

Mr. Andrea Enria
Chairperson
European Banking Authority

Brussels, 14 February 2018

Dear Mr Enria,

We, the undersigned Members of the European Parliament, who served on the PANA Committee until the end of its mandate last year and participated in the ad-hoc Delegation to Malta, note reports in the international media [1] [2] that the European Banking Authority has begun a preliminary inquiry into the Maltese bank Pilatus Bank. We welcome this development unreservedly.

Pilatus Bank has been singled out for scrutiny in three European Parliament reports in as many months: the PANA Committee of Inquiry's report of 8 November 2017, the European Parliament's resolution on the rule of law in Malta of 15 November 2017 and the report of the European Parliament PANA/LIBE ad hoc fact-finding mission report of 11 January 2018.

These reports are based on a significant and growing body of leaked evidence from Maltese authorities and first-hand testimony that place Pilatus Bank at the centre of illicit financial flows from Malta's citizenship-by-investment scheme, the sale of state assets, and unexplained inflows from high-risk jurisdictions like Azerbaijan to Maltese politically exposed figures.

As Pilatus Bank is a fully-licensed eurozone bank, which now operates a branch in London in addition to its headquarters in Malta, any proceeds of criminal activity laundered through it contaminate European financial and real estate markets and can have a potentially harmful effect on regulatory and political institutions at both a national and a European level.

In the context of accumulating evidence of Pilatus Bank's role in money-laundering and corruption scandals at the highest levels of Malta's government, we have observed with deepening concern the apparent impunity with which the bank continues to operate in Malta. We view the reluctance of the competent Maltese authorities to act as further evidence of regulatory capture, where the close personal and financial links between Pilatus Bank, the national supervisory authority and the executive branch of government, have worked to suppress any effective national checks on the bank's operations.

In the absence of effective regulatory scrutiny at the national level, Pilatus Bank has meanwhile been free to pursue investigative journalists and whistleblowers with the full force of the law. The bank's impact on press freedom in Malta has been significant: all independent news outlets in Malta, including the assassinated journalist Daphne Caruana Galizia who was one of its most strident public critics, received threats of vexatious and potentially crippling lawsuits in the US and UK from the bank's lawyers.

That what began as a money-laundering and terrorism financing issue has now grown to become a threat to freedom of expression in Malta, illustrates the depth and harmful impact of allowing even a small private bank to operate unchecked in a Member State.

The conduct of the Maltese authorities in licensing the bank and allowing its continued operation, despite mounting public evidence of serious anti-money laundering violations, cannot be viewed in isolation, but should be viewed in the context of the bank's close political links to the current national administration. Pilatus Bank's short client list features politically exposed persons from Azerbaijan [3], Angola, and Malta, and includes Keith Schembri, the Maltese Prime Minister's Chief of Staff, as he himself admitted in the statement he read out to the PANA/LIBE ad hoc mission to Malta during a scheduled meeting with Prime Minister Joseph Muscat.

Considering that Pilatus Bank has succeeded to an unprecedented degree in curtailing negative press coverage of its operations, in light of the compelling evidence of regulatory capture in this case, and in view of the clear implications for Europe as a whole of the bank's continued operation without adequate scrutiny, it is of crucial importance that the European Banking Authority's inquiry into the bank is in-depth, effective, and independent of Malta's national authorities.

We, the undersigned Members of the European Parliament, would appreciate if you could keep us informed about the developments of this preliminary inquiry.

Yours sincerely,

MEP Maite PAGA ZAURTUNDÚA.

MEP David CASA

MEP Werner LANGEN

MEP Ana GOMES

MEP Monica MACOVEI

MEP Stelios KOULOGLOU

MEP Esther de LANGE

MEP Dariusz ROSATI

MEP Heidi HAUTALA

MEP Sven SCHULZE

MEP Petras AUSTREVICIUS

MEP Matt CARTHY

MEP Martina ANDERSON

MEP Lynn BOYLAN

MEP Liadh NÍ RIADA

MEP Markus FERBER

MEP Francis ZAMMIT DIMECH

MEP Sophie in 't VELD

MEP Thomas MANN

MEP Roberta METSOLA

MEP Frank ENGEL

MEP Takis HADJIGEORGIOU

[1] *The Guardian*, 2 February 2018: *Bank criticised by Daphne Caruana Galizia under scrutiny in Brussels*, Stephanie Kirchgaessner.

[2] *Politico*, 2 February 2018: *Watchdog probes Maltese bank criticized by Daphne Caruana Galizia*, Paul Dallison.

[3] *Times of Malta*, 26 January 2018: *Pilatus Bank hits back, accuses MEPs of 'erroneous statements'*, Claire Caruana

"On the breakdown of the bank's clients, [Pilatus Bank's CEO] said they had connections with Europe and its territories, North America and the Middle East, with clients categorised as politically exposed persons hailing from Azerbaijan."