



HM Government of Gibraltar

THE CHIEF MINISTER

TOP URGENT

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Rt Hon Keith Vaz MP
House of Commons
London
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8rd November 2014

Dear Keith,

I write further to your recent attendance at the annual reception offered by HM Government of Gibraltar at Labour Party Conference. We had a chance to speak at the said reception. I recall you were as supportive as ever of Gibraltar during our short conversation.

I have, however, noted your contribution to the debate on drugs policy in the Commons last week on the 30th October and I am frankly outraged at the untrue way in which you have specifically linked Gibraltar with the introduction of the proceeds of drug trafficking into the financial system.

Hansard recalls your intervention went as follows:

"Keith Vaz: My final point is on money laundering and the weakness of successive Governments' regimes to deal with criminality. As we have heard, the drugs trade is the second most profitable illegal activity in the world. It is worth some \$380 billion a year, most of which

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enters the financial system, some through offshore areas such as Gibraltar and other areas of that kind. We need to ensure that authorities co-operate. I am not singling Gibraltar out because you are in the Chair, Mr Deputy Speaker.

Mr Deputy Speaker: Order. Just for correctness, I am not the chair of the Gibraltar group, but I was in the past. I am sure the right hon. Gentleman needs to take this up with the new chair.



Keith Vaz: *There is no criticism of you, Mr Deputy Speaker, of the new chair of the all-party parliamentary group on Gibraltar or of anyone in Gibraltar, but we have discovered that some areas of the world are being used to launder money from drugs. Our financial authorities are not strong enough to deal with the way in which money goes through the system. That is why the Committee believes that bankers at the very senior level should be held criminally responsible if they know or are aware of laundering, or if they did not take action to prevent it."*

To the Members of Parliament, press, television viewers and readers of Hansard you have given the impression, totally erroneously and without any factual basis, that Gibraltar is a gateway for sums (possibly colossal amounts, you referred previously to the amount of £380 billion) of illegal proceeds into the world financial system. This is the first time that I have ever heard such an ill informed suggestion, let alone in Parliament in the United Kingdom.

The potential impact of your statement is compounded by the fact that you once, briefly, had Ministerial responsibility for Gibraltar. This may lead some to believe that you may have been privy to official information or briefings that led you to say what you did. We both know that this is not the case but the damage has been done and now needs to be urgently rectified as, in my respectful submission, Parliament has been misled by your unsubstantiated remarks and the record must now be corrected.

Indeed, you were Minister for Europe at the time that Rt Hon Robin Cook (deceased) was Foreign Secretary. It was Mr Cook, when Foreign Secretary, who was quoted as saying that Gibraltar was "the benchmark jurisdiction in terms of legislative and regulatory standards in the fight against money laundering.

You cannot imagine the distress that your throw away remarks (which have no substantive basis in fact) have caused me, Her Majesty's Government of Gibraltar and the fiercely loyal people of Gibraltar and I am therefore writing to provide you with the proper facts as to our robust stance on anti money laundering and other aspects of international cooperation. I trust that these facts will assist you in correcting and urgently providing 'public clarification' of your remarks in the House at the very earliest opportunity;

- 1) Gibraltar regulatory, law enforcement and intelligence authorities work hand in glove with their United Kingdom and other international counter parties in the detection and prevention of all crime.
- 2) Gibraltar has draconian all crimes anti money laundering legislation, systems and administrative practices in place deriving from all European Union legislation on this subject and in precisely the same manner as that extant in the United Kingdom, with one significant difference - Gibraltar is a small jurisdiction with all financial institutions (licensed to European standards) alive to their serious obligations in the prevention of crime and in particular money laundering.
- 3) Our legislation, systems and administrative practices have been independently tested by independent reviews from the Financial Action Task Force, the International Monetary Fund and others and we have been found to have a robust arsenal not only just in place but crucially also in practice.



4) The Gibraltar Financial Intelligence Unit (which is responsible for, inter alia, the receiving and actioning of suspicious transaction reports) is a member of the international Egmont group of Financial Intelligence Units and shares information systematically as well as spontaneously with all members of the group.

5) The FATF recently revised their 40 anti money laundering principles and has urged countries around the world to ensure that their legislation and administrative practices match the new standards. Gibraltar is no exception and we are well advanced on legislative drafting to put these new standards (as well as the future 4th anti money laundering directive) into effect. Indeed, some of the new standards (unlike many countries) are already in place in Gibraltar such as the fact that tax evasion is a predicate offence for money laundering and subject to suspicious transaction reporting with extremely serious criminal sanctions for failing to do so. We are also well advanced in our National Risk Assessment on anti money laundering; such assessments being also promoted by the FATF. Gibraltar will be peer reviewed (in the same way as large countries such as the United Kingdom) on the introduction and effectiveness of the new standards in due course.

6) As regards international cooperation more generally, we have some 135 tax information exchange agreements (or equivalent) with circa 80 countries. We have signed automatic exchange of information treaties with the United States, the United Kingdom and just a few days ago at the OECD Global Forum conference in Berlin, I signed, alongside Chancellor Rt Hon George Osborne MP (copied) a Multilateral Automatic Exchange of Information Agreement with over 50 countries, placing Gibraltar at the forefront of international cooperation and recognized as such by the United Kingdom and others.

7) Last week, we received a glowing review from the OECD on our record on exchange of information. The 115 page report found that we were Compliant (top grade) in 7 out of the 10 essential elements examined and Largely Compliant (second highest grade) in the remaining 3. Our overall rating was the same as eg the United Kingdom and Germany.

As you know, we are a very small but proud Overseas Territory of the United Kingdom that has bent over backwards to prove in practice and in effect that we do not tolerate any abuse of our financial system. The fact that we are so small means that any slur on our reputation is magnified, is immediately out of proportion and can have a devastatingly negative effect despite the fact that there is no substance to such allegations or innuendo. Those in other jurisdictions who seek to do harm to Gibraltar will seize on your words to try to justify their own baseless allegations against us. We are totally committed to a culture of compliance with international standards and have invested heavily in this process.

The brutal reality is that the laundering of drug monies actually, in the main, takes place in the countries with the largest economies and financial systems in the world, where movements of large amounts are the norm. One only has to look at the largest money laundering scandals that have hit the press over the last twenty years to realise this. Regrettably, the United States and the United Kingdom regularly top the list despite the best efforts of their regulatory and police authorities.

Having said all of the above, if by chance you have any evidence to support your statement that Gibraltar is a conduit (however small) for the introduction or layering of the profits of drugs trafficking, I urge you to submit such evidence to the Royal Gibraltar Police immediately so that proper and appropriate action



can be taken.

In the absence of such evidence and I trust, your taking into account the facts provided to you above, I respectfully ask that you please urgently agree to correct the statements you made as soon and as publicly as possible, and certainly in the House to ensure that Parliament does not remain misled on this subject for one moment longer.

As a valued friend of Gibraltar, I have no doubt you will wish to act immediately to remedy this unfortunate slip in the many years of unflinching support you have provided for the Rock and its loyal British subjects.

Given the public nature of your remarks I feel I have no alternative but to make this correspondence public.

*With sincere best wishes and
looking forward to your
urgent rectification.*

Fabian Picardo QC MP
Chief Minister

cc. Rt Hon Prime Minister David Cameron MP
Rt Hon Chancellor of the Exchequer, George Osborne MP
Minister for Europe, Rt Hon David Lidington MP
Speaker of the House of Commons Rt Hon John Bercow MP
Deputy Speaker of the House of Commons, Rt Hon Lindsay Hoyle MP
Hon Jack Lopresti MP
Mr Albert Poggio GMH OBE