



Members of the European Parliament

Andrea Enria
Chairperson
European Banking Authority

London

Dear Mr Enria,

All the European press wrote long articles about the Azerbaijani Laundromat scheme and how the operation was using a slush fund handling \$2.9 billion between 2012 and 2014 through four shell companies registered in the UK. These companies were able to disguise the true origins of the funds by listing proxies or non-existent shareholders on registration paperwork. The money was used to buy luxury goods, launder money through many European countries, launder the reputation of Azerbaijan abroad and to pay off European politicians.

One of them is Luca Volontè, the Italian former chair of the centre-right European People's party group in the parliamentary assembly of the Council of Europe (Pace)¹, another high-profile beneficiaries include Eduard Lintner, a former German MP with the Christian Social Union, the Bavarian sister party to Angela Merkel's ruling Christian Democrats.² Cash was also sent to Hungary during international controversy, extradited convicted Azeri axe-murderer Ramil Safarov to Azerbaijan³.

The case also points at the role of European banks in failing to ensure compliance with anti-money laundering regulations. Banking records leaked to the Danish newspaper Berlingske show that Danske, a major European bank, seemingly turned a blind eye to transactions that should have raised red flags. The bank's Estonian branch handled the accounts of all four UK-registered shell companies, allowing the billions to pass through it without investigating their origins. The recipient European banks, amongst others the Hungarian MKB Bank failed to notice that dubious transactions.

It seems however, that not only the banks turned blind eye to these problems, but so far, the financial regulators seem to neglect it across Europe as well. Denmark's bank regulator, the

¹ Volontè was among Pace delegates who controversially voted against a 2013 report criticising Azerbaijan's human rights record. The leaked data shows he received more than €2m.

² Between 2012 and 2014, when he was no longer an MP, his foundation received €819,500. The cash included a €61,000 payment made two weeks after Lintner visited Azerbaijan as an election observer. He praised the poll as up to "German standards". He says the payments were for legitimate work, and that he did not personally benefit from the money or know about the original source of funds.

³ Further info about the case: <https://budapestbeacon.com/azeri-slush-fund-reportedly-tied-deposits-mkb-account-around-time-safarov-extradition/>



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Danish Financial Supervisory Authority (FSA), attempted to get Danske Bank to address its weaknesses after an inspection in 2011-12. The FSA issued an order for the bank to introduce satisfactory procedures with respect to cross-border correspondent bank relationships⁴, in which the FSA particularly referred to the bank's branch in Estonia for having failed in time to identify material money laundering risks and for having failed in time to introduce risk-mitigating measures in this respect. Nevertheless, clearly the FSA's efforts were unsuccessful.

After the scandal, the Danish minister responsible asked the Danish Financial Supervisory Authority to investigate the public and the journalists are not aware of any signs or results of the investigation. We are equally not aware if the Estonian, Italian or the Hungarian financial regulator has started an investigation in relation to the scandal.

In fact, according to the Hungarian authorities they are not allowed even to provide information whether they conduct an investigation or not, as the Act LIII of 2017 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, which is the transposition of the 2015/849 Directive, forbids to not only the financial institutions but to the national authorities to provide the public with any information on their investigations.

The EBA is required to ensure the integrity, transparency and orderly functioning of financial markets, strengthen supervisory cooperation. As part of this, the EBA according to Article 17 of the Regulation 1093/2010 is responsible for the proper application of the European law. Therefore, EBA shall ensure that competent authorities and credit and financial institutions within its scope apply the provisions of European Anti-Money Laundering and Countering the Financing of Terrorism legislation effectively and consistently and take steps if necessary.

As Chairperson representing the European Banking Authority, we would ask you to answer the following questions:

1. Have you received any report or notification related to the Azerbaijani Laundromat case?
2. Have you opened a "Breach of Union Law" investigation of the respective competent supervisory authorities (following those reports or notifications or by your own initiative) on the proper application of the European money laundering rules by the respective authorities? Do you foresee any timeline for the investigation?
3. Which countries and authorities have been involved in such an investigation?

⁴ [https://www.danskebank.com/en-uk/ir/Regulation/Documents/21.03.16_Statement_on_inspection_of_Danske_Bank_\(AML_area\)_dated_16_March_2016.pdf](https://www.danskebank.com/en-uk/ir/Regulation/Documents/21.03.16_Statement_on_inspection_of_Danske_Bank_(AML_area)_dated_16_March_2016.pdf)



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4. What the national authorities have done a priori of the scandal and afterwards?

In case there was no report and the European Banking authority have not opened a "Breach of Union Law" investigation in the above case on its own initiative, then please consider our letter as a request for opening a thorough investigation in the case.

We are looking forward receiving your reply.

Done at Strasbourg, 13th November 2017

Yours sincerely,

Benedek Jávor

Margrete Auken

Frank Engel

Ana Gomes

Indrek Tarand