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Malta

Maltese law firm confirms Erdoğan company offshore account

Shipping firm owned by Turkish leader's brother-in-law opened account in Malta, a tax haven for foreign business in the EU

By [Craig Shaw](#)



20 December 2017



How do you set up an offshore bank account when your business is connected to the most powerful political figure in Turkey? This was the dilemma facing the Turks behind a Maltese company, Pal Shipping Trader One Ltd, which, in 2013, required an account to deposit VAT refund cheques from a secret oil tanker business.

In April of that year, Pal Shipping approached its representatives at Credence Corporate Advisory Services, a Maltese law firm “specialising in complex structures for a predominantly international clientele”. The lawyers were willing helpers.

Credence made enquiries to some of the top banks operating in Malta, such as IIG, the National Bank of Greece (NBG) and the Bank of Valletta. Although Credence reps provided bank references and photocopies of the passports for Pal Shipping’s Turkish directors, the response from the banks was unanimous: we need more information.

According to e-mails obtained by the European Investigative Collaborations (EIC) and The Black Sea as part of the #MaltaFiles project, a Senior Relationship Officer at Malta’s Bank of Valletta told Credence: “It would be appreciated if you could provide us with email addresses to confirm the references since there are no contact details.” Credence, apparently, declined to send these.

A few weeks later, the advisory’s staff received a similar response from the Maltese branch of NBG: “In terms of our regulatory requirements,” wrote an assistant manager at NBG, “the hereunder due diligence processes need to be completed to enable us to proceed with the opening of an account for a corporate [entity].” The manager requested additional documents, including declarations by the shareholder and ultimate beneficial owner, as well as financial statements.

The bank needed to be sure who was behind the company, and the source of its cash. This compliance is a legal obligation of reputable banks, accountants, law firms and other financial institutions. The process is designed to combat international money laundering, terrorism financing, organised crime and corruption.

For Credence and its Turkish clients, this corporate responsibility was too burdensome. It seems they wanted to answer as few questions as possible. Credence’s Portfolio Manager, Georgina Kristic-Ficur, explained the problem to a senior partner, Andrew Cefai, an accountant by trade and treasurer of the Maltese-Spanish Chamber of Commerce:

“I have explored all the banks that we normally [sic] bank with and it seems that the due diligence procedure in all of them became almost identical,” she wrote. “For that reason, it is very unlikely that we can open a bank account for Pal Shipping Trader One, to deposit their VAT cheques in the name of the company.”

Why would an honest business be reluctant to supply the required evidence to a bank? Kristic-Ficur explained further. The clients, she wrote, “will abandon [sic] an idea of the account since collecting, certifying and sending all the required documents will cost them time and money that they are not ready to spend at the moment.” This email is below:

From: **Georgina Kristic-Ficur** @credence.com.mt
 Subject: RE: NBG/BANIGIIG Bank Malta - Account Opening Documentation
 Date: 20 May 2013 14:26
 To: **Andrew Cefai** @credence.com.mt
 Cc: **Martina Beck** @credence.com.mt, **Natasha Rizzo** @credence.com.mt, **Olga Calafato** @credence.com.mt

I have explored all the banks that we normally bank with and it seems that the due diligence procedure in all of them became almost identical. For that reason, it is very unlikely that we can open a bank account for Pal Shipping Trader One, to deposit their VAT cheques in the name of the company.

The client recently informed that they will abandon an idea of the account since collecting, certifying and sending all the required documents will cost them time and money that they are not ready to spend at the moment.

My last idea is to see if maybe Finbank will accept the cheques to be deposited to Credence’s Finbank account, duly signed and authenticated by the director of Pal Shipping. We might even ask the bank to credit the amount to our account and automatically transfer the funds to Pal-Shipping account abroad so that the money does not stay on our account. I am sure we will be able to get a PoA for that purpose.

However, since this procedure was not allowed in other banks, I guess it will be best if some of directors speak to Mr. Vincent Farrugia directly and see if he could approve something like that.

Kindly inform.

Regards,
 Gina

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 Tel: +356 2125 - Fax: +356 2125
www.credence.com.mt

Email between Credence employees discussing due diligence on bank account for the Erdoğan family

But the banks might also have been concerned had they learned that Pal Shipping is beneficially owned by the family of Recep Tayyip Erdoğan - Turkey’s controversial prime minister at that time, and now its controversial president.

One director and the stated owner is Ziya İlgen. A former schoolteacher, İlgen is the brother-in-law of Erdoğan and is understood to have taken over the Turkish leader’s business interests when he entered politics. The second director is Bahaddin Ayan, the 20-something son of one of Erdoğan’s closest friends, and who remains on the companies today.

Charmed Circle of Erdoğan

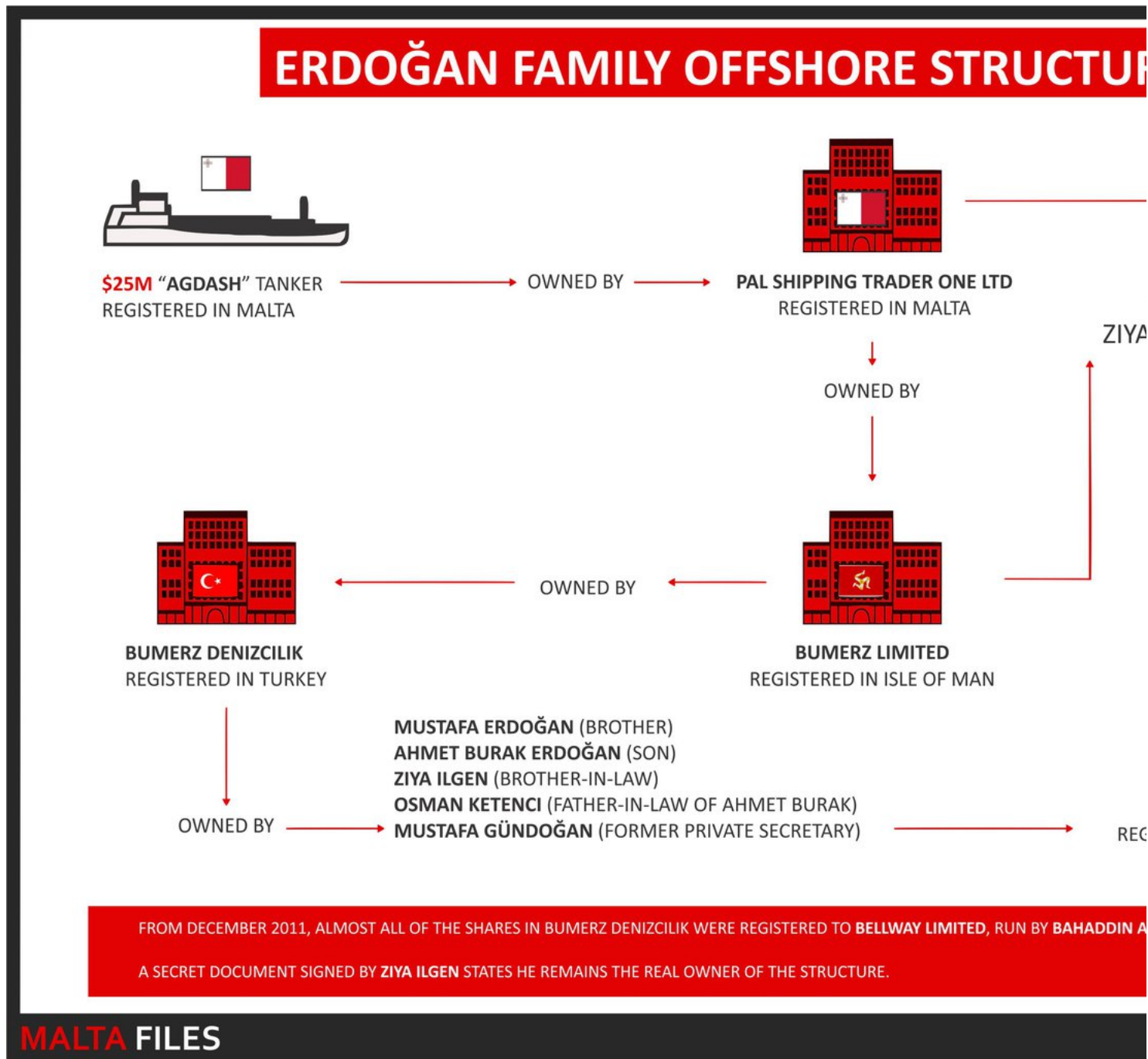
The existence of the Erdoğan’s offshore network was first revealed by The Black Sea and its partners at the EIC network in May this year as part of its reporting on the [MaltaFiles](#). Through offshore companies in the Isle of Man and Malta, the Erdoğan’s secretly owned an oil tanker worth nearly 25 million USD called the Agdash.

Using both public documents and Credence’s internal files, obtained by EIC, this investigation details how the Erdoğan’s appear to pay nothing towards the Agdash. The honour of footing the 25 million USD bill went to two businessmen from Turkey, according to EIC’s investigation. One of them is Mübariz Mansimov, the Turkish-Azeri president of Palmali Group, a shipping enterprise headquartered in Istanbul. Much of Mansimov’s business is located in Malta, where tax laws are friendly to the maritime industry.

The other is Sitki Ayan, a childhood chum of Erdoğan, who is close enough to call the President by his first name. Ayan was accused in 2013 of paying Erdoğan millions in bribes for a three billion USD “state incentives” package on a pipeline deal.

In late November 2017, a political scandal erupted in Turkey prompted by the release of banking documents by the leader of the opposition party (CHP), Kemal Kılıçdaroğlu. They appear to show 15 million USD in payments to members of the Erdoğan clan, including Ziya Ilgen, Mustafa and Ahmet Burak Erdoğan, the president's brother and eldest son, Osman Ketenci, father-in-law of Ahmet Burak, and Mustafa Gundogan, one of Erdoğan's closest friends, said to have once been his private secretary.

These secret millions were transmitted from the Turkish HalkBank account of an Isle of Man shell company called Bellway Limited to the Erdoğan clan over the course of several weeks in December 2011 and January 2012. Bellway is the 'ultimate controlling party' of Pal Shipping Trader One, the 25 million USD Agdash oil tanker, and two other companies in the offshore structure: Bumerz Limited, also in the Isle of Man, and Bumerz Denizcilik in Istanbul. They were set up by the Erdoğan family and friends around 2007 and 2008.



Structure of Erdoğan family company (The Black Sea)

Weeks after these revelations, the conflict between Erdoğan's AKP and the CHP opposition continues, with both parties battling to control the narrative on the meaning of the banking documents and the family's offshore business.

One CHP MP attempted to show the Isle of Man corporate registry files in the Turkish parliament earlier this month. Senior AKP party member, Mustafa Elitaş, the former economy minister, then ripped up the documents in protest. On TV channel CNNTurk, Elitaş blamed the affair on the U.S. "deep state". Another CHP MP announced on Twitter that this was the biggest scandal in Turkey's history.



Letting rip: Ex-Economy Minister Mustafa Elitaş tears up Isle of Man files in parliament (The Black Sea)

But how did Erdoğan's family conduct offshore business without scrutiny for nearly ten years? The answer is not surprising.

Firms like Credence – and international service provider Equiom, which controlled Bumerz and Bellway in the the Isle of Man - ignored their responsibilities."

The Secret Bank Account #1

A client's unwillingness to provide due diligence should have been a red flag for Credence, which is bound by Maltese, EU and other global anti-money laundering laws to investigate any suspicious behaviour, political connections and potential criminality of the companies it administers.

Repeated journalistic investigations into the offshore world have exposed how this shady system is abused, and often with the full knowledge of law and accountancy firms. In the case of Erdoğan, Credence appears to have gone beyond turning a blind eye to their presence, and actively skirted legal boundaries to shield the family from scrutiny.

When Malta's banks requested more documentation from Pal Shipping in spring 2013, Credence advisor Kristic-Ficur offered a worrying solution. She suggested to company partner Cefai that Credence use its own bank account to accept Pal Shipping's cheques.

"We might even ask the bank to credit the amount to our account and automatically [sic] transfer the funds to Pal-Shipping account abroad," she added. She would caution, however, that "this procedure was not allowed in other banks"

The subsequent e-mail discussion between Cefai and Kristic-Ficur is not contained within EIC's files. Other documents reveal, however, that only a few months later Pal Shipping had an account at the Bank of Valletta. It was not in its own name, however. It was a "client account" registered to Credence.

"The unwillingness of the parties to provide the necessary documentation to a bank is a red flag," said Burke Files from Financial Examinations & Evaluations, a U.S. offshore investigations and risk management firm, which teaches due diligence procedures to financial institutions around the world, including banks in Malta.

"The Banks in Malta did exactly what they were supposed to do. Exactly," he added. "For the law firm to then step in and offer the services of a 'Financial Intermediary' is breathtakingly dangerous for the financial health of the firm's partners."

"This type of creeping relationship, growing from an arm's length to entwined interests and ignored conflicts, is exactly what international financial regulators have warned about for 20 years," said Burke.

Credence efforts had not only helped the Turks with their due diligence problem, but protected the Erdoğans from potentially unwanted attention by financial regulators and compliance officers.

The Malta Financial Service Authority, which regulates the business and banking industry there, told The Black Sea that should a client be unwilling or unable to provide due diligence when asked, providers like Credence "shall not carry out any transaction through the [bank] account..., establish the business relationship or carry out an occasional transaction and shall terminate the business relationship with the customer.

"In addition [Credence] shall consider filing a STR [Suspicious Transaction Report] with the 'Financial Intelligence Analysis Unit'" - the Maltese government agency responsible for combating money laundering.

Credence told The Black Sea that it did not breach any of its legal obligations, saying that the company had no reason to suspect that its clients were involved in anything illegal. Within a few months they would.

The Secret Bank Account #2

On the morning of 17 December, Turkish police raided the homes of several AKP MPs - including the economy and EU minister - and their children, along with several prominent businessmen. Cops found tens of millions in cash hidden in shoe boxes and inside safes.

The investigations were orchestrated by elements within the judiciary and police sympathetic to Fethullah Gülen, a Muslim preacher, now self-exiled in the US, who has been at war with Erdoğan for control of Turkey's state institutions. The police action was political. But the money was very real and Erdoğan and his AKP government faced an existential crisis.

The cash seized that day is linked to the Iran gold smuggling operation of businessman Reza Zarrab, who is currently giving evidence in the New York trial of Mehmet Hakan Atilla, assistant manager of Turkey's state-owned HalkBank, accused of "orchestrating" the corrupt scheme. Zarrab testified that he paid millions in bribes to top politicians to facilitate a criminal gold-for-oil deal with Iran through banks in Turkey.

While there is no direct evidence that Erdoğan benefited financially from this conspiracy, recordings of phone calls leaked online implicated him in other misdeeds. One tape in particular suggests that he organised bribes from Sitki Ayan through his son, Bilal. Another leak a few days later was even more damning.

Several conversations allegedly taken on the day of the police raids, appear to show Erdoğan instructing his family, including his children, brother and "uncle Ziya", to disappear tens of millions from the family safe. These events were apparently of little concern to Credence.

Even with Turkey's corruption scandal headline news around the world, the Malta firm continued to administer Pal Shipping Trader One, even filing its annual accounts which detailed the strange deal with Mubarak Mansimov and Palmali, and a group of offshore companies clearly linked to the Erdogans.

Despite the suggestion that some of Turkey's richest men were not only bribing Erdoğan, but hiding his money, Credence saw no problem in helping Pal Shipping open a new bank account when asked in 2015. Even though the request came from an employee of Sitki Ayan.

It was Credence who confirmed the existence of a bank account offshore. When responding to questions from The Black Sea about the status of the "client account", a representative said that Pal Shipping "has in fact opened an account with a Maltese credit institution". Internal records confirm Credence charged 85 Euro for this service.

The admission that Pal Shipping secretly runs an offshore bank account in Malta is likely to create further scandal for the Erdogans in Turkey, as opposition groups fight to prove the family is acting inappropriately, and have hidden assets offshore. Credence did not disclose which bank holds the account, or if the proper due diligence was provided this time around. By then the offshore paper trail had changed.

In late 2015, Ziya Ilgen was no longer listed as a director of Pal Shipping, nor of the other Erdoğan companies which exist in Turkey and the Isle of Man. Ilgen was replaced by Sitki Ayan's son, Bahaddin (aka Bahattin). Ilgen, however, was still involved in the business. Everyone appears to have been working on his behalf.

Credence opened the bank account at the request of another Turkish citizen, Yusuf Alapan. Alapan was authorised to deal with Credence through a letter signed by Ilgen on 25 August 2014. In this letter Alapan notes his address as the offices of Som Petrol, a petro-trading company which is part of Ayan's ASB Group. Alapan, who described himself as a "Business Development Specialist" for ASB, was only the latest in a line of Ayan's employees who dealt with Credence. All of whom were authorised in writing by Ilgen.

Erdogan brother-in-law: Not "politically exposed"

During the bank account discussions in October 2015, Alapan raises the issue of the service agreement between Credence and Pal Shipping. He refers to a document signed by Ziya Ilgen on 14 November 2011 that permits Credence to act for the company in Malta.

A copy of this, obtained by EIC and The Black Sea, reveals further evidence that the Erdogans were deliberately avoiding scrutiny - and that Ilgen appears to have broken EU and U.S. money laundering laws. In short: Ilgen, the "ultimate beneficial owner" of the Pal Shipping Trader One, declares himself not a 'Politically Exposed Person', also known as a 'PEP'.

In offshore parlance, a PEP is a term used to describe individuals at "high risk" of being involved in corruption. The legal definition in Malta, and most of the rest of the world, includes "immediate family members, or... close associates" of senior government officials. In other words, people like Ilgen, the Erdogans and perhaps even the Ayans.

Credence did not deny knowing Ilgen's connection to Turkey's first family, and told The Black Sea that they did not consider him - as a brother-in-law - politically exposed. Not that it matters. Credence's internal mechanisms, they said, "do not peremptorily prohibit the on-boarding or servicing of customers who may be politically exposed persons but predicate the need for enhanced due diligence measures to be undertaken in such cases."

U.S expert Burke Files disagrees. "It is not just family members, but close, and I add unrelated, natural persons can be PEPs," he said. "Their definition for a PEP is sorely dated and goes back to guidance I know to be stale and unhelpful."

In fact, on his Credence service agreement, Ilgen lists his address as Gurgun Street in the Burhaniye Quarter on the Asian side of Istanbul. Though it does not mention a specific property, this is the location of the Erdoğan family home until he was elected prime minister in 2003.

Even if Credence did not know any of this, the structure of the Erdogans' business led to Bumerz Limited in Isle of Man, and then to Bumerz Denizcilik in Istanbul. At the time the family took over Pal Shipping in 2008, the whole operation was owned by Ziya Ilgen, Mustafa and Ahmet Burak Erdoğan, Ketenci and Gundogan.

These are the people who, a few weeks after Ilgen signed his service agreement in 2011, would allegedly receive 15 million USD from this structure, as revealed by the CHP last month. Credence is not the only firm who helped the Erdogans. Questions of due diligence surround Equiom, the "well-established, international professional services provider" from the Isle of Man.

Since the beginning of 2011, the firm administered Bumerz Limited, where its employees sat as directors alongside Ziya Ilgen. A few months later, they would help Ayan establish Bellway Limited and work with Pal Shipping in Malta.

According to the CHP's release, the firm received thousands from Bellway's Turkish account at the the same time in in 2011 - likely fees for admin service. Equiom's communications director refused to confirm or deny to The Black Sea whether the Bellway transactions are genuine, or if it knew it was working with the Erdogans.

Main picture: Erdogan (Turkish presidential press office / Murat Cetin Muhurda)

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