

**IR-RAPPORT TAL-FIAU  
DWAR IL-PAGAMENTI LI  
GHADDEW MINN KEITH  
SCHEMBRI LIL ADRIAN  
HILLMAN**

## Brief overview of the facts of the case

The FIAU carried out a financial analysis in accordance with the powers conferred to it under Article 16(1) of the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta) in relation to a Maltese national, Mr Adrian Hillman who received funds from Mr Keith Allen Schembri. Mr Keith Allen Schembri, is a person who falls within the definition of a “politically exposed person” under the Prevention of Money Laundering and Funding of Terrorism regulations in view of his appointment as Chief of Staff to the Prime Minister as from 11<sup>th</sup> March, 2013.

The FIAU is informed that Adrian Hillman is the ultimate beneficial owner of LESTER HOLDINGS GROUP LIMITED, a company which was set up in April 2011 and which is registered in the British Virgin Islands. Mr Hillman and Lester Holdings Group Limited each hold an investment account with MFSP Financial. The FIAU is in possession of information indicating that Mr Hillman has received funds both personally and in the name of his BVI registered company from Mr Keith Schembri as well as from companies which are owned by or have Mr Schembri’s involvement.

A more detailed analysis was carried out by the FIAU in terms of the powers conferred to it under Article 16(1) of the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta) in relation to the various payments received directly or indirectly by Mr Hillman from Mr Schmbri between 2010 and 2015, which transactions total to approximately €650,000.

Following the analysis of the facts available to the FIAU, together with other information obtained by the FIAU through the powers conferred to it by law, it has been determined that sufficient information is available to conclude that a reasonable suspicion of money laundering subsists in this case.

This decision is supported by the relevant facts outlined in this report.

### 1. Details of natural and legal persons Involved

- 1.1 Name and Surname: Keith Allen Schembri  
Date of birth: 26<sup>th</sup> July 1975  
Maltese ID card: 331975M  
Address: Villa Abelia, Santa Marija Gardens Unit C4, Triq iz-Zebbug, Mellieha  
Account Holder: Credit Suisse Account (no further details held)
- 1.2 Name and Surname: Adrian Hillman  
Date of birth: 20<sup>th</sup> November 1964  
ID card: 561264M  
Address: 26, Rika Lubvi, Triq il-Gabillott, Swieqi  
Account Holder: HSBC 033-262890-001  
HSBC 033-262890-002  
MFSP Financial H-00006

- 1.3 Company Name: Lester Holdings Group Limited  
Company Number: 1644185  
Date of Incorporation: 19<sup>th</sup> April, 2011  
Registered Address: PO Box 3136, Akara Building 24, De Castro Street, Wickhams Cay 1, road Town, Tortola, British Virgin Islands  
Registered Agent: Mossack Fonseca & Co. (B.V.I) Ltd  
UBO: Adrian Hillman  
Directors: Jacqueline Jasmine Alexander Parrales  
Shareholder: ATC Administrators Inc.  
Account Holder: Sparkasse Bank MT61SBMTS55505000010000022472000  
Pilatus Bank plc 100973CACOEUR018  
MFSP Financial L-00020
- 1.4 Company Name: Kasco Limited  
Company Number: C25890  
Date of Incorporation: 21<sup>st</sup> February, 2000  
Registered Address: Kasco, B3A, Bulebel Industrial Estate, Bulebel, Zejtun ZTN 3000  
UBO: Keith Allen Schembri  
Directors: Malcolm Scerri, Alfio Schembri, Adrian-Kenneth Sillato  
Shareholder: Kasco Holdings Limited, Keith Allen Schembri  
Account Holder: HSBC 043-010354-001
- 1.5 Company Name: Kasco Recycling Limited  
Company Number: C42762  
Date of Incorporation: 9<sup>th</sup> November, 2007  
Registered Address: 2, St. John Elemosiner Street, Cospicua BML 9051  
UBO: Keith Allen Schembri  
Directors: Malcolm Scerri, Alfio Schembri  
Shareholder: Kasco Holdings Limited, Keith Allen Schembri  
Account Holder: BOV 40020018210
- 1.6 Company Name: Kasco Holdings Limited  
Company Number: C17886  
Date of Incorporation: 27<sup>th</sup> February, 1995  
Registered Address: 2, St John Elemosiner Street, Cospicua BML 9051  
UBO: Keith Allen Schembri  
Directors: Alfio Schembri  
Shareholder: Alfio Schembri, Keith Allen Schembri  
Account Holder: HSBC 042-070763-001
- 1.7 Company Name: Kasco engineering Company Limited  
Company Number: C34257  
Date of Incorporation: 6<sup>th</sup> July, 2004  
Registered Address: 2, St John Elemosiner Street, Cospicua BML 9051

UBO: Keith Allen Schembri  
Directors: Malcolm Scerri, Alfio Schembri  
Shareholder: Kasco Holdings Limited, Malcolm Scerri

1.8 Company Name: Malmos Limited  
Company Number: 99648  
Date of Incorporation: 23<sup>rd</sup> October, 2007  
Registered Address: Suite 23, Portland House, Glacis Road, Gibraltar GX11 1AA  
Contact Details: BT Fiduciare Limited, Pebbles, Triq il-Mahsel, Marsascalea  
MSK 3649, Malta  
UBO: Keith Allen Schembri  
Directors: Fiduciary Directors Limited  
Shareholder: Fiduciary Trust Limited  
Account Holder: Jyske Bank (Gibraltar) Limited GI22JYBA287722EUR253801

## 2. Financial Intelligence Analysis

### 2.1. Information relating to Lester Holdings Group Limited

Information obtained by the FIAU indicated that as at 10<sup>th</sup> May 2011, Mr Adrian Hillman was the sole shareholder of Lester Holdings Group Limited. Mr Hillman transferred his interest in Lester Holdings Group Limited to ATC Administrators Inc. on 7<sup>th</sup> May, 2013 who in turn held these shares on behalf of Mr Hillman as per a Beneficial Interest Declaration dated 5<sup>th</sup> July, 2013 (Appendix 4.1).

A document dated 10<sup>th</sup> May, 2011 identifies Mr Hillman as the sole director of Lester Holdings Group Limited however the Register of Directors dated 7<sup>th</sup> May, 2013 indicates the resignation of Mr Hillman from his directorship position and the appointment of Ms Jacqueline Alexander as a sole director in his stead. This appointment was effective as of 7<sup>th</sup> May, 2013.

On 5<sup>th</sup> July, 2013 Lester Holdings Group Limited issues a Power of Attorney in favour of Mr Brian Tonna and Mr Karl Cini of Nexia BT, allowing them to manage the company without any limitation, "through acts of simple administration as well as through acts of disposition". This Power of Attorney was to remain in effect for three years until 5<sup>th</sup> July, 2016. The FIAU does not hold any further information as to whether this period was extended or whether another Power of Attorney was issued.

A resolution signed by the directors Lester Holdings Group Limited dated 1<sup>st</sup> May 2015 authorised Mr Karl Cini to open bank accounts in the name of the company with Pilatus Bank Limited without the company's seal. The resolution further states that these accounts will be operated by Mr. Adrian Hillman.

### 2.2. Information relating to Malmos Limited

Information obtained by the FIAU indicates that since its registration in Gibraltar in October 2007, Malmos Limited was ultimately beneficially owned by Keith Schembri, however the directors, secretary and shareholder were always Fiduciary Directors Limited, Fiduciary Management Limited and Fiduciary Trust Limited respectively. The signatory for Malmos Limited is Mr Brian Tonna. As at May 2016, the company was declared to have no assets following the closure of its three bank accounts on 13<sup>th</sup> January, 2015.

Kindly be informed that the FIAU requested an overview of the account activity which took place in the three aforementioned accounts held by Malmos Limited including the sums credited and debited to/from the accounts as well as the main remitters and beneficiaries identified in the said transactions. The FIAU was informed that such information can only be provided through an International Letter of Request.

The business objective of Malmos Limited is “To provide marketing, advertising, consultancy, recruitment and ancillary services in the supply of paper industry” with the target market being Europe. The company held three accounts with Jyske Bank (Gibraltar) Limited. The three accounts were denominated in GBP, EUR and USD respectively. The GBP and USD accounts were opened on 23<sup>rd</sup> June, 2008 whereas the EUR account was opened on 3<sup>rd</sup> February, 2009.

Account Number	Account type	Date opened	Date closed	Notes	Institution
0280022GBP0001		23-Jun-08	13/01/2015	No. 1 Account	Jyske Bank (Gibraltar) Limited
0280022EUR0002		03-Feb-09	13/01/2015	No. 1 Account	Jyske Bank (Gibraltar) Limited
0280022USD0001		23-Jun-08	13/01/2015	No. 1 Account	Jyske Bank (Gibraltar) Limited

In addition to the aforementioned information, the FIAU is informed that the company was declared as having no employees and will enter into contracts with representatives who will perform the work on a commission basis.

### 2.3. Information obtained from Pilatus Bank plc

According to documentation obtained by the FIAU, the account held by Lester holdings Group Limited with Pilatus Bank plc was opened on 19<sup>th</sup> June 2015. The bank was informed that the business activity of the company was stated to be “portfolio management”.

This was recorded in the bank’s account –opening form (image below)

Pilatus Bank

Date: 2, 6/2015

## Account Opening Form – Corporate

### Account Holder

Company Name: Lester Holdings Group Ltd

### Registered Address

\*Address 1: Akara BLDG, 24 De Castro Street, Wichams Cay 1, Road Town

Address 2:

Post Code:

Licence/Registration No. 1644185

City: Tortola

Type of Licence Registration:

Telephone: N/A

Date of Incorporation: 19/04/2011

Fax: N/A

Place of Issue: British Virgin Islands

Email: [lesserholdings@gmail.com](mailto:lesserholdings@gmail.com)

Business type/Activity: Portfolio Management

\*Document found on the Registry of Companies dates 6<sup>th</sup> April 2016 shows that as at this date the company (C 62995) changed its status from that of a private company to that of a public company

Following the receipt of the funds in the account from Mr Schembri, the sum of €9,500 was transferred to MFSP as payment of fees. Following this transaction which was carried out on the 30<sup>th</sup> November 2015 the account was no longer used with the exception of various bank charges.

The FIAU is informed that the said account pertaining to Lester Holdings Group Limited was closed on 1<sup>st</sup> June 2016. The account was €40 in debt at the time it was closed which amount was subsequently written off by the bank.

It was also noted that the closure of this account coincided with the following media reports:

[Http://www.independent.com.mt/articles2016-05-15/panama-papers/three-quarters-of-a-million-transferred-into-PM-s-Chief-of-Staff-BVI-company-in-2014-alone-6736157861](http://www.independent.com.mt/articles2016-05-15/panama-papers/three-quarters-of-a-million-transferred-into-PM-s-Chief-of-Staff-BVI-company-in-2014-alone-6736157861)

<http://www.independent.com.mt/articles/2016-05-20/local-news/PM-s-Chief-of-Staff-Keith-Schembri-Sladden-and-Hillman-are-shareholders-ina-a-Cypriot-company-6736158119>

[http://www.maltatoday.com.mt/news/national/65468/schembri\\_sladden\\_hillman\\_setup\\_cypriot\\_company\\_for\\_transactions-to-BVI\\_offshore#.V61zr\\_19608](http://www.maltatoday.com.mt/news/national/65468/schembri_sladden_hillman_setup_cypriot_company_for_transactions-to-BVI_offshore#.V61zr_19608)

### 2.4. Information obtained from Sparkasse Bank Malta plc

According to documentation obtained by the FIAU, the account held by Lester Holdings Group Limited with Sparkasse Bank Malta plc was opened on 26<sup>th</sup> May 2011 in the currency denomination EUR 10.00.0022472.000. The account was closed on 30<sup>th</sup> June 2015.

During this time frame, credits from Kasco Limited were received on a regular basis, mainly in tranches of €5,000 every 2-3 months, however no exact payment frequency was identified.

Debits consisted mainly of transfers to MFSP Financial, however the FIAU also identified a debit of €3,020.39 in favour of Green and Piegel Trust, bearing reference to a payment for application fees for Mrs Velislava Hillman, who is Mr Adrian Hillman's wife. A further debit of €3,000 was also identified in relation to card fees for an American Express international.

## 2.5.Suspicious Transactions

The FIAU is in possession of information confirming that 7 transactions were carried out between 2010 and 2014 through which the total amounts of USD305,559 and €251,534.70 were transferred from Mr Keith Schembri to Mr Adrian Hillman through domestic and offshore personal accounts, bank accounts held in the names of domestic and offshore companies or through a domestic investment services firm. Further information in relation to these transactions I provided in sections 2.5.1 and 2.5.2 of this report.

In addition to the aforementioned 7 transactions, the FIAU has identified 24 transactions totalling €121,924.82 which were carried out between June 2011 and October 2015. Most of these transactions were carried out in tranches of €5,000 and were sent to bank accounts held in the name of Lester Holdings Group Limited with Pilatus Bank plc and Sparkasse Bank Malta plc directly from Kasco Limited (details of these accounts are provided in Appendix 4.2 and Appendix 4.3)

The FIAU also obtained information in relation to three cheques totalling €6,432.55 which were issued by Mr Adrian Hillman in favour of BTI management Limited. These cheques were issued on 5<sup>th</sup> August 2013, 13<sup>th</sup> October 2014 and 1<sup>st</sup> May 2015 respectively (Appendix 4.4). Documentation obtained by the FIAU indicates that Mr Brian Tonna and Mr Karl Cini were granted a Power of Attorney in relation of Lester Holdings Group Limited on 5<sup>th</sup> July, 2013 (Appendix 4.5), while Mr Karl Cini was also authorised to open bank accounts in the company's name on 1<sup>st</sup> May, 2015 (Appendix 4.6).

In addition the FIAU obtained information indicating that during the period 1<sup>st</sup> January 2011 to 29<sup>th</sup> February 2016, Mr Adrian Hillman deposited a total of €224,511 in cash to his personal bank account held with HSBC Bank Malta plc. The source or purpose of these transaction are not known.

### 2.5.1. Bank account transactions

- I. From a review of the transaction history of the bank accounts pertaining to Lester Holdings Group Limited, it transpires that the only credits received on the bank account held with Pilatus Bank Limited originated from Kasco Limited.
- II. Likewise, the FIAU noted that all but 4 of the 24 payments made in favour of the account held with Sparkasse Bank Malta plc in the name of Lester Holdings Group Limited also originated from Kasco Limited. These payments which totalled €100,000 were mainly received in tranches of €5,000 over a period of 4 years from August 2011 to March 2015. A further payment of €4,000 was received from Kasco Holdings Limited on 6<sup>th</sup> June 2011 while another payment was from Kasco Recycling

Limited for €7,924.82. This payment which was made on 17<sup>th</sup> October 2014 bore the reference “Comm”.

- III. In addition to the aforementioned transactions in favour of Lester Holdings Group Limited, the FIAU identified a payment of €14,609.88 from Kasco Limited which was made on 14<sup>th</sup> December 2011 to Mr Adrian Hillman’s personal account with HSBC.
- IV. The FIAU also identified funds crediting Mr Hillman’s MFSP Financial Investment account bearing client code H-00006. The sum of USD 169,675 was received on 23<sup>rd</sup> June 2010 from Mr Schembri’s Credit Suisse Account. A further USD 135,884 was received on 13<sup>th</sup> May 2011 from an account held with Jyske Bank (Gibraltar) Limited in the name of Malmos Limited.
- V. Two further sums were identified as having been received by MFSP Financial in the investment account bearing client code L-00020 which is held in the name Lester Holdings Group Limited. The sum of €100,000 was received on 18<sup>th</sup> November 2011 from Kasco Engineering while an additional sum of €125,000 was received from an account held with Jyske Bank (Gibraltar) limited in the name of Malmos Limited.

The statements of the two accounts held in the name of Lester Holdings Group Limited reveal that in both cases the sole source of funds to these accounts since accounting opening originated from companies which are ultimately beneficially owned by Mr Keith Schembri. A review of these accounts also indicated that these accounts were seemingly not used for the business scope or activity which was provided in the respective account opening forms and appear to have been set up for a very particular purpose (Refer to section 2.3 and 2.4 of this report).

A review of Mr Adrian Hillman’s personal accounts indicated that in addition to the aforementioned funds which were received from Mr Schembri and/or his companies, Mr Hillman carried out 115 cash deposits between 2011 and 2016 for the total value of €224,511. During the same period of time 84 cash withdrawals were made for a total value of €15,190 (appendix 4.7).

Information obtained by the FIAU indicates that Mr Hillman’s declared annual income exceeds €100,000 annually. He is also the father of three young children, with the eldest having been born in 2009. An analysis carried out on Mr Hillman’s personal account indicates an above average lifestyle, given that all his children appear to attend private school, mortgage payments in a five year period exceeded €200,000 and travel expenses in the same timeframe were in excess of €40,000. In light of this information cash withdrawals totalling €15,190 over a five year period appear to be remarkably low sum especially when taken into consideration with Mr Hillman’s above average salary and lifestyle. The Lack of cash withdrawals may indicate that Mr Hillman possibly has access to funds which are not being introduced into the banking system.

#### 2.5.2. Information relating to MFSP accounts

The FIAU carried out a review on the accounts held with MFSP Financial, namely H-00006 which is held in the name of Mr Adrian Hillman and L-00020 which is held in the name of Lester Holdings Group Limited.

On the basis of information obtained by the FIAU, the relationship held with Mr Adrian Hillman as account holder of H-00006 commenced on 18<sup>th</sup> June 2010. On the 23<sup>rd</sup> June 2010, the sum of USD 169,675 was received on Mr Hillman's MFSP account from a foreign bank account held in the name of Malmos Limited, a company registered in Gibraltar and ultimately beneficially owned by Mr Keith Schembri. The only other deposit of funds on the Mr Hillman's account H-00006 came as a result of sale proceeds from Lester Holdings Group Limited's account L-00020. This transaction took place on 2<sup>nd</sup> July 2015.

The relationship held with Lester Holdings Group Limited commenced on 1<sup>st</sup> December 2011 following instructions from Mr Hillman to transfer his portfolio from his personal investment account with MFSP to the new investment account held in the name of Lester Holdings Group Limited. The sum of €100,000 was received on the account held by Lester Holdings Group Limited from Kasco Engineering on 5<sup>th</sup> December, 2011. On 21<sup>st</sup> June 2012 the same account received €125,000 from Mr Schembri's Gibraltar company, Malmos Limited. A further transfer of €50,000 was also identified on this account which took place on 22<sup>nd</sup> July 2014. The source of these funds was the Sparkasse Bank Malta plc account which was held in the name of Lester Holdings Group Limited.

On the basis of this review it is pertinent to note that both investment accounts of Mr Adrian Hillman and Lester Holdings Group Limited held with MFSP Financial were funded solely by Mr Keith Schembri or his companies. Despite these products having set up in 2010 and 2011 respectively, the transactions which have taken place indicate that these products were also set up with a specific purpose in mind due to the nature of the transactions which were carried out.

As at 25<sup>th</sup> April 2016, the value of Mr Adrian Hillman's account, H-00006 was of €55,948 which is denominated in EUR Holdings. The value of Lester Holdings Group Limited's account L-00020 as at 25<sup>th</sup> April 2016 stood at €232,287 in EUR Holdings, GBP81,164 in GBP holdings, USD 57,761 in USD holdings and €64,119.60 as cash on account.

It was further noted that while it is reasonable for an individual with Mr Hillman's income to have an investment account such as the aforementioned, such accounts would usually be funded from the account holder's personal account/s. in this case the investment accounts were funded by a third party's business or offshore accounts.

### 2.5.3. Information to bank officials and supporting documentation

Information obtained by the FIAU indicates that a number of the transactions outlined in this report were carried out through internet banking services, therefore very little information is available as to the purpose of these payments from Mr Schembri to Mr Hillman. In the case of the two transactions for €5,000 each which were received to the bank account held with Pilatus Bank in the name of Lester Holdings Group Limited, the bank was provided with two

invoices indicating that these payments represent advisory services which were provided to Kasco Limited. Further details in relation to these invoices has been provided in section 2.3.4 of this report.

Notwithstanding an in-depth review of the accounts and the relevant documentation held with different credit and investment institution in the name of Mr Schembri, Mr Hillman and Lester Holdings Group Limited, it was not possible to identify a legitimate purpose for the series of transactions which were remitted to Mr Hillman or his company. Although efforts were made to examine all potential avenues, these facts can only be determined conclusively through an investigation by a body having law enforcement powers.

#### 2.5.4. Invoicing

The FIAU has obtained two invoices which were provided as supporting documentation of the two transactions totalling €10,000 which were credited to the account held with Pilatus Bank plc in the name of Lester Holdings Group Limited (Appendix 4.8). The invoices cited that the two payments of €5,000 each were due to Lester Group for “Advisory Services as per agreement on RFID” from KASCO Limited. Both invoices were noted to have been raised by “Lester Group Holdings Limited” as apposed to the registered name of Lester Holdings Group Limited. It was also noted that the footnote on the invoices allowed for the company registration number to be included however the actual number was not listed. Furthermore the invoice does not carry a VAT number. These anomalies led to the suspicion that both invoices were drawn up hastily so as to provide justification for the transactions which were subsequently received by Lester Holdings Group Limited in the account held with Pilatus Bank plc on 12<sup>th</sup> August 2015 and 23<sup>rd</sup> October 2015 respectively.

#### 2.5.5. RFID agreement

The FIAU does not hold a copy of the RFID Agreement to which reference was made in the aforementioned invoices which were presented to Pilatus Bank plc. However online sources, namely an article issued by the Times of Malta on 13<sup>th</sup> April, 2016 states that “the Kasco group was continuing to expand its activities possibly including remote gaming and it was involves in RFID technology in the UK, Italy, Greece and Spain among other countries”.

It is not known whether this agreement exists and if so whether this was ever signed or brought into force. Information obtained by the FIAU indicates that Mr Hillman has experience in creating and implementing digital strategies however, despite this information the FIAU is unaware whether such knowledge enables Mr Hillman to offer advisory services in relation to RFID technology (Radio Frequency Identification).

#### 2.5.6. Financial relationships

Mr Hillman is a longstanding customer of HSBC Bank (MALTA) plc, having established a banking relationship with the institution in 2004 and also having two mortgage accounts with the same institution. Given that Mr Hillman already had this well-established banking relationship at the time that accounts in the name of Lester Holdings Group Limited were set up with Pilatus Bank plc, Sparkasse Bank Malta plc and MFSP Financial, the establishment

of these new relationships with other banks and investment institution through which reasonably few and select transactions were carried out raises a number of questions.

## 2.6. Additional considerations

As was outlined earlier in this report, the FIAU was unable to identify a purpose or justification for the series of transactions from Mr Schembri to Mr Hillman raising serious doubts as to whether the transfers identified in favour of Mr Hillman could in fact constitute grafts.

In the 2010 FATF typology report on money laundering using trust and company service providers, it is clearly set out that –

“shell companies are corporate entities that are used for legitimate purposes such as to hold stock or intangible assets of another business entity. However, they can also be misused by illicit actors and have no legitimate commercial purpose. While it is arguable whether shell corporations can have appropriate application in the operations of legitimate corporate groups, they can be used by white-collar criminals in money-laundering operations, mutual-fund schemes, tax fraud and internal business fraud. To facilitate these types of schemes, shell companies may be used to generate false invoices, fictitious consultancy fees or bogus loans. Where shell companies are permitted under the corporate registration laws of jurisdiction or where its usage is unrestricted, this may present a money laundering and financial crime vulnerability which criminals will take advantage of”.

The same report established as two of the principal money laundering indicators –

“Transactions that require the use of complex and apogee legal entities and arrangements:”  
and

“The payment of “consultancy fees” to shell companies established in foreign jurisdictions or jurisdictions known to have a market in the formation of numerous shell companies:”

The set-up of the company Lester Holdings Group Limited, the jurisdiction in which it is incorporated, the registered address of the company in use by several other offshore companies, the use of foreign directorship services, the holding of shares through a nominee company and the fact that it has no employees or actual services provided, which in turn contradict the claim of “portfolio management”, are all indicative that it is a shell company.

## 2.7. Other intelligence obtained by the FIAU

Reference is made to section 2.3 of the report dated 12<sup>th</sup> July, 2016 baring reference 107390/16 whereby unconfirmed intelligence obtained by the FIAU reveals that Mr Schembri has a close association with Mr Seyed Ali Sadr Hasheminejad (known as Ali Sadr), who is a director and the main shareholder of Pilatus Bank plc.

In this respect it should be noted that notwithstanding the transactions remitted through Pilatus Bank plc identified in this report are not of significantly high value, Pilatus Bank plc

have, to date chosen not to file a suspicious transaction report with FIAU despite the extensive media coverage on potential suspicious activities involving Mr Schembri and Mr Hillman.

The following links relate to media articles in connection with this case:

[http://www.timesofmalta.com/articles/view/20160424/local/panama\\_scandal\\_so\\_why\\_did\\_keith\\_schembri-conceal-his-identity\\_609810](http://www.timesofmalta.com/articles/view/20160424/local/panama_scandal_so_why_did_keith_schembri-conceal-his-identity_609810)

[http://daphnecaruanagalizia.com/2016/03/graft\\_scandal\\_allied-newspapers-managing-director-has-been-taking-money-from-prime-ministers-chief-of-staff-for-years/](http://daphnecaruanagalizia.com/2016/03/graft_scandal_allied-newspapers-managing-director-has-been-taking-money-from-prime-ministers-chief-of-staff-for-years/)

[http://www.maltatoday.com.mt/news/national/63096/keith\\_schembri\\_denies\\_all\\_allegations\\_levelled\\_against\\_him\\_V6sdz!95D8](http://www.maltatoday.com.mt/news/national/63096/keith_schembri_denies_all_allegations_levelled_against_him_V6sdz!95D8)

### 3. Conclusions

After having renewed the information available to the FIAU, the following facts are considered to be of relevance in the determination as to whether a reasonable suspicion of money laundering subsists in this case:

- i. The setting up a company (Lester Holdings Group Limited) by Mr Adrian Hillman in the British Virgin Islands through the services of Mossack Fonseca Limited in which foreign director services were used and, more importantly, shares are being held in a nominee capacity by ATC Administrators Inc on behalf of Mr Hillman. Such set-up coupled with the choice of jurisdiction, reduces to a very large extent the possibility that any information on the link between Mr Hillman and the company is identified by the authorities in Malta;
- ii. The direct receipt of USD 169,675 from Mr Keith Schembri's Swiss Bank account into the MFSP Financial account of Mr Adrian Hillman for unknown purposes;
- iii. The direct payment of €14,609.88 from Kasco Limited to Mr Adrian Hillman's personal account in December 2011;
- iv. The direct payment of €100,000 from Kasco engineering to the MFSP Financial account held in the name of Lester Holdings Group Limited in November 2011;
- v. The direct receipt of funds totalling €121,924,82 between August 2011 and March 2015 from Mr Keith Schembri's domestic companies' accounts to domestic bank accounts held in the name of Lester Holdings Group Limited. The majority of these payments were carried out through online banking in tranches of €5,000 which therefore reduced the possibility of the remitting and beneficiary banks from requesting any supporting documentation in relation to these transactions;
- vi. The transfer of USD 135,884 to Adrian Hillman's account with MFSP Financial and €125,000 to Lester Holdings Group Limited's account with MFSP Financial from Malmos Limited, Mr Keith Schembri's company in Gibraltar. The FIAU holds no information as to the purpose of these payments;
- vii. The business objectives for Malmos Limited state that the company is a wholesaler of paper products and that the company acts as a stockist, merchant and agent whose

products are then distributed to the printing industry. Such activity therefore raises the question as to why Malmos Limited transferred money to Mr Hillman's investment account with MFSP Financial, given that the beneficiary is not a paper mill or a supplier of similar products;

- viii. The decision taken by Mr Hillman to resign as director of Lester Holdings Group Limited and transfer the shares in the company to ATC Administrators Inc. for them to hold the said shares on his behalf in May 2013 despite his previous involvements in the company since its inception in 2011;
- ix. All the funds received in the bank accounts held in the name of Lester Holdings Group Limited originated directly or indirectly from Mr Keith Schembri. Likewise Mr Schembri and his Gibraltar company were the only source of funds to Mr Hillman's account with MFSP Financial. Given that all the aforementioned accounts (with exception of Pilatus Bank account) were opened between 2010-2011 but were ultimately financed through the same source suggests that these accounts were opened for the specific purpose of receiving these funds;
- x. The choice of Pilatus Bank plc was taken into consideration since the use of an account for two transactions totalling €10,000 are not in line with the profile of the bank, as its business model is that of a private bank that mainly services high net-worth foreign individuals. As outline in section 2.3 of the report dated 12<sup>th</sup> July, 2016 bearing reference 107390/16, the fact that the bank's main shareholder is implicated in an investigation in a foreign jurisdiction, together with the unconfirmed links between this individual and Mr Schembri was also taken into account;
- xi. The documentary evidence provided to Pilatus Bank ltd to justify the two payments made to Mr Hillman consisted of two invoices. Both were noted to have inconsistencies with the information one expects to find on an invoice; and
- xii. The complexity of the set-up invoicing (1) a company registered in the British Virgin Islands, (2) the opening of two accounts, one of which is with a private bank in Malta, (3) the opening of two additional investment portfolios, (4) the engagement of a foreign director, (5) the engagement of a nominee company incorporated in Panama to hold shares on behalf of the ultimate beneficial owner, is disproportionately cumbersome for the receipt of fully owed funds to Mr Hillman from Mr Schembri for any services/products the latter may have received.

On the basis of this information, it has been concluded that the circumstances surrounding the purpose of these payments merit further examination. In the event that it is discovered that Mr Schembr did actually pay Mr Hillman for services rendered or for the provision of goods, the reason why these payments necessitated the transfer of funds through a company registered in the British Virgin Islands (whose owners would not be able to be ascertained). It would also need to be determined why a company such as Lester Holdings Group Limited requires two bank accounts and an investment account with MFSP Financial.

Finally, and most importantly, an explanation will need to be provided for the fact that these funds never originated from Mr Schembri's personal domestic accounts but rather from various domestic business accounts or offshore accounts held in jurisdictions which are known for strict secrecy laws.

In view of the above circumstances, the information available to the FIAU is deemed to be sufficient to conclude that a reasonable suspicion of money laundering and/or the existence of proceeds of crime subsists. It is therefore being recommended that this report be transmitted to the Police in terms of Article 31 (1) of the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta) for any action the Police may consider appropriate.