaric (GUE/NGL Coordinator) ▪ Sven Giegold (Greens/EFA Coordinator) ▪ David Coburn (EFDD Coordinator) ▪ Barbara Kappel (ENF Coordinator)
Co-Rapporteurs:	<ul style="list-style-type: none"> ▪ Jeppe Kofod (S&D) ▪ Petr Jezek (ALDE)
Shadow-Rapporteurs:	<ul style="list-style-type: none"> ▪ Ludek Niedermayer (EPP) ▪ Angel Dzhahmbazki (ECR) ▪ Miguel Urbán Crespo (GUE/NGL) ▪ Molly Scott Cato (Greens/EFA) ▪ (EFDD) ▪ Barbara Kappel (ENF)

Contacts and suggestions

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