Ladies and Gentleman,

I am honored to be invited to speak to the European Parliament, though saddened that – due to my government’s intentions – I may not be able to return again as a European citizen.

I have been a journalist for 30 years, today working as a special correspondent at the Reuters news agency in its investigative team that produces in depth articles on matters of public interest.

I am not here however to represent Reuters but the Daphne Project, which I helped to found under the leadership and coordination of Forbidden Stories, an NGO based in Paris, which continues the work of slain or imprisoned journalists.

Any opinions I may express, however, are my own.

It is on facts, however, that I wish to assist on. I have reported on Malta and the legacy of Daphne Caruana Galizia objectively and without partisan concern.

I will address our specific factual conclusions.

But first some general points.

The object of journalism is not to prove a crime; just as it is not the job of politicians in a healthy democracy to send their opponents to jail.

We are both – journalists and parliamentarians – detectives of last resort, aiming to shed public light on the facts of an injustice or wrongdoing when the specialist agencies of government – police, magistrates or public regulators are failing. We do not have powers of subpoena or arrest, so we cannot replace official inquiries: we can only hold them to account.
Daphne made a number of allegations about wrongdoing in Malta. And like all journalists she did make some errors. She was also highly opinionated, a campaigner. She was strongly opposed to the Labour Party of Malta, a point of view which, as outsiders, it would be wrong to endorse. Equally, though, her last allegations – still to be prove or disprove by inquiry – were levelled at the leader of the Opposition. And I don’t believe she got everything right. As for all of us, her sources were not always solid. We have a saying: ‘you are only as good as your sources’.

That said, if she would be alive today if the institutions of Malta had thoroughly investigated many of the points that she alleged, brought the conclusions to public light, and she had not been left so isolated. Without investigation, there is impunity. And impunity creates what can be a pervasive and infectious sense that major crimes will remain unpunished. It creates a dangerous climate for all who speak their mind.

Until now, no person has been indicted or any public information emerged which suggests why Daphne was killed exactly and who commissioned the killing.

I have no evidence that any of the matters we discuss today have any direct connection whatsoever with her death. But failing to investigate them properly leaves a cloud of suspicion in the air on almost everyone. That serves nobody.

In respect of economic crime, the subject of today’s hearing:
We have advanced reporting in two key areas:

First off, we identified how weak financial controls in Malta allowed an Iranian owned bank, Pilatus Bank, to be established in Malta with establish close political ties, with the principal function as a bank for the rulers of Azerbaijan.

An example of that weakness: the chairman of the bank, Ali Sadr Hashemi Nejad, now under indictment by the FBI, told Maltese regulators his nationality was St Kitt’s, a passport he had purchased from Henley and Partners. A simple background inquiry – which
never took place -- would have established he was in fact Iranian, the son of a prominent banker in Teheran.

Accounts were opened for, among others, the chief of staff of Malta’s Prime Minister, Keith Schembri and a Panama company owned by an accountant Brian Tonna, who served as his private accountant and a consultant to Malta government. The Prime Minister of Malta, Joseph Muscat, attended the wedding of the bank chairman.

As the Daphne project was able to confirm with a substantial investigation of Pilatus account holders, the bank was used principally to handle funds for companies owned by people from Azerbaijan, and specifically the family of the president of Azerbaijan and the minister for emergency situations. The companies then purchased assets across Europe, including:

- An investment in the five-star Sofitel hotel and spa on Dubai’s Palm island, which is operated by the French multinational AccorHotels Group.
- Azerbaijan’s Gilan Holding conglomerate.
- Three French manufacturers of porcelain, bed linen and Smurf figurines.
- A $40m (£29m), five-star hotel redevelopment in Georgia.

Until now, we are not aware of no significant inquiry or effort anywhere in Europe to trace that money.

While a low-level inquiry does continue in Malta that is targeting the role of bank staff in approving the opening of accounts and approving the money flows, no significant effort is being made to trace the overall role of the bank in shipping assets from Azerbaijan and to trace what became of the money.
Our second major inquiry of relevance here was to identify the owner of a mystery company first publicized by Daphne known as 17 Black.

As the committee is aware, this company was identified in December 2015 correspondence from Mr Tonna’s company (contained in the Panama Papers but also directly obtained by Malta’s Financial Intelligence and Analysis Unit, the FIAU) as the source of up to two million dollars that was to have been paid to Panama companies owned to the benefit of Mr Schembri and Konrad Mizzi, then energy minister in the Muscat government.

Through inquiries in Malta and Dubai, we learned that 17 Black’s sole beneficial owner had been identified by authorities in both countries as a Maltese citizen, Yorgen Fenech. That information we learned had been passed to the police in the Spring of 2018. From Dubai, we also learned the accounts of 17 Black, now renamed Wings Development, had been frozen after the bank was alerted to the leaked FIAU report. We learned that nine to ten million euros had moved through this account and it now had a balance of around two million euros. Money had come in and swiftly been moved on other entities.

This matters because Mr Fenech is a director and a shareholder, together with his family, of the Electrogas consortium which obtained a concession to build a 450 million Euros power station on Malta in a project promoted by Mr Mizzi and which obtained substantial state support and guarantee. Mr Fenech has denied any wrongdoing but he refuses to discuss this matter and has not contradicted our report. Electrogas also counts the Azerbaijan state, via its oil company, and Siemens, as major shareholders. All have denied knowledge of 17 Black but declined to investigate further.

The full accounts of 17 Black need to be exposed but the FIAU has already, as the committee knows, detected two payments into the account in 2015. One was from a company owned by a contractor of Electrogas, ostensibly for a project in Qatar. Another was from a Seychelles company owned by a mystery Azeri named Rufat Baratzada. We tracked down Mr Baratzada in Baku and discovered he was of modest means, a security guard at a construction site – that’s an indicator he is registered as owner only as a nominee for some as-yet undeclared interest.
Mizzi has – speaking at a libel trial - denied all knowledge of that correspondence and of 17 Black. Mr Schembri, in a statement, confirmed a draft business plan to deal with 17 Black and another company Macbridge, also mentioned in the correspondence. But he has said nothing since we disclosed Fenech’s involvement in that company.

Malta’s Prime Minister, according to his spokesman, has not asked his chief of staff about the company or what he knows of its ownership because he declines to interfere in his chief of staff’s private business affairs.

Politicians in Malta continue deflect any request to comment, citing their faith in ongoing inquiries. But one such inquiry by a magistrate was stopped on a technicality by order of Malta’s courts; another police inquiry into 17 Black, which parliament was told is ongoing, is not only not transparent but there is no evidence it is proceeding at all.

When we last checked, just before Christmas, no request for legal assistance had been sent to either Latvia or Dubai, two countries that provided information to the FIAU.

No attempt has been made to seize or simply ask for records from Mr Fenech or his companies; no attempt has been made to interview him or any of the principals, including Schembri and Mizzi. Instead, Malta’s crime fighters we understand will at some time send these requests and wait patiently to see if Dubai chooses to supply any evidence from its banks.

It is worth understanding that Malta’s police have prima-facie basis on which to aggressively investigate the case. The FIAU may only pass confidential financial information to police is where they have a reasonable suspicion of money laundering and/or the existence of proceeds of crime. The details of 17 Black’s ownership were passed to police after an investigation specifically examining the activities of Mr Mizzi and Malta’s energy deals.
In the absence of any legal request from Malta and consequent instructions to the bank from Dubai authorities, we understand the bank will simply be closing the account and sending a cheque for its remaining balance back to the company, in effect to Mr Fenech.

What conclusions can be drawn from this. I suggest two.

Firstly, I think these cases raise a broad institutional failure, not just in Malta. When an allegation of corruption touches a European nation and its leadership, there appears to be no mechanism for another nation or European agency to pick up and investigate that allegation, even when it crosses borders. Must it be only the US Department of Justice that can assemble such cases?

Secondly, we must ask what duties exist for offshore centres, places like Malta where through a decision of all political parties, have chosen to make themselves an international financial centre – attracting not only capital fleeing from the Wild East but also new capital invested in loosely-regulated fields, like ship registration, offshore company vehicles, gambling and most recently crypto-currency.

These offshore activities, while legal, also attack like bees to the honey, corrupt and criminal players. So along with such a national choice comes a clear burden: a duty to invest in regulators and well-resourced investigators who are capable of policing this dubious byproduct. It may be a matter of interest of your committee to consider if Malta, and some other similar jurisdictions, have accepted this extra duty.

As to the specific cases we investigated, many facts remain to be established here and we do not consider there is any reliable proof of wrong-doing by any of the people I have named.

But we, as journalists, believing that a bomb cannot snuff out the questions raised by a journalist or any citizen who make serious allegations, are dedicated to get to the bottom of the question. We cannot act alone. I ask you, ladies and gentleman, to play an equal part. And we ask anyone who knows anything – to come forward.
Chairman of Pilatus: Ali Sadr Hashemi Nejad

Ilham Aliyev, Azerbaijan’s president, and the sons of his minister for emergency situations, Kamaladdin Heydarov,

Aliyev’s daughters, Leyla and Arzu Aliyeva,

Heydarov’s sons, Nijat and Tale

ENDS