

# PUBLIC HEARING

COMMITTEE OF INQUIRY INTO MONEY LAUNDERING,  
TAX AVOIDANCE AND TAX EVASION (PANA)



Tuesday 28.11.2017 – **10:00-12:30**  
JÓZSEF ANTALL BUILDING (BRUSSELS) – ROOM **4Q1**

## MONEY LAUNDERING:

# THE CASE OF NLB FINANCIAL GROUP SLOVENIA AND AZERBAIJAN LAUNDROMAT REVELATIONS



Chaired by **Dr. Werner LANGEN**

*The hearing will be webstreamed on:*  
<http://www.europarl.europa.eu/ep-live>





**PANA**

Committee of Inquiry into Money laundering, tax avoidance and tax evasion

## **PUBLIC HEARING**

### **“MONEY LAUNDERING: THE CASE OF NLB FINANCIAL GROUP SLOVENIA AND AZERBAIJAN LAUNDROMAT REVELATIONS”**

**FIRST PANEL: NLB FINANCIAL GROUP SLOVENIA**

**SECOND PANEL: AZERBAIJAN LAUNDROMAT REVELATIONS**

**TUESDAY, 28 NOVEMBER 2017**

10.00 - 12.30

Room: József Antall (JAN) 4Q1

## **DRAFT PROGRAMME**

10:00 - 10:05 Welcome by the PANA Chair

10:05 - 10:20 First panel: NLB financial group Slovenia -  
Presentations by speakers

- Anze Logar, MP, President of the Commission for identifying irregularities in banks
- Borut Mekina, journalist from Mladina Newspaper

10.20 - 11.15 Discussion with PANA Members

11:15 - 11:30 Second panel: Azerbaijan Laundromat revelations -  
Presentations by speakers

- Eva Jung, Michael Lund and Simon Bendtsen, journalists from Danish newspaper Berlingske
- Carl Dolan, Director of Transparency International (Brussels office)



**PANA**

Committee of Inquiry into Money laundering, tax avoidance and tax evasion

11.30 - 12.25 Discussion with PANA Members

12:25 - 12:30 Conclusions by the PANA Chair



## **PUBLIC HEARING**

### **MONEY LAUNDERING:**

#### **THE CASE OF NLB FINANCIAL GROUP**

#### **SLOVENIA AND AZERBAIJAN LAUNDROMAT REVELATIONS**

**TUESDAY, 28 NOVEMBER 2017**

10.00 - 12.30

Room: József Antall (JAN) 4Q-1

Brussels

## **CVs OF THE SPEAKERS**



#### **Personal Information**

**Dr. Anže Logar**

Born on 15 May 1976.

[Contact me](#)

#### **Deputy**

**Electoral district:** III Ljubljana - Vič-Rudnik IV 6

[SDS - Slovenian Democratic Party Deputy Group \(Member\)](#)

#### **Biography**

##### **Education:**

2016 PhD, School of Advanced Social Studies

2006 Master's degree, Graduate School of Government and European Studies

2000 Professional Degree Programme in Business Administration, Faculty of Economics, University of Ljubljana

1995 Baccalaureate, Grammar School Ljubljana

##### **Work experience:**

2014– Deputy of the National Assembly

2013–2014 Minister Plenipotentiary, Directorate for Economic Diplomacy, Ministry of Foreign Affairs of the Republic of Slovenia

2012–2013 Director, Government Communication Office, Republic of Slovenia

2008–2013 Civil Servant, Government Office for Development and European Affairs, Republic of Slovenia

2007–2008 Director, Government Communication Office, Republic of Slovenia

2008 Official Spokesperson of the Slovenian Presidency of the EU Council

2006–2007 Head of Public Relations Office, Government Office for European Affairs, Republic of Slovenia

2003–2006 Adviser for Slovenia, Group of the European People's Party, European Parliament

2000–2003 Sales Clerk, Sector for Marketing, SKB Bank, Société Générale Group

**Working bodies**

Commission for Public Office and Elections (Member) Commission of Inquiry to determine the abuses in the Slovenian banking system and to determine the causes and responsibilities for the already second rehabilitation of the banking system in independent Slovenia (Chair) Committee on EU Affairs (Member) Committee on Finance and Monetary Policy (Member) Committee on Foreign Policy (Member)

**Delegations**

National Assembly delegation to the Parliamentary Assembly of the Council of Europe (Alternate member )

**Friendship groups**

Parliamentary Friendship Group with Albania (Member) Parliamentary Friendship Group with Belgium (Member) Parliamentary Friendship Group with Bosnia and Herzegovina (Member) Parliamentary Friendship Group with Estonia (Member) Parliamentary Friendship Group with France (Chair) Parliamentary Friendship Group with Italy (Member) Parliamentary Friendship Group with Israel (Member) Parliamentary Friendship Group with Lithuania (Member) Parliamentary Friendship Group with Macedonia (Member) Parliamentary Friendship Group with Norway (Member) Parliamentary Friendship Group with Sweden (Member) Parliamentary Friendship Group with Turkey (Member) Parliamentary Friendship Group with the United States of America (Member) Parliamentary Friendship Group with Portugal (Member) Parliamentary Friendship Group with Luxembourg (Member) Parliamentary Friendship Group with Kosovo (Member)

# CURRICULUM VITAE

Name: Borut Mekina  
Date of Birth: 18. May 1976  
Place of Birth: Maribor, Slovenia  
Address: Ljubljana, Kneza Koclja 41, 1000, Slovenia

## EDUCATION

- Central European University, Budapest, Hungary** 2000 – 2001  
International Relations and European Studies Department  
Average GPA 3,63 (out of 4), M.A. Thesis -A (out of A)  
Master of International Relations and European Studies with Merit
- University of Ljubljana, Faculty of Social Sciences** 1995 - 2000  
Political Science, International Relations Department  
Main Courses: International Finances, International Economy, European Union, International Law, International Organizations, International Relations, Negotiations Technique, Political Science  
Average grade 9, Thesis 10  
B.A. in Political Science, International Relations
- High School** 1991 - 1995  
II. Gimnazija Maribor  
Chemistry and Biology Class  
Graduated with Cum Laude

## WORK EXPERIENCE

- Mladina, weekly political, Ljubljana** 2007 –  
Journalist, Editorial board member
- ORF, Österreichischer Rundfunk, Ljubljana** 2006 –  
Journalist, Producer for Slovenia (ORF Balkan Office)
- EUObserver, Brussels** 2012-2015  
Journalist, Correspondent
- Transitions On-line, Prague** 2004 - 2010  
Journalist, Correspondent
- Večer daily newspaper, Ljubljana-Maribor** 1995-2007  
Collaborator 1995-  
Specialized Journalist 2003-  
Head of Ljubljana office 2005-2007  
- Internship at Guardian newspaper, London 2003  
- Yearly prize, Slovene Association of Journalists 2004

## **OTHER**

**Michael Moors' Where to Invade Next , New York**  
Location Manager

2014-2016

**Slovene Association of Journalists**  
Board Member

2007-2011

## **LANGUAGES**

Slovenian (Native)

German (Very Good)

English (Very Good)

Serbo-Croatian (Very Good)

French (Beginner)

Romanian (Beginner)

## **EVA JUNG - short biography**

Eva Jung is an EU correspondent and investigative journalist at leading Danish newspaper Berlingske. Prior to being assigned to Brussels this fall she worked for seven years as a member of the investigative desk at Berlingske and has won national and international awards in this job. She boards the Danish Association of Investigative Journalism and the Global Investigative Journalism Network.



## **Michael Lund - short biography**

Michael Lund, investigative journalist with the leading Danish newspaper Berlingske covering fraud and financial crime. Has throughout the year uncovered large scale money laundering through Danish Banks. In 2017 awarded the prestigious Danish Cavling-award for exposing how the Danish government manipulated the parliament and the public about the impact of the government's agricultural policy.



### **SIMON BENDTSEN - short biography**

Simon Bendtsen, editor and investigative reporter at the business desk at the leading Danish newspaper Berlingske. Has throughout the year uncovered large scale money laundering through Danish Banks.



# Carl Dolan info

## Web site description

### Carl Dolan

#### Director

Carl has worked at Transparency International EU since 2011 and became its director in 2013. He has previously worked in UK Research Councils, the European Commission and the European Foundation Centre. He holds degrees in economics and philosophy from University College Dublin (1991-97) and studied and taught political philosophy at the University of Bristol (1999-2002).

<http://transparency.eu/author/carl-dolan/>

## European Curriculum Vitae

### Carl Dolan

#### WORK EXPERIENCE

##### 01/2014–Present Director

Transparency International Liaison Office to the EU, Brussels (Belgium)

- Develop and manage the implementation of an advocacy strategy designed to influence the policies and institutions of the European Union (EU)
- Fundraise, manage the TI EU Office staff and volunteers and manage the Office's budget
- Act as spokesperson in Brussels, work with the media on EU-related issues that includes EU specific press releases, EU media interviews, effective use of social media, and public presentations;
- Contribute to TI-S' global SAFE and rapid response work by meeting EU decision makers and undertaking high-level interventions and advocacy actions;
- Analyse and assess EU politics and EU policy-making and develop TI EU policy positions in areas of key priorities in TI 2015;
- Develop and manage relations with a wide array of actors within EU institutions, permanent representations of member states to the EU and Brussels-based civil society, private sector, professional bodies and academia;
- Ensure full compliance of the EU Office as an AISBL with Belgian law

##### 02/2011–12/2013 Policy Officer

Transparency International Liaison Office to the EU, Brussels (Belgium)

- Coordinate and implement TI's EU advocacy campaign to increase transparency and integrity within EU institutions
- Develop TI EU positions in this areas
- Promote solutions to systemic weaknesses identified in the integrity of EU institutions
- Develop and implement communications strategies using traditional and social (blogs, Twitter, etc.) to increase awareness of corruption risks and improve outreach
- Ensure the successful delivery of existing projects in this area

##### 02/2010–01/2011 Research Officer

EU Affairs Department, European Foundation Centre, Brussels (Belgium)

- Advocacy on behalf of Foundation sector on issues related to research and
- Developing new strategy for EFC research group
- Liaison with EU institutions innovation

##### 12/2008–10/2009 Policy Analyst

European Commission, DG Research - Technology and Development, Brussels (Belgium)

- Coordinating a European research evaluation network to ensure that
- Organising of international conferences and workshops
- Analysis of data for Commission monitoring and progress reports research policies are informed by

latest evidence.

#### **10/2007–11/2008 Project Officer**

European Commission - Social Science and Humanities Directorate, Brussels (Belgium)

- Liaison with DG Education and Culture and DG Justice, Liberty and Security
- Supervision of a portfolio of 11 research projects in the areas of migration,
- Developing roadmap for EU social science research
- Presentation of funding opportunities and project outcomes to academics in the research fields of culture and creativity, migration and illicit drugs.
- EU foreign policy and equality law and other external stakeholders

#### **12/2006–09/2007 Head of International Affairs**

Arts and Humanities Research Council (AHRC), Swindon, (United Kingdom)

- Negotiating joint funding opportunities with agencies in Germany, Japan,
  - Negotiating and presenting AHRC position during government spending
  - Managing a small team
  - Making the case for increased funding of cross-border humanities research US and South Korea
- review
- Drafting new AHRC international strategy (2008-11)

#### **08/2005–11/2006 International Affairs Manager**

Arts and Humanities Research Council (AHRC), Swindon, (United Kingdom)

- Coordination of Council's input to an EU-funded transnational network
- Managing project on benchmarking of humanities research (Budget: €50K)
- Providing support to UK Department of Education Expert Group on advocating for greater support for humanities research implications of reform of research funding system for arts & humanities research

#### **04/2003–07/2005 Programme Development Officer**

Arts and Humanities Research Council (AHRC), Swindon, (United Kingdom)

- Managing consultation with academic community on funding priorities,
- Secretary to Strategic Advisory Group (SAG), a standing expert group
- Managing AHRC research networking programme
- Organising training seminars for AHRC Peer Review College including the organisation of national seminars advising on future funding priorities.

### **EDUCATION AND TRAINING**

#### **2009–2011 M. Litt. Political Philosophy (University of Bristol Arts Faculty Scholarship)**

University of Bristol, Bristol, (United Kingdom)

#### **1995–1997 M.A. Philosophy (First class honours)**

University College Dublin, Dublin, Éire/Ireland

#### **1991–1995 B.A. Philosophy & Economics (Second class honours - 2.1)**

University College Dublin, Dublin (Ireland)

## **PUBLIC HEARING**

### **MONEY LAUNDERING:**

### **THE CASE OF NLB FINANCIAL GROUP**

### **SLOVENIA AND AZERBAIJAN LAUNDROMAT REVELATIONS**

**TUESDAY, 28 NOVEMBER 2017**

10.00 - 12.30

Room: József Antall (JAN) 4Q-1

Brussels

## **CONTRIBUTIONS**



# **The 'Farrokh' case**

**Presentation from Anze Logar  
European Parliament, PANA  
Brussels, 28-11-2017**

# The Office for Money Laundering Prevention of the Republic of Slovenia (OMLP)

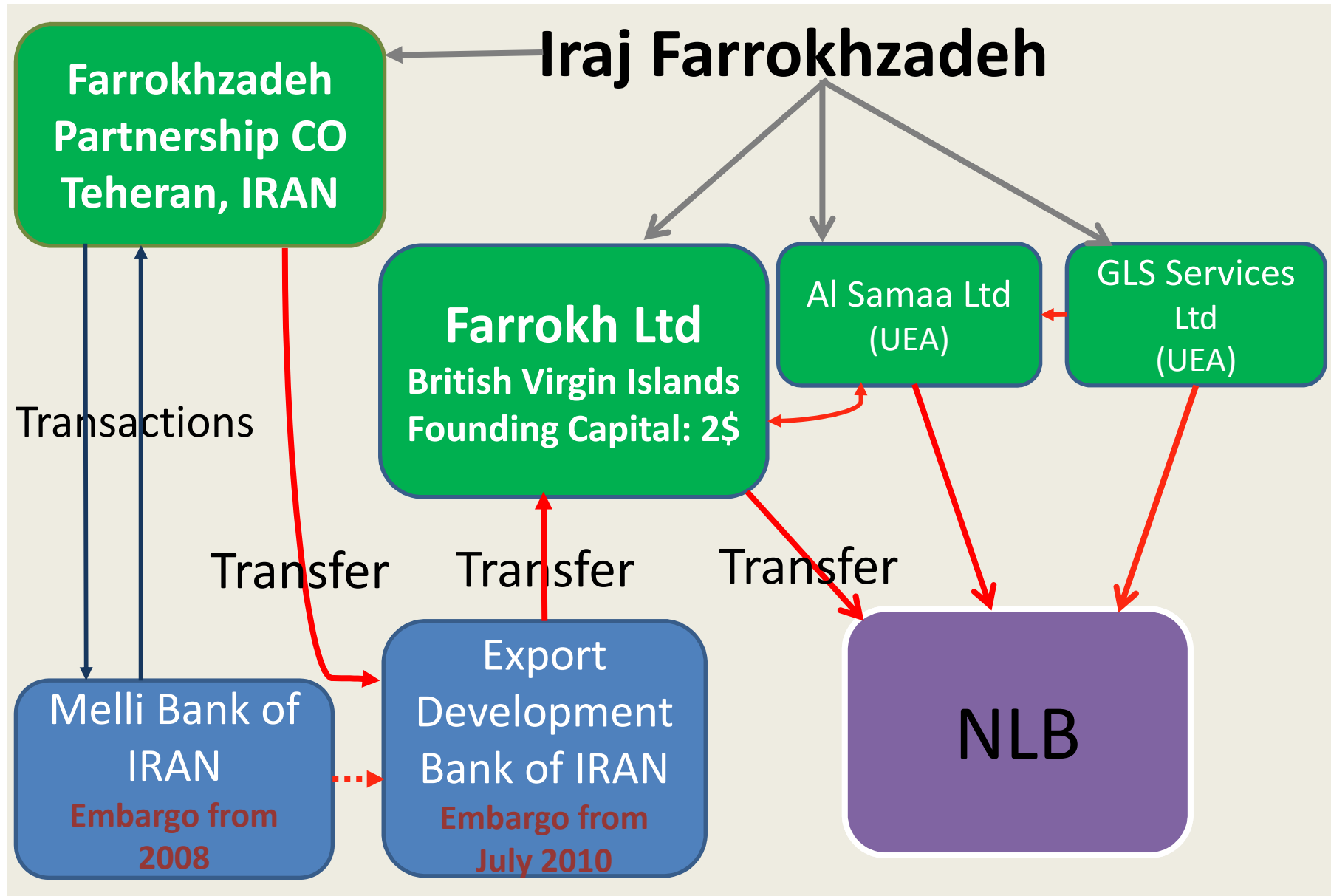
The money laundering process can be described in three phases:

- **Transfer of money (Placement)** into the financial system of a safe country (electronic transfers abroad, currency exchange...);
- **Covering the source of money (Layering)** by using off-shore companies, fictitious remittances and contracts, splitting amounts, re-selling real estate, etc.;
- **Integration** or inclusion of money in economy (purchases of shares in companies).

# Farrokh Ltd

- Set Up in British Virgin Islands in 2006  
(Founding Capital 2 dollars)
- The Source of Money > **Farrokhzadeh Partnership CO, IRAN**, current account at **Bank Melli** – on embargo list from 2008
- Farrokh Ltd. operated via **Export Development Bank of IRAN** – on embargo list from July 2010

# Farrokh Ltd



# Farrokh in NLB

- *Farrokh had to close his account in bank in Switzerland > due to suspicious business;*
- *In December 2008, Farrokh opened **current account in Slovene state-owned bank NLB***

*In next two years:*

- ***30.000 transactions** to 9.500 different current accounts,*
- ***up to 50 transactions per day,***
- ***monthly turnover up to 70 mio EUR,***
- ***total amount of transaction over 1 billion EUR,***
- *In 2010 Farrokh was **the biggest client regarding payment transactions within state-owned NLB;***

# Employees in NLB

- *In March 2009 unusual payment practices drew attention to employees in NLB;*
- *They informed and warned high and middle-management inside bank hierarchy on a need of special caution in dealing with Iran;*
- *High- management hierarchy and Management Board of the Bank were well informed on the situation. But always said:  
**„Everything is OK, continue your work“***

# OMLP - Chronology

- *In March 2010, OMLP of Slovenia was **warned by the French Office** > OMLP of Slovenia did nothing;*
- *In June 2010, OMLP of Slovenia was **warned by the French and Hungarian Offices**. In July OMLP opened a file „Suspicious“ transaction;*
- *In August 2010, OMLP of Slovenia informed the Slovene Intelligence and Security Agency (SOVA);*

# OMLP - Chronology

- *Nevertheless, the business continued with unlimited intensity;*
- *OMLP informed National Bank of Slovenia only in November 2010;*
- ***Political power** (Prime Minister, The President of the Republic of Slovenia, Minister of Foreign Affairs, Minister of Finance and Minister of the Interior) **was warned by a special intelligence report in November 2010. No action occurred.***

# Closed/Opened Case

- *The Police Investigated the case for a year in 2011. A month before replacement of the government of Mr. Pahor, the dossier was transferred to „Open“ cases;*
- *State prosecutor's office was not informed on the case;*
- *OMLP no longer dealt with the case;*
- *Politicians that were warned on the suspicious transactions did nothing;*
- *NLB did nothing, nobody responsible:*  
*It has been proven by the Central bank that NLB had malfunctioned or even non-existent anti-money laundering system until 2012.*

# The Parliament Commission

- *Was aware on this case during cross-examination in 2017;*
- *Prepared an Interim Report on ,The Farrokh case‘;*
- *The National Assembly adopted an Interim Report without a single vote against (76 votes in favour, 78 present):*
  - *The political responsibility,*
  - *Responsibility of management structures in the NLB,*
  - *Non-existent anti-money laundering system in NLB,*
  - *Appeal to all supervisory institution and low enforcement agencies to re-open the case „Farrokh“.*

# Withdrawals Cash

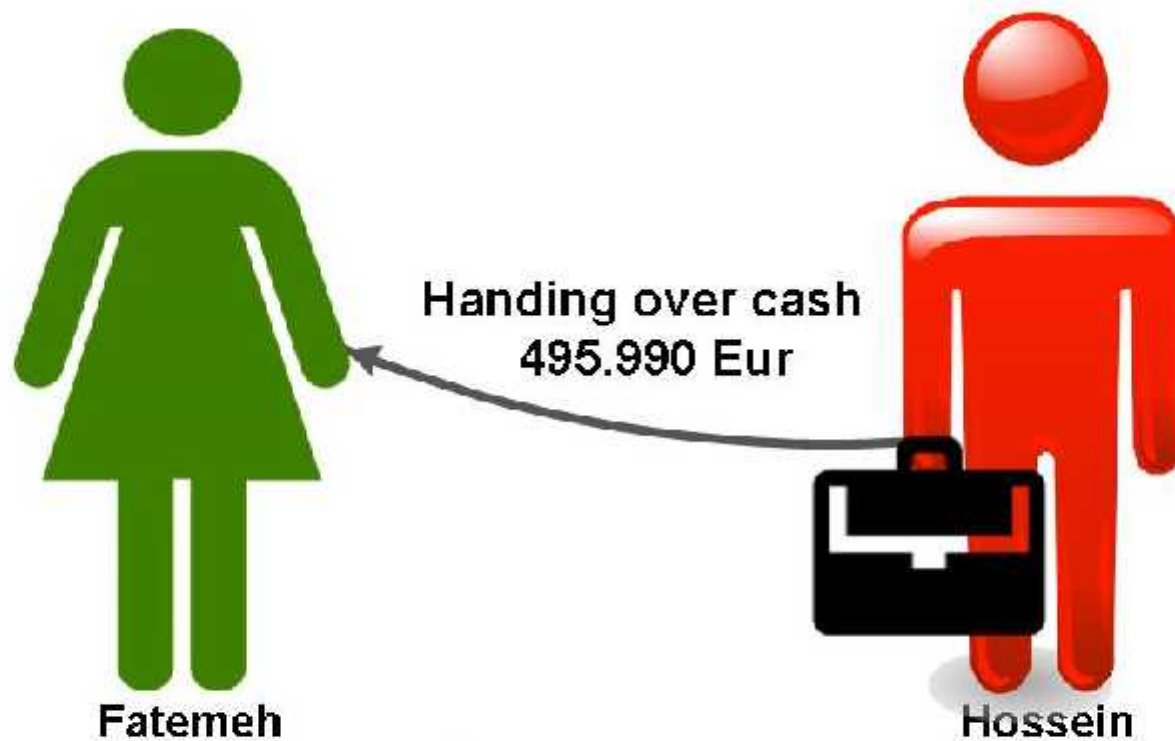


**501 Withdrawals x 990 Eur  
= 495.990 Eur**

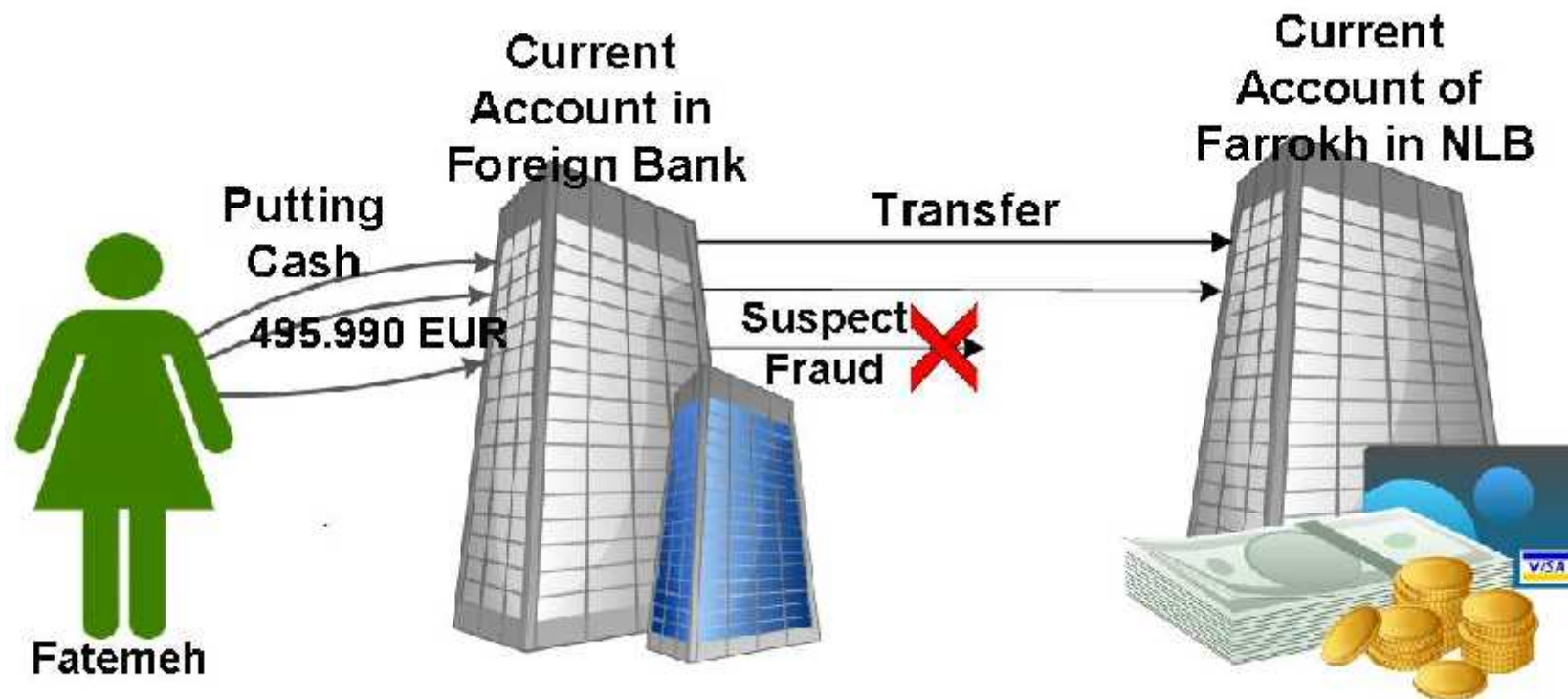


**Hossein**

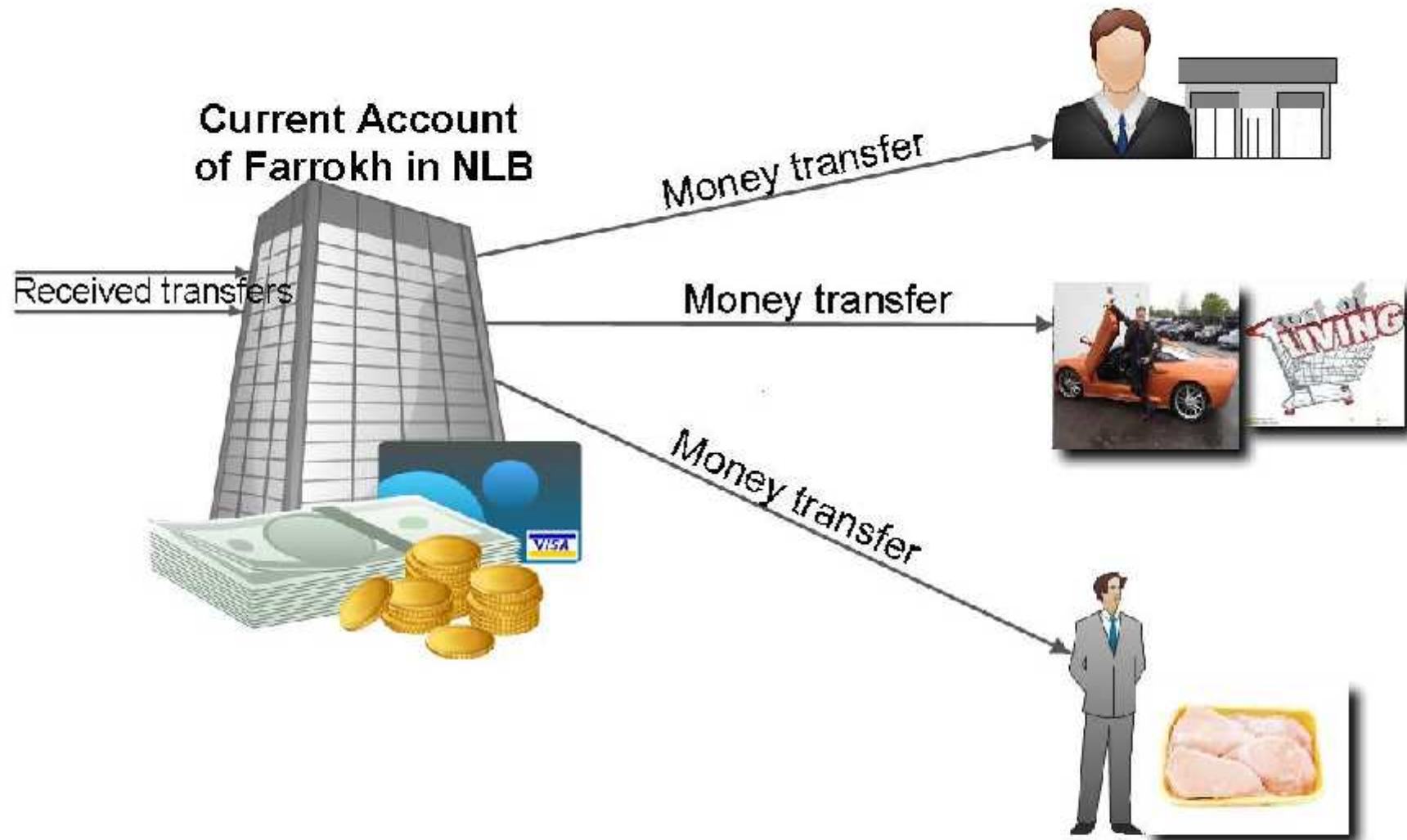
# Handing Cash



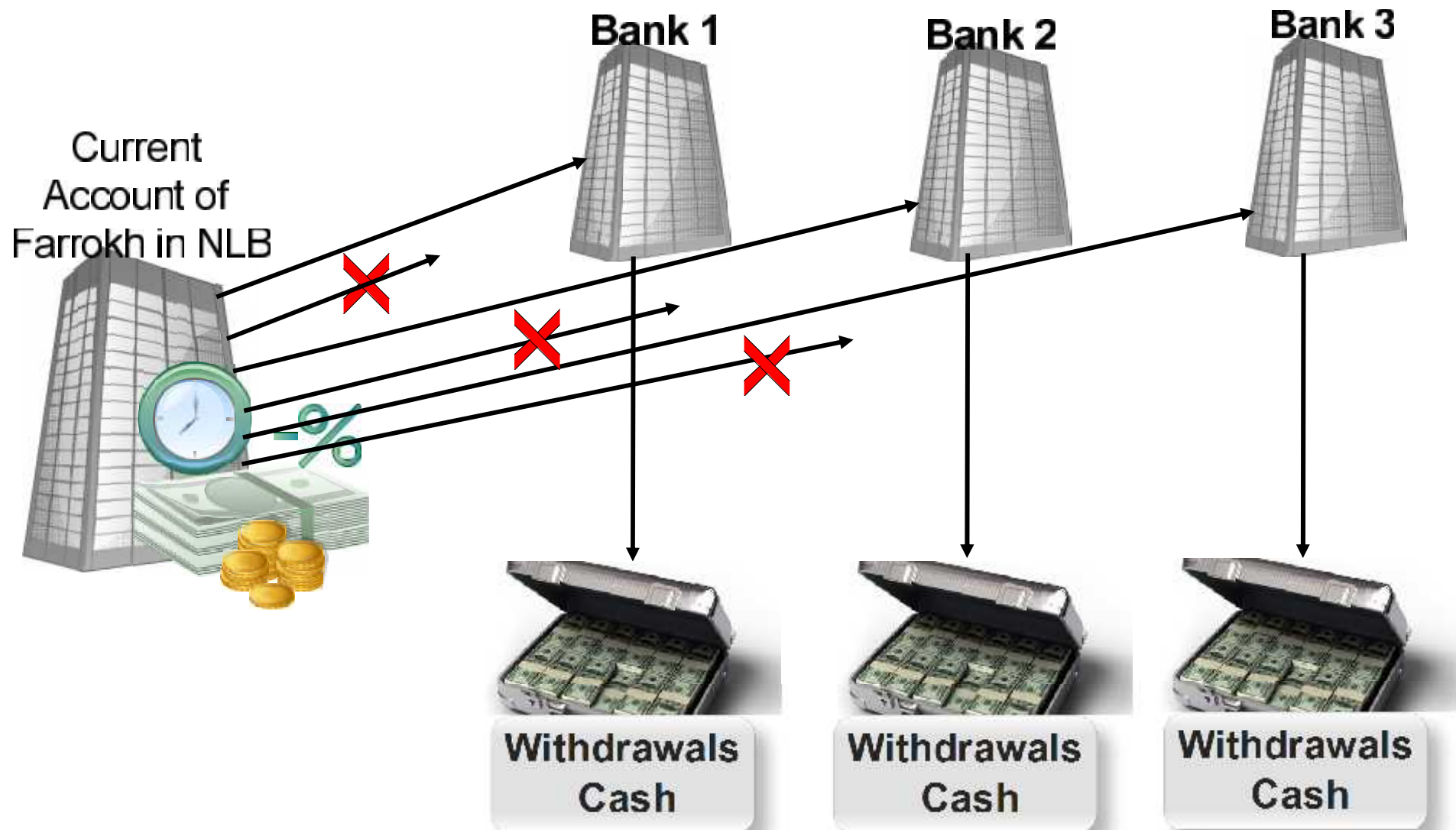
# Transfer Cash in Bank



# Transfer to different Accounts



# Foreign Banks



Thank You for Your Attention



# THE AZERBAIJANI LAUNDROMAT

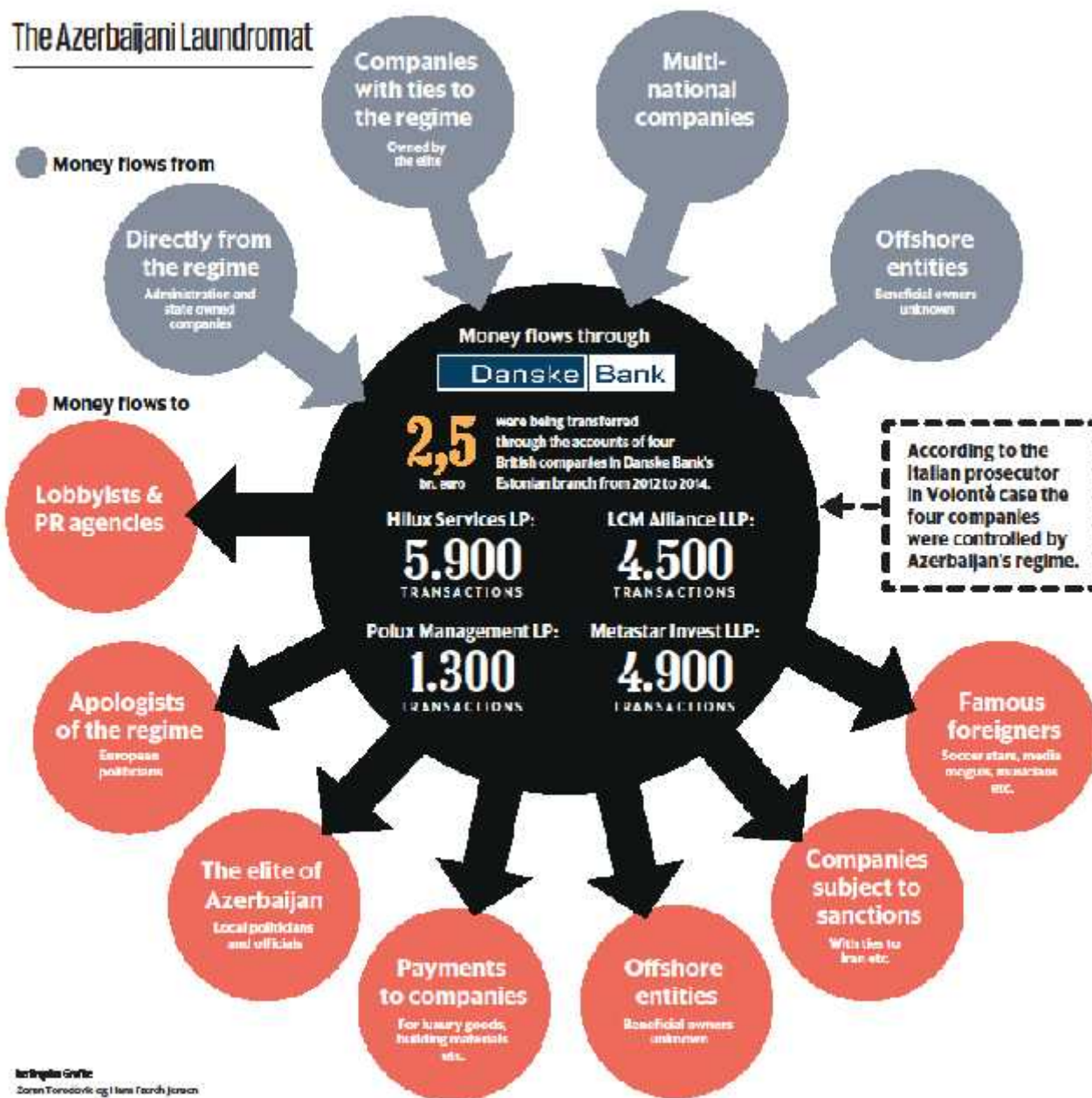
PANA Committee - Public Hearing

28 November 2017 - European Parliament – Brussels

Eva Jung, Simon Bendtsen and Michael Lund

**Berlingske** 

## The Azerbaijani Laundromat



# The four core companies

<div>Danske Bank</div>	<div>Danske Bank A/S Estonia branch</div> <div>Narva pst. 11</div> <div>15015 Tallinn</div> <div>Estonia</div> <div>6 800 800</div> <div>FORE EE 2X</div>	
	<div>UCH ALLIANCE LLP</div> <div>DOORS 17</div> <div>BARU</div> <div>ASERRAIDZHAN</div>	<div>ACCOUNT STATEMENT</div> <div>30.06.2012 - 31.12.2014</div> <div>333500610002</div> <div>REKT 3300 3335 0541 0002</div> <div>1/2016</div> <div>p.1</div> <div>17.03.2016</div>
	<div>Archive ID</div> <div>Doc.no</div> <div>Name</div> <div>Details</div>	<div>Account</div> <div>Reference</div> <div>Amount</div>
	<div>BARVA TOT 11</div> <div>15015 Tallinn</div> <div>Estonia</div> <div>6 800 800</div> <div>FORE EE 2X</div>	
<div>Danske Bank</div>	<div>WILAN SERVICES LP</div> <div>S.VUNOVVA 112</div> <div>ASLUCY BARU</div> <div>ASERRAIDZHAN</div>	<div>ACCOUNT STATEMENT</div> <div>30.06.2012 - 31.12.2014</div> <div>333516100001</div> <div>REKT 3300 3335 1616 0001</div> <div>1/2016</div> <div>p.1</div> <div>17.03.2016</div>
	<div>Archive ID</div> <div>Doc.no</div> <div>Name</div> <div>Details</div>	<div>Account</div> <div>Reference</div> <div>Amount</div>
	<div>Danske Bank A/S Estonia branch</div> <div>Narva pst. 11</div> <div>15015 Tallinn</div> <div>Estonia</div> <div>6 800 800</div> <div>FORE EE 2X</div>	
<div>Danske Bank</div>	<div>POLAX MANAGEMENT LP</div> <div>S.VUNOVVA 115</div> <div>BARU</div> <div>ASERRAIDZHAN</div>	<div>ACCOUNT STATEMENT</div> <div>30.06.2012 - 31.12.2014</div> <div>333516200009</div> <div>REKT 3300 3335 1622 0009</div> <div>1/2016</div> <div>p.1</div> <div>17.03.2016</div>
	<div>Archive ID</div> <div>Doc.no</div> <div>Name</div> <div>Details</div>	<div>Account</div> <div>Reference</div> <div>Amount</div>
	<div>FORE EE 2X</div>	
<div>Danske Bank</div>	<div>MEIASTAR INVEST LLP</div> <div>REKDLIG 146</div> <div>BARU</div> <div>ASERRAIDZHAN</div>	<div>ACCOUNT STATEMENT</div> <div>30.06.2012 - 31.12.2014</div> <div>333407040004</div> <div>REKT 3300 3334 2304 0004</div> <div>1/2016</div> <div>p.1</div> <div>17.03.2016</div>
	<div>Archive ID</div> <div>Doc.no</div> <div>Name</div> <div>Details</div>	<div>Account</div> <div>Reference</div> <div>Amount</div>

# The Italian case

Procedimento penale n. 34033/14 R.G.N.R. mod. 21

– foglio n. 26 –

Nel caso si possa mandare una nota spese forfettaria, fai accreditare la cifra del volo + 2.000 euro sul conto della Fondazione Novae Terrae<sup>38</sup>.

- Luca VOLONTÈ in data 30.07.2011 invia una e-mail a Elkhan SULEYMANOV per ringraziarlo dell'ospitalità (All. n. 64):

*"Caro Elkhan,*

*ti ringrazio molto per tutto!!!*

*Ho scoperto, grazie a te, un paese molto interessante e sicuramente la nostra friendship sta aumentando!!*

*Grazie, i tuoi doni sono molto buoni e molto preziosi!!!!....*

- In data 19.06.2012 VOLONTÈ riceve da MAMMADOV una e-mail con allegati due report, il primo denominato "la definition des prisonniers politiques" ed il secondo "Suivi de la question des prisonniers politiques en Azerbaijan". Entrambi recano la dicitura "diffusion restreinte" (All. n. 12):

*"Caro amico, ecco i due rapporti. Noi iniziamo a lavorarci immediatamente.*

*Grazie per la tua mail a EPP! Questo è magnifico! Ovviamente io mantengo la riservatezza.*

*Grazie di nuovo per tutto.*

*Sinceramente*

*Muslum."*



**Guardia di Finanza  
NUCLEO SPECIALE POLIZIA VALUTARIA**

- III Gruppo - 1<sup>a</sup> Sezione -

Via G.B. Pirelli n. 19 - C.A.P. 20124 Milano - Tel. 02-6701767 / 02-6706446 - Fax 02-62773615

Nr.



/1111/7475 Sched.

**OGGETTO:** Procedimento penale n. 34033/14 R.G.N.R. mod. 21, nei confronti di:  
- VOLONTÈ Luca Giuseppe, nato a Saronno (VA) il 17.03.1966.

Procedimento penale n. 34033/14 R.G.N.R. mod. 21

– foglio n. 2 –

Dall'esame del materiale sottoposto a sequestro, tuttavia, è messo immediatamente un quadro investigativo differente da quello inizialmente ipotizzato, che ruota intorno all'attività politica svolta da Luca VOLONTÈ, nel periodo dal 2011 al 2013, presso l'Assemblea Parlamentare del Consiglio d'Europa.

Le indagini hanno consentito di accertare che le citate transazioni finanziarie rappresenterebbero il compenso erogato da esponenti politici azeri all'ex parlamentare italiano il quale, tramite consulenze politiche e iniziative legate all'esercizio della propria funzione parlamentare, si sarebbe adoperato per curare gli interessi dell'Azerbaijan.

In tale contesto, la società L.G.V. S.r.l. e la Fondazione "Novae Terrae" sarebbero gli schemi giuridici funzionali alla riscossione di suddetti compensi giustificando gli importi come pagamento di consulenze o donazioni.

Per quanto appena accennato, si è ritenuto opportuno iniziare la presente annotazione proprio dall'attività politica di Luca VOLONTÈ per poi delineare le ragioni che potrebbero aver innescato le relazioni con i colleghi politici azeri.

Luca VOLONTÈ, ex-Membro dell'Assemblea Parlamentare del Consiglio d'Europa.

# Money from Azerbaijan

## Directly from the regime:

- MODIAR (Ministry of Defence Industry of Azerbaijan Republic).
- Ministry of Emergency Situations.
- Special State Protection Service (refers directly to the president).

## Companies with ties to the regime:

- Baktelekom MMC, connected to former minister.
- Goknur Baki.
- Azarbaycan Metanol Kompani.
- Arash Medical Company.



Archive ID	Doc ID	Name	Account Reference	Amount
00.01.2014			USD 09.01.2014	
09.01.2014			09.01.2014	Credit turnover +6 850 340.00
09.01.2014			09.01.2014	Debit turnover -6 038 157.85
09.01.2014			09.01.2014	Balance +8 812.07
1401000100100406		MODIAR	MDP/AR/1300900101	+6 322 306.30
1401000100100406		MODIAR	MDP/AR/1300900101	+3 178 996.50
1401000100100406		MODIAR	MDP/AR/1300900101	+334 900.00
1401000100100406		MODIAR	MDP/AR/1300900101	+481 251.30
1401000100100406		MODIAR	MDP/AR/1300900101	+41.18
1401000100100406		MODIAR	MDP/AR/1300900101	+2.19
1401000100100406		MODIAR	MDP/AR/1300900101	+3.18

## Multinational companies:

- Schlüter & Maack (German hazelnut company).
- Rosoboronexport (Russian state owned arms trader).

# Money to European politicians

## European politicians and officials:

- Eduard Lintner, German politician and election monitor.
- Kalin Mitrev, member of board of EBRD, married to head of UNESCO.
- Zmago Jelincic Pleminiti, Slovenian presidential candidate.
- Karin Strentz, Bundestag member, CDU.
- Alain Destexhe, Belgian politician and member of PACE.
- Luca Volontè, Italian politician and member of PACE.



1312185037898064	PARY INTERNATIONAL	LI7909812105030540003	-26 000.00
878	1312185037898064 PAYMENT TO THE CONTRACT N.0018/22 D D.1		
	9.05.2013 FOR SERVICES		
1312185033409520	VOZRAST GROUP LTD	LV29AIZK0001140096129	-34 197.83
870	1312185033409520 PAYMENT TO THE CONTRACT N 330 DD.01.09.		
	2013 FOR GOODS.		
1312185032422144	MITREV KALIN	CH8204835077949372003	-40 000.00
881	1312185032422144 PAYMENT TO THE CONTRACT N CHL/01-07 201		
	3 FOR SUPERVISION SERVICES.		
1312185036608096	EDUARD LINTNER	DE72793200750347175072	-41 000.00
879	1312185036608096 PAYMENT TO THE CONTRACT 0018/22 DD 03.0		
	4.2013 FOR SERVICES.		

# Other beneficiaries

## Azerbaijani politicians and officials:

- Ali Nagiyev, deputy chief of anti-corruption unit.
- Members of the Eyyubov family.
- Orkhan Sultanov, head of foreign intelligence.

## Other

- Sport stars, media moguls, musicians, lobbyists, journalists etc.

# Azerbaijani vs. Maltese case

## ● Azerbaijani Laundromat:

- Money flows mainly from accounts in **International Bank of Azerbaijan...**
- owned by ministries, companies and different offshore entities...
- to accounts in **Danske Bank Estonia...**
- owned by four **british shell companies...**
- and onwards to accounts owned by politicians, lobbyists, officials and tax havens etc. in various banks all over the world.

## ● Malta case:

- Money flows from **Dubai registered company** controlled by the Aliyev family...
- with accounts in **Dubai based bank...**
- to accounts in **Pilatus Bank in Malta...**
- owned by **Panama registered companies** controlled by trusts in New Zealand...
- ultimately owned by **politicians and officials in Malta.**

# Consequenses across Europe

- **UK:** Theresa May has asked the National Crime Agency (NCA) to investigate the role of british LP/LLP companies in the scheme.
- **Belgium:** Politicians Stef Goris og Alain Destexhe received money. Destexhe has left PACE.
- **Slovenia:** Party leader Zmago Jelincic Plemeniti withdrew his candidacy for president.
- **France:** PACE in Strasbourg established an independent comité to investigate the reports of bribery. French police investigates Danske Bank for money laundering.
- **Denmark:** Danske Bank launched investigation into all non-resident clients in Estonia since 2007. Danish FSA investigates the reports as well.
- **Bulgaria:** Authorities investigate payments to Kalin Mitrev, member of EBRD board.
- **Italy:** Luca Volontè's case is on trial in Milan.
- **Azerbaijan:** Thousands of protesters demonstrating in the streets of Baku against corruption and tax fraud comitted by the country's elite.

# Thank you!

## Questions?



Michael Lund, Simon Bendtsen & Eva Jung  
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## Speaking points: Carl Dolan, Director, Transparency International EU

PANA committee hearing – 28/11/2017

### Azerbaijan Laundromat revelations

I will focus my remarks on those aspects of the Azerbaijan laundromat revelations that have a direct bearing on the PANA committee's remit – namely, how the EU financial system facilitates money-laundering.

#### 1. The role of shell companies

*„The banking records in the leak — over 16,000 transactions in all — reveal that the core of the Azerbaijani Laundromat was formed by four shell companies registered in the United Kingdom. The country's lax regulations allowed these companies to file registration paperwork that listed proxy or non-existent shareholders and disguise their true origins.”*

<https://www.occrp.org/en/azerbajani-laundromat/>

In the Azerbaijani Laundromat case four UK based shell companies had bank accounts in Estonia. 2.5 billion EUR, 16000 transactions of the Azerbaijani Laundromat could be secretly processed within the European Union without facing any obstacle. No one asked any question concerning the owners or managers of the shell companies, neither about the 16000 transactions on the accounts of the shell companies. Organised crime or corrupt officials don't have to bother with setting up shell companies on distant Caribbean or Pacific islands. They can enjoy the comfort of the European Union.

Could the Azeri Laundromat happen again if someone wants to set up a similar scheme?

The answer is yes, first due to the ease with which you can set up a company in the UK (but this could apply elsewhere in the EU – after the Paradise Papers, one could easily name the Netherlands for example). The Azerbaijani is not an isolated case. TI UK recent report “Hiding in Plain Sight” which shows how the UK is home to a thriving company formation industry giving money launderers access to UK firms (e.g. the report identified 52 global corruption and money laundering cases involving 766 UK companies). What makes the UK particularly attractive: the low-cost of starting a business, the ease and speed of starting a new firm and the UK's respectable business reputation, which lends legitimacy to shell companies. Formation of UK companies is amongst the cheapest and fastest in the world, costing as little as £12 and taking a matter of minutes to complete the forms.<sup>8</sup> In contrast, it costs around £1,000 and takes a number of days to set up a company in the BVI. Second because there are few controls and checks done by responsible authorities. Although the UK has beneficial ownership register, there is no verification of the registered data. Any owner or manager of any company can freely register any false information. The UK Companies House explicitly says they don't verify or investigate cases.

#### 2. The role of the banks and financial oversight

*“In March of this year, Danske Bank Estonia was revealed as a cornerstone in the so-called Russian Laundromat, a project by OCCRP and other outlets that showed at least \$20 billion was siphoned out of Russia via corrupt courts and banks in Moldova and Latvia. Once in Latvia, the laundered money could be moved anywhere in the world without difficulty.*

*More than one billion dollars were transferred to the Danish bank in the years 2011 through 2014 by way of over 1,500 money transfers.”*

<https://www.occrp.org/en/azerbaijanilaundromat/denmarks-biggest-bank-hosted-azerbaijani-slush-fund>

The Estonian branch of Danske bank already had a track record of being involved in a major tax fraud that the late Sergei Magnitsky uncovered (2008). It was used in the [Russian Laundromat](#) too. There is no sign that Estonian or Danish authorities or the European Central Bank would care.

OCGRP summarises the situation as follows based on leaked e-mails “the e-mail discloses that both the Estonian and the Danish financial supervisory authorities were concerned about “Russian customers” at the Estonian branch. Furthermore, the e-mail states that the Estonian Financial Supervisory Authority allegedly approached Danske Bank about the topic and **was disturbed that it didn’t take the problem “very seriously.”** (emphasis added).

International law, EU law and domestic laws have rather strict measures to sanction legal persons, but they are hardly applied. Financial supervisory and criminal justice authorities should take strong action against banks complicit in money laundering, e.g. criminal penalties, license withdrawal, or ultimately shutting down of the legal entity.

In Latvia [six banks](#) were involved in the case uncovered by Magnitsky, Latvia is a [banking hot spot](#) for money-laundering. One of the banks, Trasta Komerbanka was also key in the Russian Laundromat and its licence was [withdrawn](#) in March 2016 by the relevant national authorities and the European Central Bank for “serious and sustained breaches of the anti-money laundering and counter-terrorist financing regulations”.

Sometimes entire banks are bought for money-laundering purposes. It is lot more practical to own a bank when bribery and money-laundering is part of a company’s standard business model. When Meindl Bank, an Austrian bank sold 51% of its Antiguan branch to Odebrecht did it have any due diligence of its contractual partner before signing the contract? Did they follow what’s going on in the bank of which they still owned 49%? Did the Austrian financial supervisory authority care? Has it opened any investigation into this matter since? <https://www.justice.gov/opa/press-release/file/919916/download> (page 43) and <https://www.bloomberg.com/news/features/2017-06-08/no-one-has-ever-made-a-corruption-machine-like-this-one>

#### **Recommendations:**

- This shows again the need for greater beneficial ownership transparency through the establishment of public registers assorted with strong verification and control mechanisms
- It also highlights the need for greater controls and sanctions applied to banks and other professional intermediaries in case of failure to carry out proper CDD checks
- Financial supervisory and criminal justice authorities should investigate and prosecute banks as legal persons and their managers, as well as their parent banks in case a subsidiary launders money.
- Banks should face not only administrative/civil but also criminal penalties in case of complicit behaviour in money laundering (e.g. ING currently facing [criminal investigation](#) by Dutch authorities for its role in the Uzbek grand corruption case).
- Financial supervisory and criminal justice authorities should publish information on their enforcement actions as soon as possible.
- European Commission and European Parliament should request all member states and the ECB to provide detailed statistics and case descriptions about anti-money laundering enforcement efforts and publish these annually.

## **PUBLIC HEARING**

### **MONEY LAUNDERING:**

#### **THE CASE OF NLB FINANCIAL GROUP**

#### **SLOVENIA AND AZERBAIJAN LAUNDROMAT REVELATIONS**

**TUESDAY, 28 NOVEMBER 2017**

10.00 - 12.30

Room: József Antall (JAN) 4Q-1

Brussels

## **BACKGROUND DOCUMENTS**



**Karin Strenz**

Mitglied des Deutschen Bundestages

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Committee of Inquiry into Money  
Laundering, Tax Avoidance and Tax Evasion  
The Chair  
Mr Dr. Werner Langen

**Via E-Mail**

[elisabeth.kavalierakis@ep.europa.eu](mailto:elisabeth.kavalierakis@ep.europa.eu)

Berlin, 22.11.2017

**Subject: Invitation to the PANA Committee Hearing on 28th November 2017**

Dear Mr Dr. Langen,

in reference to your request, I would like to present a written statement on my point of view of the Panama Papers issue concerning the mentioned subject of the 'case of money laundering and the Azerbaijan Laundromat'. Since I am not familiar with the details of the money-laundering cases I am going to limit my statement to the issues addressed to me personally.

First of all I am convinced that all Members of the Parliament do their work to their best of their knowledge and belief, as I do. At least I can assure that I always performed my activity as a member of the German Federal Parliament (Bundestag) and as a member of the Parliamentary Assembly of the Council of Europe independently and in all conscience. I have to confirm the allegations against me are baseless.

At the beginning of the 18th legislative period, the German Federal Parliament (Bundestag) conferred me with the leadership of the German – South Caucasian Parliamentary Friendship Group.

To make a small step in the direction of conflict resolution in that area, my Co-chair of the German – South Caucasian Parliamentary Friendship Group., Johannes Kahrs (SPD), my colleague Doris Barnett (SPD), who is leader of the German Delegation of the Parliamentary Assembly of the OSCE, and I considered whether it would be a good idea to establish a working group which would be able to reconcile the different interests and overcome hurdles on the basis of a diplomatic approach. This group would have three members of parliament from Germany (as mentioned above) as well as three from Azerbaijan, three from Armenia and three from Russia. We were subsequently informed in writing that both the Chancellery Minister Peter Altmaier and the then Foreign Minister and current President of Germany, Frank-Walter Steinmeier, generally supported our idea. We also received approval from Azerbaijan and Austria. Despite a discussion with the Russian Ambassador and the Armenian Ambassador, however, we have not as yet



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received any approval for their cooperation. This is all I have to say regarding my political engagement in this area.

As a member of the Parliamentary Assembly of the Council of Europe, I have had the opportunity to register for and participate in the election observations during parliamentary and presidential elections which are held by the member states of the Council of Europe. I assisted in observing the elections that took place in 2013 and 2015 in Azerbaijan, and those that were held in Kazakhstan and Georgia in 2016.

I was subsequently accused that possible personal business interests influenced my assessment of the outcome of the election. I can only confirm that these allegations are completely untrue. There are two possible ways of observing an election: either on the election day itself or a long-term observation during the weeks prior to the election day. Therefore, if – like me – you only observe the election on the election day itself and do not determine any irregularities such as the manipulation of the votes, too many or too few ballot papers, or incorrect registrations, I take the view that it would be dishonest to maintain their occurrence. If long-term election observers determine cases of unequal treatment with radio or poster election advertisements, or that a candidate is possibly prevented from standing for election for unjustifiable reasons, however, this will be recorded in the reports and ultimately included in the final summary. My assessment of the elections, however, was only based on what I was able to see on the election day itself.

I also partook in an election observation in Azerbaijan in 2010. That year was when I met Mr. Eduard Lintner in the EPP/CD grouping of the Parliamentary Assembly of the Council of Europe for the first time. At that time, he asked his colleagues whether anyone would be interested in observing an election in Azerbaijan. I expressed my interest, and towards the end of 2010, I travelled to Azerbaijan. At the time, I was not aware of who had financed or organised this trip. Mr. Lintner was the Director of the Association for German-Azerbaijan Relations (*Gesellschaft für Deutsch Aserbaidzhanische Beziehungen* / GEFDAB) and familiar with the region. On the election evening, I was interviewed on TV and reported that ACCORDING TO MY OBSERVATIONS, I had not been aware of any irregularities or shortcomings.

Furthermore, the media enquiries directed towards me suggest that in the Parliamentary Assembly of the Council of Europe, I voted against the release of political prisoners. This was not the case either. I completely reject these allegations. On 22nd June 2015, in a plenary session, the resolution proposal on “The functioning of democratic institutions in Azerbaijan” was put to a vote of the members of the Parliamentary Assembly of the Council of Europe. In the form in which it was presented at the beginning of the day's agenda, there can be no doubt that I agreed with the proposal. Yet over the course of the debate, some 32 requests for amendment arose on the individual points. These had the goal of harshening the tone of the motion to a degree that I, as well as many other members of my group in the Council of Europe, were ultimately unable to support. Point 11.4.6 of the submitted draft requested the following: “use all available legal tools to release those prisoners whose detention gives rise to justified doubts and concerns.” There is no doubt whatsoever that I would have voted in favour of this passage. This is because it is the



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duty of a nation state to dispel all doubts surrounding imprisoned individuals. Following numerous requested amendments, however, the harshening of its tone meant that I did not vote in favour of the overall motion. I believe that if something better is to be achieved, the tone should not be so harsh, and that it is necessary to build bridges and to enter into talks.

However, Mr. Schwabe (Chair of the SPD delegation and Deputy Leader of the German delegation in the Parliamentary Assembly of the Council of Europe) and the press have alleged that I lied when I signed the “declaration on conflict of interest of candidates for election observation missions of the Parliament Assembly” in June 2015, because in late 2014/early 2015, I was paid money from Azerbaijan for work that I did for the company Line M-Trade GmbH, and that these payments had influenced my voting. I also completely reject these allegations as being untrue.

I did not lie to the Council of Europe when I signed the declaration for the election observation in Azerbaijan, nor was I influenced or bribed by third parties with regard to my voting in the Council of Europe. My consulting work for the company Line M-Trade GmbH of Nuremberg entailed forging contacts between German companies that were interested in building business relationships in the post-Soviet bloc, and Line M-Trade GmbH. This work involved all of the post-Soviet republics and not just Azerbaijan. In this respect, I spoke with a variety of businesses and organisations in my constituency and discussed whether they would be interested in or willing to become involved in business engagements in the post-Soviet republics. It is naturally the case that the principal goal was creating new jobs and maintaining existing jobs. The discussions took place with companies and organisations from a variety of sectors. They involved topics including education, dual training formats, agriculture, renewable energy, the construction of biogas plants, horse-rearing, the protection of buildings and food refinement. On the basis of mutual agreement, I then passed on the appropriate contacts to the company Line M-Trade GmbH. Above and beyond the forging of the contacts on my part, the subsequent development and exploitation of the contacts who had expressed an interest, the details of which I passed on to Line M-Trade, did not form part of my work and therefore escapes my knowledge.

I was not and am not aware that the company Line M-Trade GmbH was financed by Azerbaijan, nor did I have occasion to make such an assumption, and according to the appropriate checks that I made, the payments originated from the company’s German bank account. That means that I did not receive any payments from Azerbaijan, nor did I have any knowledge of or cause to assume that the payments made to me by the company Line M-Trade GmbH, which is based in Nuremberg, originated from Azerbaijan. The owner of Line M-Trade GmbH did not mention any such information to me at any time either.

This was one of the reasons why I signed the “Declaration on conflict of interest of candidates for election observation missions of the Parliament Assembly” in June 2015 without any misgivings. In summary, I would like to emphasize the fact that the allegations made against me are untenable. There was no conflict of interest, neither during the voting in the Parliamentary



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Assembly of the Council of Europe on 22nd June 2015, nor during the election observation trip. My points of contact with Azerbaijan were exclusively limited to my work as chairwoman of the German – South Caucasian Parliamentary Friendship Group and as member of the Parliamentary Assembly of the Council of Europe.

To be able to give you a detailed picture of my work as chairwoman of the German – South Caucasian Parliamentary Friendship Group., I would like to provide a chronological list of the activities of the parliamentary group (PG) that were possible, the ones that weren't, and the reasons why.

- On 3rd July 2014, the PG executive team held a meeting during which it discussed the timetabling and the current situation in the partner countries.
- On 6th October 2014 a discussion took place with the Ambassador of Georgia, Prof. Dr. Lado Chanturia, regarding relations between Germany and Georgia.
- On 13th November, the initial trips to the South Caucasus by the PG were discussed.
- On 2nd December 2014, I held a meeting with the Minister of Justice of Georgia, Ms. Tea Tsulukiani, in my office.
- On 4th February 2015, I held a meeting with the German Ambassador in Azerbaijan, Ms. Heidrun Tempel, in my office.. We discussed the current situation in Azerbaijan in view of the pending trip by the delegation.
- On 18th March 2015, I held a meeting with Ms. Agnieszka Czenszak of the *Bildungswerk der Wirtschaft Mecklenburg-Vorpommern e.V.* (Institute of Education and Training for the Economy of Mecklenburg-Western Pomerania), and discussed project work in the South Caucasus.
- On 4th May 2015, I welcomed the Foreign Minister of Georgia, Ms. Tamar Beruchashvili.
- On 4th May 2015, a “getting to know you meeting”, with a particular focus on bilateral relations, was held for the PG at the Embassy of the Republic of Azerbaijan. The concept of the ASAN centre was presented.
- On 7th May 2015, another meeting regarding the delegation trips to Georgia and Azerbaijan took place. This trip took place from 10th - 18th May 2015.
- On 20th May 2015, a discussion with Vugar Gojayev, a human rights campaigner from Azerbaijan and representative of Human Rights Watch, took place.
- On 1st July 2015, a discussion took place with representatives of the German Olympic Sports Association regarding the first European Games in Baku.
- On 10th September 2015, we met with Ms. Rachel Denver, Deputy Director of the Europe/Central Asia department of Human Rights Watch, and discussed the human rights situation in Armenia.
- On 17th February 2016, a discussion took place with the German Ambassador in Azerbaijan.
- On 23rd February 2016, I welcomed a delegation from Georgia on the topic of the “Strategic European Commission”.



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- On 12th April 2016, the PG held a discussion with the Ambassador of the Republic of Armenia, Mr. Ashot Smbatyan. ☐ 27th April 2016, executive team meeting.
- On 12th May 2016, I welcomed a delegation from Azerbaijan that was led by the Chair of the friendship group, Roshan Rzayev.
- On 9th June, I held a discussion with the President of the Parliament of Georgia, S.E. David Usupashvili on the topic of visa-free travel.
- From 21st-24th November, I welcomed and accompanied a delegation from the National Assembly of the Republic of Armenia.
- On 17th January 2016, I held an informative discussion with the Ambassador of Georgia about the German-Georgian year of 2017/2018.
- On 6th-10th March I welcomed a Georgian delegation from the Georgian parliament.
- On 29th March 2017, I held a discussion with high-ranking representatives of the Georgian parliament, the State Audit Office and the Ministry of Finance on the topic of “bringing systems closer to European standards.”

If you consider the information listed above, it is clear that intensive exchanges took place with Azerbaijan and Georgia.

It is naturally the case that we addressed the topic “human rights” at the meetings of the parliamentary group. On location in Baku, I also met representatives of NGOs for discussions. These took place on discretion, in view of the fact that public reporting and loudly expressed demands from foreign countries generally prevent them from working effectively. I held both discussions in the German Embassy in Baku in the presence of the then Ambassador, Dr. Heidrun Tempel and the aide of the current Ambassador. A third meeting did not take place because of the public holiday in Azerbaijan. The representatives of the NGOs provided assurance that they are well on their way to becoming an exemplary constitutional nation state, but they also needed people to give them time.

I hope that I have provided you with an adequate description of this matter. Please do not hesitate to contact me if you have any further questions.

Yours sincerely,

Karin Strenz, MdB