



SECRECY **FOR** SALE

Inside the Global Offshore Money Maze



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Table of Contents

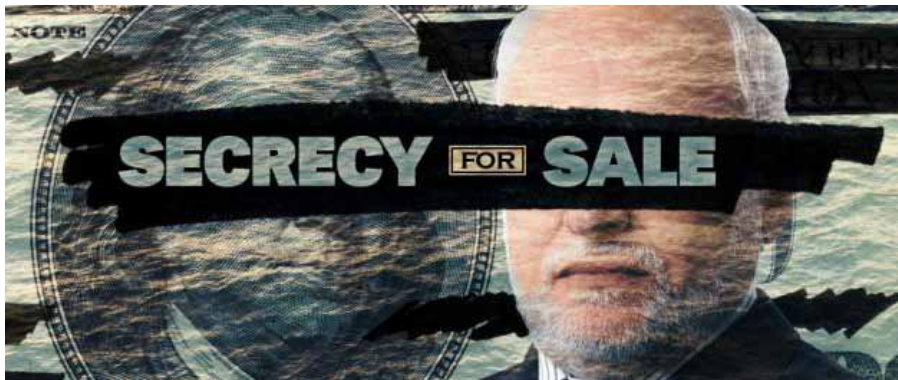
- 4** Introduction: Secret Files Expose Offshore’s Global Impact
- 17** Caribbean Go-Between Provided Shelter for Far-Away Frauds, Documents Show
- 31** Lawyers and Accountants Help Rich Manage Their Money
- 40** Faux Corporate Directors Stand in for Fraudsters, Despots and Spies
- 47** Ferdinand Marcos’ Daughter Tied to Offshore Trust in Caribbean
- 55** Taxmen Have Little Clue of Offshore Companies Owned by Greeks
- 64** Disclosure of Secret Offshore Documents May Force Top Mongolian Lawmaker to Resign
- 66** Canadian Senator’s Husband Shifted Money Into Offshore Tax Havens
- 71** Offshore Companies Provide Link Between Corporate Mogul and Azerbaijan’s President
- 77** François Hollande’s Campaign Treasurer’s Investments in the Cayman Islands
- 81** ‘Crony’ of African Strongman Among Thai Names in Secret Offshore Files
- 88** Mega-Rich Use Tax Havens to Buy and Sell Masterpieces
- 95** Elites Undermine Putin Rail Against Tax Havens
- 99** Ponzi Scheme Used Offshore Hideaways to Shuffle Investors’ Money
- 106** Deutsche Bank Helped Customers Maintain Hundreds of Offshore Entities
- 108** French Banks Traded in Secrecy

Go online for more about the ICIJ’s investigation into offshore secrecy including videos and related stories at: www.icij.org/offshore

Table of Contents

- 113** The Swiss Lawyers Who Help Europe's Richest Families Park Their Wealth Offshore
- 120** Swiss Bank Pushed Offshore Middleman to Skip Anti-Money Laundering Checks for Wealthy Clients
- 124** Dutch Banking Giants Helped Clients Go Offshore
- 126** After Multi-Million Inheritance, Playboy Sachs Goes Offshore
- 135** Offshore Documents Solve Mystery of Pre-Civil War Helicopter Deal in Congo
- 144** Offshore Tax Havens Became Traps for Investors
- 154** Son of Leading Pakistani Politician Tied to Secret Caribbean Company
- 159** Top Malaysian Politicians Use Offshore Secrecy
- 166** Billionaires Among Thousands of Indonesians Found in Secret Offshore Documents
- 171** Jailed Property Man Hid Assets Offshore During Divorce
- 174** Secret Files Reveal Rothschild's Offshore Domain
- 177** Family of Televangelist Chris Oyakhilome Incorporated Secretive Company in Tax Haven
- 183** India Says It Will Investigate Offshore Leaks Revelations
- 187** Bank Owned by Paraguay's Leading Presidential Candidate Linked to Tax Haven
- 192** Crocodile Dundee Actor Paul Hogan Chases His Missing Offshore Millions
- 196** Who Uses the Offshore World
- 214** Methodologies: How ICIJ's Project Team Analyzed the Offshore Files
- 220** Follow-Up: Release of Offshore Records Draws Worldwide Response
- 229** About the ICIJ

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Introduction

Secret Files Expose Offshore's Global Impact

By Gerard Ryle, Marina Walker Guevara, Michael Hudson, Nicky Hager, Duncan Campbell and Stefan Candea

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Dozens of journalists sifted through millions of leaked records and thousands of names to produce ICIJ's investigation into offshore secrecy.

A **CACHE** of 2.5 million files has cracked open the secrets of more than 120,000 offshore companies and trusts, exposing hidden dealings of politicians, con men and the mega-rich the world over.

The secret records obtained by the International Consortium of Investigative Journalists lay bare

the names behind covert companies and private trusts in the British Virgin Islands, the Cook Islands and other offshore hideaways.

They include American doctors and dentists and middle-class Greek villagers as well as families and associates of long-time despots, Wall Street swindlers, Eastern European and Indonesian billionaires, Russian corporate executives, international arms dealers and a sham-director-fronted company that the European Union has labeled as a cog in Iran's nuclear-development program.

The leaked files provide facts and figures — cash transfers, incorporation dates, links between companies and individuals — that illustrate how offshore financial secrecy has spread aggressively around the globe, allowing the wealthy and the well-connected to dodge taxes and fueling corruption and economic woes in rich and poor nations alike.

The records detail the offshore holdings of people and companies in more than 170 countries and territories.

The hoard of documents represents the biggest stockpile of inside information about the offshore system ever obtained by a media organization. The total size of the files, measured in gigabytes, is more

Key Findings

- Government officials and their families and associates in Azerbaijan, Russia, Canada, Pakistan, the Philippines, Thailand, Mongolia and other countries have embraced the use of covert companies and bank accounts.
- The mega-rich use complex offshore structures to own mansions, yachts, art masterpieces and other assets, gaining tax advantages and anonymity not available to average people.
- Many of the world's top's banks — including UBS, Clariden and Deutsche Bank — have aggressively worked to provide their customers with secrecy-cloaked companies in the British Virgin Islands and other offshore hideaways.
- A well-paid industry of accountants, middlemen and other operatives has helped offshore patrons shroud their identities and business interests, providing shelter in many cases to money laundering or other misconduct.
- Ponzi schemers and other large-scale fraudsters routinely use offshore havens to pull off their shell games and move their ill-gotten gains.

than 160 times larger than the leak of U.S. State Department documents by Wikileaks in 2010.

To analyze the documents, ICIJ collaborated with reporters from *The Guardian* and the BBC in the U.K., *Le Monde* in France, *Süddeutsche Zeitung* and *Norddeutscher Rundfunk* in Germany, *The Washington Post*, the Canadian Broadcasting Corporation (CBC) and 31 other media partners around the world.

Eighty-six journalists from 46 countries used high-tech data crunching and shoe-leather reporting to sift through emails, account ledgers and other files covering nearly 30 years.

“I’ve never seen anything like this. This secret world has finally been revealed,” said Arthur Cockfield, a law professor and tax expert at Queen’s University in Canada, who reviewed some of the documents during an interview with the CBC. He said the documents remind him of the scene in the movie classic *The Wizard of Oz* in which “they pull back the curtain and you see the wizard operating this secret machine.”

Mobsters and Oligarchs

The vast flow of offshore money — legal and illegal, personal and cor-

porate — can roil economies and pit nations against each other. Europe’s continuing financial crisis has been fueled by a Greek fiscal disaster exacerbated by offshore tax cheating and by a banking meltdown in the tiny tax haven of Cyprus, where local banks’ assets have been inflated by waves of cash from Russia.

Anti-corruption campaigners argue that offshore secrecy undermines law and order and forces average citizens to pay higher taxes to make up for revenues that vanish offshore. Studies have estimated that cross-border flows of global proceeds of financial crimes total between \$1 trillion and \$1.6 trillion a year.

ICIJ’s 15-month investigation found that, alongside perfectly legal transactions, the secrecy and lax oversight offered by the offshore world allows fraud, tax dodging and political corruption to thrive.

Offshore patrons identified in the documents include:

- Individuals and companies linked to Russia’s Magnitsky Affair, a tax fraud scandal that has strained U.S.-Russia relations and led to a ban on Americans adopting Russian orphans.
- A Venezuelan deal maker accused

of using offshore entities to bankroll a U.S.-based Ponzi scheme and funneling millions of dollars in bribes to a Venezuelan government official.

- A corporate mogul who won billions of dollars in contracts amid Azerbaijani President Ilham Aliyev's massive construction boom even as he served as a director of secrecy-shrouded offshore companies owned by the president's daughters.
- Indonesian billionaires with ties to the late dictator Suharto, who enriched a circle of elites during his decades in power.

The documents also provide possible new clues to crimes and money trails that have gone cold.

After learning ICIJ had identified the eldest daughter of the late dictator Ferdinand Marcos, Maria Imelda Marcos Manotoc, as a beneficiary of a British Virgin Islands (BVI) trust, Philippine officials said they were



**Maria Imelda
Marcos Manotoc**

eager to find out whether any assets in the trust are part of the estimated \$5 billion her father amassed through corruption.

Manotoc, a provincial governor in the Philippines, declined to answer a series of questions about the trust.

Politically connected wealth

The files obtained by ICIJ shine a light on the day-to-day tactics that offshore services firms and their clients use to keep offshore companies, trusts and their owners under cover.

Tony Merchant, one of Canada's top class-action lawyers, took extra steps to maintain the privacy of a Cook Islands trust that he'd stocked with more than \$1 million in 1998, the documents show.

In a filing to Canadian tax authorities, Merchant checked "no" when asked if he had foreign assets of more than \$100,000 in 1999, court records show.

Between 2002 and 2009, he often paid his fees to maintain the trust by sending thousands of dollars in cash and traveler's checks stuffed into envelopes rather than using easier-to-trace bank checks or wire transfers, according to documents from the offshore services firm that oversaw the trust for him.

One file note warned the firm's staffers that Merchant would "have a st[r]oke" if they tried to communicate with him by fax.

It is unclear whether his wife, Pana Merchant, a Canadian senator,

declared her personal interest in the trust on annual financial disclosure forms.

Under legislative rules, she had to disclose every year to the Senate's ethics commissioner that she

was a beneficiary of the trust, but the information was confidential.

The Merchants declined requests for comment.

Other high profile names identified in the offshore data include the wife of Russia's deputy prime minister, Igor Shuvalov, and two top executives with Gazprom, the Russian government-owned corporate behemoth that is the world's largest extractor of natural gas.

Shuvalov's wife and the Gazprom officials had stakes in BVI companies, documents show. All three declined comment.

In a neighboring land, the deputy speaker of Mongolia's Parliament said he was considering resigning from office after ICIJ questioned him about records showing he has an offshore company and a secret Swiss bank account.

"I shouldn't have opened that account," Bayartsogt Sangajav, who has also served as his country's finance minister, said. "I probably should consider resigning from my position."

Bayartsogt said his Swiss account at one point contained more than \$1 million, but most of the money belonged to what he described as "business friends" he had joined in investing in international stocks.

He acknowledged that he hasn't officially declared his BVI company or the Swiss account in Mongolia, but he said he didn't avoid taxes because the investments didn't produce income.

"I should have included the company in my declarations," he said.

Wealthy Clients

The documents also show how the mega-rich use complex offshore structures to own mansions, art and other assets, gaining tax advantages and anonymity not available to average people.



Tony Merchant

Spanish names include a baroness and famed art patron, Carmen Thyssen-Bornemisza, who is identified in the documents using a company in the Cook Islands to



Baroness Carmen Thyssen-Bornemisza

buy artwork through auction houses such as Sotheby's and Christie's, including Van Gogh's *Water Mill at Gennep*. Her attorney acknowledged that she gains tax benefits by holding ownership of her art offshore, but stressed that she uses tax havens primarily because they give her "maximum flexibility" when she moves art from country to country.

Among nearly 4,000 American names is Denise Rich, a Grammy-nominated songwriter whose ex-husband was at the center of an American pardon scandal that erupted as President Bill Clinton left office.

A Congressional investigation found that Rich, who raised millions of dollars for Democratic

politicians, played a key role in the campaign that persuaded Clinton to pardon her ex-spouse, Marc Rich, an oil trader who had been wanted in the U.S. on tax evasion and racketeering charges.

Records obtained by ICIJ show she had \$144 million in April 2006 in a trust in the Cook Islands, a chain of coral atolls and volcanic outcroppings nearly 7,000 miles from her home at the time in Manhattan.

The trust's holdings included a yacht called the *Lady Joy*, where



Denise Rich

Rich often entertained celebrities and raised money for charity.

Rich, who gave up her U.S. citizenship in 2011 and now maintains citizenship in Austria, did not reply to questions about her offshore trust.

Another prominent American in the files who gave up his citizenship is a member of the Mellon dynasty, which started landmark companies such as Gulf Oil and Mellon Bank.

James R. Mellon — an author of books about Abraham Lincoln and his family’s founding patriarch, Thomas Mellon — used four companies in the BVI and Lichtenstein to trade securities and transfer tens



James R. Mellon

of millions of dollars among offshore bank accounts he controlled.

Like many offshore players, Mellon appears to have taken steps to distance himself from his

offshore interests, the documents show. He often used third parties’ names as directors and shareholders of his companies rather than his own, a legal tool that owners of offshore entities often use to preserve anonymity.

Reached in Italy where lives part of the year, Mellon told ICIJ that, in fact, he used to own “a whole bunch” of offshore companies but has disposed of all of them. He said he set up the firms for “tax advantage” and liability reasons, as advised by his lawyer. “But I have never broken the tax law.”

Of the use of nominees, Mellon said that “that’s the way these firms are set up,” and added that it’s useful for people like him who travel a lot to have somebody else in charge of his businesses. “I just heard of a presidential candidate who had a lot of money in the Cayman Islands,” Mellon, now a British national, said, alluding to former U.S. presidential candidate Mitt Romney.

“Not everyone who owns offshores is a crook.”

Offshore growth

The anonymity of the offshore world makes it difficult to track the flow of money. A study by James S. Henry, former chief economist at McKinsey & Company, estimates that wealthy individuals have \$21 trillion to \$32 trillion in private financial wealth tucked away in offshore havens — roughly equivalent to the size of the U.S. and Japanese economies combined.

Even as the world economy has stumbled, the offshore world has continued to grow, said Henry, who is a board member of the Tax Justice Network, an international research and advocacy group that is critical of offshore havens. His re-

search shows, for example, that assets managed by the world's 50 largest "private banks" — which often use offshore havens to serve their "high net worth" customers — grew from \$5.4 trillion in 2005 to more than \$12 trillion in 2010.

Henry and other critics argue that offshore secrecy has a corrosive effect on governments and legal systems, allowing crooked officials to loot national treasuries and providing cover to human smugglers, mobsters, animal poachers and other exploiters.

Offshore's defenders counter that most offshore patrons are engaged in legitimate transactions. Offshore centers, they say, allow companies and individuals to diversify their investments, forge commercial alliances across national borders and do business in entrepreneur-friendly zones that eschew the heavy rules and red tape of the onshore world.

"Everything is much more geared toward business," David Marchant, publisher of *OffshoreAlert*, an online news journal, said. "If you're dishonest you can take advantage of that in a bad way. But if you're honest you can take advantage of that in a good way."

Much of ICIJ's reporting focused on the work of two offshore firms,

Singapore-based Portcullis Trust-Net and BVI-based Commonwealth Trust Limited (CTL), which have helped tens of thousands of people set up offshore companies and trusts and hard-to-trace bank accounts.

Regulators in the BVI found that CTL repeatedly violated the islands' anti-money-laundering laws between 2003 and 2008 by failing to verify and record its clients' identities and backgrounds. "This particular firm had systemic money laundering issues within their organization," an official with the BVI's Financial Services Commission said last year.

The documents show, for example, that CTL set up 31 companies in 2006 and 2007 for an individual later identified in U.K. court claims as a front man for Mukhtar Ablyazov, a Kazakh banking tycoon who has been accused of stealing \$5 billion from one of the former Russian republic's largest banks. Ablyazov denies wrongdoing.

Thomas Ward, a Canadian who co-founded CTL in 1994 and continues to work as a consultant to the firm, said CTL's client-vetting procedures have been consistent with industry standards in the BVI, but that no amount of screening can ensure that firms such as CTL won't be "duped by dishonest

clients” or sign on “someone who appears, to all historical examination, to be honest” but “later turns to something dishonest.”

“It is wrong, though perhaps convenient, to demonize CTL as by far the major problem area,” Ward said in a written response to questions. “Rather I believe that CTL’s problems were, by and large, directly proportional to its market share.”

ICIJ’s review of TrustNet documents identified 30 American clients accused in lawsuits or criminal cases of fraud, money laundering or other serious financial misconduct. They include ex-Wall Street titans Paul Bilzerian, a corporate raider who was convicted of tax fraud and securities violations in 1989, and Raj Rajaratnam, a billionaire hedge fund manager who was sent to prison in 2011 in one of the biggest insider trading scandals in U.S. history.

TrustNet declined to answer a series of questions for this article.

Blacklisted

The records obtained by ICIJ expose how offshore operatives help their customers weave elaborate financial structures that span countries, continents and hemispheres.

A Thai government official with links to an infamous African dictator used Singapore-based TrustNet to set up a secret company for herself in the BVI, the records show.



Nalinee Taveesin

The Thai official, Nalinee “Joy” Taveesin, is currently Thailand’s international trade representative. She served as a cabinet minister for Prime Minister Yingluck Shinawatra before stepping down last year.

Taveesin acquired her BVI company in August 2008. That was seven months after she’d been appointed an advisor to Thailand’s commerce minister — and three months before the U.S. Department of Treasury blacklisted her as a “crony” of Zimbabwean dictator Robert Mugabe.

The Treasury Department froze her U.S. assets, accusing her of “secretly supporting the kleptocratic practices of one of Africa’s most corrupt regimes” through gem trafficking and other deals made on

behalf of Mugabe's wife, Grace, and other powerful Zimbabweans.

Taveesin has said her relationship with the Mugabes is "strictly social" and that the U.S. blacklisting is a case of guilt by association. Through her secretary, Taveesin flatly denied that she owns the BVI company. ICIJ verified her ownership using TrustNet records that listed her and her brother as shareholders of the company and included the main address in Bangkok for her onshore business ventures.

Records obtained by ICIJ also reveal a secret company belonging to Muller Conrad "Billy" Rautenbach, a Zimbabwean businessman who was blacklisted by the U.S. for his ties to the Mugabe regime at the same time as Taveesin. The Treasury Department said Rautenbach has helped organize huge mining projects in Zimbabwe that "benefit a small number of corrupt senior officials."

When CTL set Rautenbach up with a BVI company in 2006 he was a fugitive, fleeing fraud allegations in South Africa. The charges lodged personally against him were dismissed, but a South African company he controlled pleaded guilty to criminal charges and paid a fine of roughly \$4 million.

Rautenbach denies U.S. authorities' allegations, contending that they made "significant factual and legal errors" in their blacklisting decision, his attorney, Ian Small Smith, said. Smith said Rautenbach's BVI company was set up as "special purpose vehicle for investment in Moscow" and that it complied with all disclosure regulations. The company is no longer active.

'One Stop Shop'

Offshore's customers are served by a well-paid industry of middlemen, accountants, lawyers and banks that provide cover, set up financial structures and shuffle assets on their clients' behalf.

Documents obtained by ICIJ show how two top Swiss banks, UBS and Clariden, worked with TrustNet to provide their customers with secrecy-shielded companies in the BVI and other offshore centers.

Clariden, owned by Credit Suisse, sought such high levels of confidentiality for some clients, the records show, that a TrustNet official described the bank's request as "the Holy Grail" of offshore entities — a company so anonymous that police and regulators would be



Thousands of offshore entities are headquartered on this building's third floor, which houses TrustNet's Cook Islands office. Photo: Alex Shprintsen

“met with a blank wall” if they tried to discover the owners’ identities.

Clariden declined to answer questions about its relationship with TrustNet.

“Because of Swiss banking secrecy laws, we are not allowed to provide any information about existing or supposed account holders,” the bank said. “As a general rule, Credit Suisse and its related companies respect all the laws and regulations in the countries in which they are involved.”

A spokesperson for UBS said the bank applies “the highest international standards” to fight money laundering, and that TrustNet “is one of over 800 service providers globally which UBS clients choose to work with to provide for their wealth and succession planning needs. These service providers are also used by clients of other banks.”

TrustNet describes itself as a “one-stop shop” — its staff includes lawyers, accountants and other ex-

perts who can shape secrecy packages to fit the needs and net worths of its clients. These packages can be simple and cheap, such as a company chartered in the BVI. Or they can be sophisticated structures that weave together multiple layers of trusts, companies, foundations, insurance products and so-called “nominee” directors and shareholders.

When they create companies for their clients, offshore services firms often appoint faux directors and shareholders — proxies who serve as stand-ins when the real owners of companies don't want their identities known. Thanks to the proliferation of proxy directors and shareholders, investigators tracking money laundering and other crimes often hit dead ends when they try to uncover who is really behind offshore companies.

An analysis by ICIJ, the BBC and The Guardian identified a cluster of 28 “sham directors” who served as the on-paper representatives of more than 21,000 companies between them, with individual directors representing as many 4,000 companies each.

Among the front men identified in the documents obtained by ICIJ is a U.K.-based operative who

served as a director for a BVI company, Tamalaris Consolidated Limited, which the European Union has labeled as a front company for the Islamic Republic of Iran Shipping Line. The E.U., the U.N. and the U.S. have accused IRISL of aiding Iran's nuclear-development program.

‘Zone of Impunity’

International groups have been working for decades to limit tax cheating and corruption in the offshore world.

In the 1990s, the Organization for Economic Cooperation and Development began pushing offshore centers to reduce secrecy and get tougher on money laundering, but the effort ebbed in the 2000s. Another push against tax havens began when U.S. authorities took on UBS, forcing the Swiss bank to pay \$780 million in 2009 to settle allegations that it had helped Americans dodge taxes. U.S. and German authorities have pressured banks and governments to share information about offshore clients and accounts and UK Prime Minister David Cameron has vowed to use his leadership of the G8, a forum of the world's richest nations,

to help crack down on tax evasion and money laundering.

Promises like those have been met with skepticism, given the role played by key G8 members — the U.S., the U.K. and Russia — as sources and destinations of dirty money. Despite the new efforts, offshore remains a “zone of impunity” for anyone determined to commit financial crimes, said Jack Blum, a former U.S. Senate investigator who is now a lawyer specializing in money laundering and tax fraud cases.

“Periodically, the stench gets so bad somebody has to get out there and clap the lid on the garbage can and sit on it for a while,” Blum said. “There’s been some progress, but there’s a bloody long way to go.” ■



Online Video: What are offshore tax havens, who uses them, and how do they work? Find out in our explainer.

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Caribbean Go-Between Provided Shelter for Far-Away Frauds, Documents Show

By Michael Hudson, Stefan Candeia and Marina Walker Guevara

Published Online: April 4, 2013

British Virgin Islands firm kept doing business with shady characters even as regulators prodded it to obey anti-money-laundering laws.

THE TANGLED TRAIL of the Magnitsky Affair, a case that's strained U.S.-Russian relations and blocked American adoptions of Russian orphans, snakes through an offshore haven in the Caribbean.

The death of Moscow tax attorney Sergei Magnitsky sparked international outrage. It also fueled a push to unravel secret deals that

had prompted him to claim that gangsters and government insiders had stolen \$230 million from Russia's treasury.

Magnitsky and other private attorneys investigating the affair on behalf of a major hedge fund followed a path from Russia to bank accounts in Switzerland and luxury properties in Dubai — ending up at a small firm based in the British Virgin Islands that specializes in setting up offshore companies for clients who want to remain in the shadows.

This is the story of behind-the-scenes players in the Magnitsky affair — and the tale of how an offshore go-between provided shelter to fraudsters, money launderers and other shady characters from



The British Virgin Islands office of Commonwealth Trust Limited.

Photo: Alex Shprintsen/CBC News

Russia, Eastern Europe and the United States.

* * *

In early 2008, lawyers working for a London-based hedge fund scrambled to prove that their client had been the victim of a corporate heist.

A gang of mobsters, the lawyers believed, had quietly transferred ownership of three Russian businesses belonging to the hedge fund

to a secrecy-cloaked company in the Caribbean.

The offshore company had been established by Commonwealth Trust Limited, a firm in the British Virgin Islands that sets up overseas companies and trusts for clients around the world.

Lawyers for the hedge fund's owner, Hermitage Capital Management Limited, contacted CTL and demanded answers.

Who, they wanted to know, was behind the mystery company?

But there was a problem: CTL had no idea.

As far as CTL knew, the owners were two unlikely characters from a small Russian city near the Black Sea — a vocational instructor and a 70-year-old pensioner, according to later court filings. Hermitage's lawyers claimed that the two were fronts for underworld figures who wanted to keep their stake in the company hidden.

It's a common scenario in the offshore world, which is served by a sprawling industry of accountants, lawyers, middleman and fixers who are paid to guard their clients' secrets. Often, anti-corruption advocates say, they do this by closing their eyes to the identities and backgrounds of their customers.

Only later, Hermitage's lawyers claimed, did the true purpose of the alleged corporate hijackings become clear. The companies had been used, they claimed, as part of a complicated scheme that made off with \$230 million in bogus tax refunds from Russia's treasury.

The alleged heist would eventually have other — wider — implications.

It caused a rift between the U.S.

and Russia, spawning human-rights legislation in the U.S that in turn led the Kremlin to retaliate by banning Americans from adopting Russian orphans.

Until now, the role played by CTL in the Magnitsky Affair has gone untold.

Secret documents obtained by the ICIJ show that CTL set up at least 23 of the offshore companies that Hermitage claims were used by the alleged fraudsters to move money and cover paper trails.

Internal CTL documents obtained by ICIJ cover the firm's relationships not only with figures linked to the Magnitsky case but also with thousands of other clients. The secret files show the firm served as a middleman for an extensive list of shady operators — setting up offshore companies for securities swindlers, Ponzi schemers and individuals linked to political corruption, arms trafficking and organized crime.

There's no evidence CTL engaged in fraud or other crimes. Records obtained by ICIJ indicate, however, that CTL often failed to check who its real clients were and what they were up to — a process that anti-money-laundering experts say is vital to preventing fraud

and other illicit activities in the off-shore world.

The documents show authorities in the British Virgin Islands failed for years to take aggressive action against CTL, even after they concluded the firm was violating the islands' anti-money-laundering laws.

CTL co-founder Thomas Ward blames many of the firm's problems on "the law of large numbers" — anytime you form thousands of companies for thousands of people, he said, a few of them may be up to no good.

In a written response to questions from ICIJ, Ward said CTL chose its clients carefully and that it had no more problems than other offshore services firms of similar size.

"I regard myself as an ethical person. I don't think I intentionally did anything wrong," Ward, who has worked as a consultant for the firm since selling it to new owners in 2009, said in a telephone interview. "I certainly didn't aid and abet anybody doing anything illegal."

Treasure Island

CTL's home base is a chain of coral and volcanic islands reputed to have been the inspiration for Robert Louis Stevenson's *Treasure Island*.

The British Virgin Islands — known in shorthand as the BVI — are home to roughly 28,000 souls and 500,000 active offshore companies. That represents about 40 percent of the offshore companies that exist around the globe, according to a 2011 World Bank report.

Secrecy is a selling point for outlanders who want to charter a company on the islands, which govern themselves as a British overseas territory.

BVI authorities demand little or no information about who's behind offshore companies licensed within the territory. They rely instead on CTL and other local "registered agent" firms to vouch for these companies.

Tax Justice Network, an anti-corruption advocacy group, ranked the BVI 11th highest among the most secretive jurisdictions on its global Financial Secrecy Index.

The BVI became a player in the offshore world in 1984, when local authorities passed the International Business Companies Act. The number of companies birthed in the territory grew quickly, swelling in a decade from fewer than 1,000 a year to 36,000 a year.

By 1994, *Euromoney* magazine was hailing the BVI as "the world's

pre-eminent offshore corporate domicile” and the territorial government had hired a New York public relations firm to market the islands as an offshore haven.

For the founders of Commonwealth Trust Limited, it was a good year to get in on the action. Ward, an MBA and entrepreneur from Canada, laid the groundwork and brought in Scott Wilson, a Texan who’d been working as a radio engineer in the Caribbean, as computer guru and minority partner.

CTL set up offices in the BVI’s capital and largest settlement, Road Town, on the island of Tortola. As a registered agent, it helped start companies and trusts for clients and served as the official public face for many of the companies it helped charter, receiving summonses and other legal documents.

The firm expanded quickly, establishing subsidiaries in the Bahamas, Belize and other places. It showed special interest in Russia and Eastern Europe as markets for customers, with Ward writing one would-be client from the region, “To the best of my knowledge, we are the only BVI registered agent with a Russian speaker on staff.”

CTL did well enough in its wide-ranging ventures that Ward, who

split time between the Caribbean and Canada, was able to buy a home in 1999 amid millionaires and billionaires in Toronto’s most exclusive neighborhood — a 20,000-square-foot Georgian mansion that Ward and his wife rented out as a filming location for the Lindsay Lohan hit movie *Mean Girls*.

Master clients

The secret documents show CTL attracted much of its business with the help of “master clients” — lawyers, accountants and other middlemen in Russia, Cyprus, and elsewhere who brought in the customers who wanted to set up companies. CTL’s standard procedure was to let these professionals be responsible for what’s known in the financial world as “due diligence,” checking clients’ identities and backgrounds.

In a 1999 fact sheet for master clients, the firm said “we will rely on your firm to do all necessary due diligence in order to adequately ‘know your client’ before providing that client with a BVI company. It will not be necessary for you to provide any of this information directly to Commonwealth Trust. (Obviously this will be preferable for your clients.)”

This system operated with few headaches until January 2002, when U.S. authorities accused one of CTL's master clients of fraud.

Securities regulators charged that Merrill Scott & Associates Inc., a tax planning and investment firm based in Utah, was operating "as a giant Ponzi scheme, using newly invested money to pay returns to earlier investors."

Merrill Scott had used CTL's branch office in Mauritius, a tax haven off the east coast of Africa, to set up companies for American investors.

"Well, we actually likely knew this client better than most, I would say!" Ward wrote in an internal email. "We went to visit their premises (which were elaborate) and met many of their staff."

Ward distanced his company from Merrill Scott's conduct, however, and minimized the gravity of the frauds. "If anyone is guilty" at Merrill, he said, "it is only one or two top people."

A judge eventually ordered three Merrill Scott executives to pay a total of nearly \$17 million to settle fraud claims against them.

In his written response to questions from ICIJ, Ward said CTL fully vetted Merrill Scott before

starting a working relationship, but ended up being "among the people fooled" by the firm. He said due diligence can't always protect registered agents such as CTL from "being duped by dishonest clients" or signing on "someone who appears, to all historical examination, to be honest" but "later turns to something dishonest."

More questions about how CTL screened its clients and business partners came in March 2003, when the main regulator of the BVI's offshore industry, the local Financial Services Commission, conducted an inspection of the firm's files. The commission determined CTL had breached the BVI's anti-money laundering laws by failing to verify and record the identity of its clients, court records show.

It ordered CTL to update its due diligence on its customers, but took no other action, putting the case on hold for nearly three years. The company provided regular updates on its progress in complying with the order, even as it continued taking on new clients from Russia, Eastern Europe and other places known for being sources of shad-owy money.

In late 2005, CTL's general manager, Sandy Holburn, wrote the

firm's founders, Ward and Wilson, raising a warning about the number of clients the firm was attracting from former Soviet bloc countries: "There's obviously a lot going on that we don't really know or understand concerning the users of the companies we form for these clients."

Ward replied that there wasn't much that CTL could do about that.

"You are correct of course that the larger we grow the more clients we have and the more clients we have the more likely one of the clients is to cause some difficulty," Ward said, "but there is little we can do about that unless we wish to stop growing."

Ward said last month that he doesn't recall Holburn's warning or his own reply.

When BVI regulators returned for another inspection in early 2006, they concluded that CTL had done little to improve its client-screening procedures. The regulators also believed, a judge later wrote, that the company had provided "false and misleading" information in its progress reports.

This didn't prompt immediate action. The Financial Services Commission and company had what the judge later described as an

"ongoing dialogue" over another 12 months, while the commission wrote its report and figured out what to do about CTL.

The regulators' actions came during a time that influential organizations such as the International Monetary Fund were putting pressure on tax havens to improve oversight of their offshore industries.

CTL co-founder Scott Wilson said he and others at the firm believed their procedures were in line with BVI law and with what other firms on the islands were doing. But he said the regulators "may have chosen to make an example out of CTL" as part of a larger push to rein in the industry.

Most Wanted

Problems with the regulators didn't do much to slow the firm's growth. One internal company document shows the number of offshore companies it formed in the BVI more than tripled in seven years, going from 2,100 new companies established during 2000 to 6,600 established during 2007.

The clients who signed on with CTL during this period included Dmytro Firtash, a billionaire businessman from Ukraine with a sus-

pect back story. Media reports going back to at least 2003 had raised questions about his links to Semion Mogilevich, a reputed Russian mob boss who'd been indicted in the U.S. in a \$150 million investment scam, a case that would land Mogilevich on the F.B.I.'s "Ten Most Wanted" list.

U.S. State Department cables have reported that Firtash acknowledged to a top American diplomat "that he needed, and received, permission from Mogilevich when he established various businesses, but he denied any close relationship to him."

Firtash set up an offshore company through CTL, Group DF Limited, in 2006, months after he'd publicly acknowledged that he owned a big stake in RosUkrEnergo, a partnership with Gazprom, the Russian natural gas giant. Group DF Limited became the holding company for Firtash's vast interests in energy, chemicals and real estate.

Firtash could not be reached for comment.

Internal records show CTL also set up 31 companies in 2006 and 2007 for an individual later named in U.K. court claims as a front man for Mukhtar Ablyazov, a Kazakh banking tycoon who has been ac-

cused of stealing \$5 billion from one of the former Russian republic's largest banks.

Twenty-five of the 31 companies appear on the list of entities that BTA Bank alleges Ablyazov used to cover his tracks as he looted BTA between 2005 and 2009.

Lawyers for Ablyazov — who maintains that the allegations are the work of political enemies in Kazakhstan — did not reply to requests for comment.

When BVI regulators returned to CTL for a follow-up inspection in July 2007, CTL officials acknowledged they'd done no due diligence since early 2006 on files involving individual clients and that they'd completed due diligence on fewer than half their master clients, according to later testimony by a commission official.

It was not until February 2008 — nearly five years after the commission first found CTL in violation of anti-money-laundering rules — that the regulators took action that threatened to put the company out of business. They banned CTL from taking on new clients until it complied with the regulations.

CTL officials were stunned. Without the ability to sign new clients, Ward wrote in one document, the

firm would be left with “no future.”
“The company will be destroyed,”
Ward said.

Magnitsky Affair

In April 2008, more trouble arrived in the form of a letter from lawyers in London.

Hermitage Capital Management, which ran a hedge fund focused on Russia, claimed thieves had “misappropriated” ownership of three Hermitage subsidiaries and had used them to successfully apply for \$230 million in bogus tax refunds from the Russian government.

Hermitage claimed the alleged thieves had tried to cover their tracks by trumping up criminal charges against Hermitage executives and by reassigning control of the three companies to an entity called Boily Systems — a BVI company CTL set up in 2007 at the request of one of its top master clients in Russia, G.S.L. Law & Consulting.

Hermitage’s investigation was

led by a Moscow-based lawyer, Sergei Magnitsky.

In June and October 2008, he gave to testimony to Russian authorities naming government officials and underworld figures that, he claimed, were behind the tax fraud.

A whistleblower leaked bank records to Hermitage showing what appeared to be an impressive gain in wealth for a Russian tax official



Sergei Magnitsky died in prison after accusing Russian tax officials of corruption. Photo: AP

— Olga Stepanova — who had approved \$155 million of the \$230 million in refunds.

Her husband, Vladlen Stepanov, used an offshore company set up

for him by CTL, Aikate Properties, to open bank accounts in Switzerland, according to a petition Hermitage later submitted to Swiss authorities. Millions of dollars in deposits later turned up in Aikate Properties' accounts in Credit Suisse and evidence indicated that the husband and wife were laundering cash via real estate deals in Dubai and Montenegro, the petition claims.

In all, Hermitage claims, the tax official and her husband acquired \$38 million in cash and assets, even though their combined salaries were less than \$50,000 a year.

CTL smoothed the way for the couple by signing a letter in June 2008 —addressed “To whom it may concern” — that affirmed that Aikate Properties “isn't involved in any money laundering activities.”

Stepanov has said their wealth came from legitimate businesses and the couple have not been charged with a crime in Russia or elsewhere. They could not be reached for comment by ICIJ.

Hermitage officials eventually compiled a list of nearly 40 companies that they claim were used by a criminal gang and their accomplices in government. Internal records obtained by ICIJ show that at least

23 of these companies had been set up through CTL.

Magnitsky, Hermitage's lawyer in Russia, wasn't around for many of these discoveries. In November 2008, Russian authorities arrested Magnitsky and accused him of committing tax fraud — part of an effort, Hermitage officials claimed, to silence him and cover up the alleged criminal scheme.

CTL co-founder Ward said his firm “had no role in the ‘Magnitsky affair’ ” other than performing routine duties as a registered agent.

“Any other Registered Agent could equally well have been in the same role as CTL and would have contributed no more or no less to the ‘affair,’ ” he wrote.

Ponzi

As the Magnitsky Affair heated up, other scandals involving CTL's clients were coming to light.

A Texas A&M University finance professor used two companies set up through CTL to carry out a Ponzi scheme that caused investors tens of millions in losses. A Ponzi scheme run by a Connecticut hedge fund manager used four companies established by CTL as part of a scam that, securities regu-

lators alleged, bilked investors out of hundreds of millions.

CTL also set up a BVI company implicated in a smaller Ponzi scheme that used the Internet to target U.S. investors of modest means, Wisconsin securities regulators claimed. The company, Delten Holdings, Inc., was the domain owner of minvestment.com, which posed as an online investment site that could take initial outlays as small as \$15 from investors, according to the regulators.

Who was behind Delten is murky. CTL's records show Delten's only director was an individual based in Moscow and its only shareholder was a proxy based in the Seychelles, a tax haven in the Indian Ocean.

Eleven months after setting up Delten, CTL filed a "suspicious activity report" informing BVI authorities that the company might be running a "pyramid scheme." It also resigned as Delten's registered agent.

Authorities didn't accuse CTL of wrongdoing in the case. But that didn't prevent worried investors from contacting the firm and pleading for help.

A woman in Brooklyn, N.Y., wrote to say she'd made three \$1,000 investments with minvestment.com —

one for herself, one for her family and one for her church. Her house and her church needed work, she said, and she'd hoped the huge returns promised by the investment plan would help.

Now that she realized all the money was gone, she said, she was too ashamed to tell her pastor she'd gotten the congregation ensnared in a scam.

"What I don't understand," she wrote, "is how could people do things like that."

She was praying, she said, that CTL would find some way to help her.

In internal emails, CTL officials agreed that BVI's secrecy laws meant they could release little about Delten.

Survival plan

CTL's staff grew worried in 2008 and 2009 because, along with being blocked by regulators from taking on new business, the firm was losing existing clients. The clients were moving their companies to other registered agents or other jurisdictions.

Many were frustrated with the "more onerous regulatory environment" and were refusing to provide

the identifying data that BVI regulators were pushing CTL to gather, internal documents said.

If CTL wanted to ensure its survival, it needed a plan.

Rescue came from a Dutch company, Equity Trust.

CTL and Equity Trust made a proposal to BVI regulators: If Equity Trust bought CTL, would the regulators consider withdrawing the order banning CTL from taking on new clients?

The plan worked.

In June 2009, the BVI's Financial Services Commission approved Equity Trust's takeover of CTL and lifted the ban on signing new clients.

Ward stayed on with the firm, officially listed as a consultant while serving as the firm's director of marketing and sales.

In September 2009, he headed to Moscow to meet with old clients and recruit new ones. One of the master clients he called on was G.S.L. Law & Consulting — the Moscow-based firm that had worked with CTL to set up Boily Systems.

Despite the fallout from the Magnitsky case, Ward noted in his trip report that the two firms still maintained an "excellent rapport" and G.S.L. continued to be CTL's largest client in Russia.

While Ward was visiting G.S.L. and other Russian business partners, Sergei Magnitsky was locked in a prison built in the time of the czars. He grew weak from untreated illnesses.

He died Nov. 16, 2009.

A Russian investigative commission concluded there had been a "criminal failure" by prison authorities to provide him medical aid.

His death drew condemnation inside and outside Russia. In December 2012, U.S. President Barack Obama signed the Sergei Magnitsky Rule of Law Accountability Act. It bans Russian human-rights abusers from entering the United States or using U.S. banks. In retaliation, Russian President Vladimir Putin signed a law barring Americans from adopting Russian babies.

Russian leaders have given little credence to claims of government corruption and human-rights abuses in the Magnitsky Affair. Prime Minister Dmitry Medvedev told CNN in January that Magnitsky was no corruption fighter, but merely a "common corporate accountant or lawyer who served his boss" in committing tax fraud.

Authorities in Moscow are now conducting a trial on the criminal charges against Magnitsky, in what

is likely the first time in Russian history that a defendant had been tried posthumously. The defendant's cage in the courtroom has stood empty throughout the proceedings.

'No longer authorized'

Last year at an offshore industry conference in Miami, Magnitsky's former law partner, Jamison Firestone, singled out CTL as an example of the compliance failures that allowed the Magnitsky Affair to unfold.

On a large video screen, Firestone displayed CTL's June 2008 letter that affirmed Vladlen Stepanov and Aikate Properties weren't involved in money laundering.

The evidence, Firestone said, indicated that the Stepanov and his wife, the Russian tax official, had indeed been involved in money laundering.

"Somewhere out there in the BVI there's a regulatory body, and I wish they'd have a little chat with these people for writing stuff like this," he said.

During the question period after Firestone was done, Brodrick Penn, then the director of the securities division of the BVI's Financial Ser-

vices Commission, spoke in defense of his agency.

"I'm happy to say that Commonwealth [CTL] is no longer an ... operational entity in the Virgin Islands," Penn said. "This particular firm had systemic money laundering issues within their organization," he said, but there was "punishment" as a result. CTL was "no longer authorized" to do business in the BVI.

"Glad to hear that you caught that one," Firestone said as the meeting hall welled with applause for BVI regulators' crackdown. "Very glad."

There was a problem, though, with the narrative of a bad actor put out of business.

CTL still operates — under the change of ownership — in a new set of offices in the BVI's capital, Road Town.

It is still an approved agent for new clients in BVI. Ward said he continues to work on a part-time basis, helping CTL manage client relationships.

The Financial Services Commission declined to answer questions about CTL's status or its investigation of the firm. In a written statement, agency officials said they maintain "world-class regulatory and registra-

tion regimes and we demand high standards of integrity and sound financial management of ourselves and from all of our licensees.”

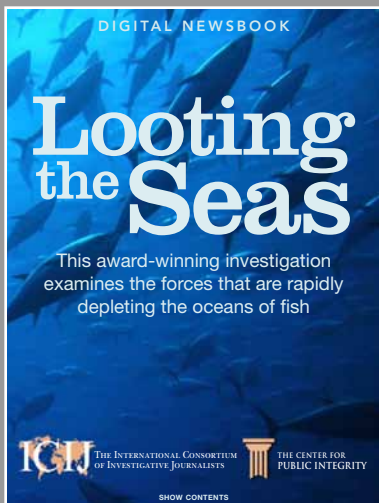
Equity Trust, which is now owned by Amsterdam-headquartered TMF Group, said in its own written statement that it has worked with the commission since 2009 to reshape CTL’s operations. The company said it has replaced CTL’s senior management and “continues to make significant progress in making CTL’s portfolio fully compliant” with the BVI’s anti-money laundering rules.

Amid this clean up, Equity Trust said, roughly half of CTL’s client base has left the firm. ■

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Lawyers and Accountants Help Rich Manage Their Money

By Nicky Hager

Published Online: April 5, 2013

Trusted service provider blends into the invisible offshore world.

THE STORY of Portcullis TrustNet and its birthplace — the Cook Islands — is in many ways the story of the offshore system itself.

It's a largely invisible world, a curious blend of the parochial and the global that's made up of the minor personalities and politics inside each offshore jurisdiction — many with populations no larger than a small town.

But by establishing special zones, these tiny provinces have changed the face of international finance and business and impacted law enforcement, tax policies and po-

litical and economic transparency across the planet.

The Tax Justice Network, an international advocacy group opposed to tax havens, estimates that about one third of all world wealth is held offshore, and about half of all world trade flows through there.

TrustNet, now headquartered in Singapore and with branch offices in 16 other locations, describes itself as a “one-stop shop,” employing lawyers and accountants who help “high net worth” clients manage their money and business activities.

In this they are not alone: there are dozens of other so-called offshore service providers.

They rarely draw attention to themselves. Unlike many of their clients — like banks and accountants — there are no high-profile

industry associations that represent their interests. They advertise almost entirely on the Internet.

Few are as big as TrustNet, whose website claims it is the largest independent operator in Asia.

The size of their operations is confirmed in hundreds of thousands of documents obtained by the ICIJ, which show the internal day-to-day workings of TrustNet.

They reveal clients spread across about 140 countries and territories, among them many prominent business and political figures. They include about 4,000 names from the U.S. and Canada, and about 1,300 from the European Union.

A bulk of them however — roughly 45,000 of about 77,000 — come from China, Taiwan, Singapore and other East and Southeast Asian nations, a sign of the growing importance of that region as a source of shadowy money.

The main product that TrustNet sells can be summarized in one word — secrecy.

The firm helps ensure names, finances, business interests and political links remain hidden. It does this using a variety of methods, such as creating maze-like layers of companies and financial trusts in multiple countries and in many cases helping clients open overseas bank accounts in the names of



“One-stop shop”: the Portcullis TrustNet Cook Islands branch is on the third floor. Photo: Frederic Zalac

anonymous companies rather than in their own names.

Sometimes parked inside purpose-built corporate vehicles are luxury yachts or masterpieces by famous artists.

Some of the entities TrustNet

helps create are made-to-measure. Others are prefabricated “shell” companies, often with slightly absurd names such as Golden Honest Enterprises Limited, Jolly Good Fortune Investment Limited and Sunny Islands Overseas Limited.

Offshore empire

The Cook Islands were a sleepy place more than three decades ago when a group of promoters broached the idea of turning the islands into an offshore financial center. Parliament met in a structure built years earlier as temporary barracks for construction workers building the international airport across the street. The population numbered less than 20,000 and was dropping, with many Cook Islanders living in New Zealand.

Given the micro-nation’s economic struggles, its political leaders were willing to hear a sales pitch about the economic benefits of aligning the islands within the offshore financial system.

The Cooks fit the profile for an island-based offshore satellite. They’re 3½ hours by plane from a regional economic center — New Zealand. And, like the Caymans and many other modern-day tax

havens, they have the British Union Jack in the corner of their flag.

While the Swiss pioneered secret bank accounts and tax shelters almost a century ago, remnants of the British empire took a leading role in the spread of the system offshore, beginning with Bermuda, the Bahamas and the Channel Islands in the 1930s, followed by the Cayman Islands in the 1960s, the British Virgin Islands in the 1980s and many others along the way.

Offshore centers all sell secrecy as their primary item, but over time the types of secrecy products they began to peddle and the markets they targeted varied, depending on their histories, geography and laws.

The British Virgin Islands, for example, where TrustNet’s busiest office is located, are mass marketers of offshore companies that can be bought cheaply, used for single purposes like opening bank accounts in the name of the company rather than an individual. “Corporations in a box,” one U.S.-based offshore promoter calls them.

The Cook Islands generally target a higher-end market — smaller numbers of wealthy people who want to set up long-term “asset protection trusts” that will protect their fortunes from lawsuits, credi-

tors and, if necessary, government authorities.

Growth Industry

The Cook Islands' Parliament approved laws covering offshore banking, companies, trusts and insurance in 1981.

One of those who helped oversee the introduction of the legislation was Mike Mitchell, a New Zealand lawyer who served as the Cook Islands' solicitor general in the early 1980s.

Five years later, in keeping with an apparent pattern of tax-haven officials moving freely between government and industry, Mitchell decided to go into the offshore business himself.

He left his post as solicitor general in 1986 and established an offshore services firm in 1987. The firm, initially called Pacific Trustee Company Limited and then International Trust Corporation Limited, was named TrustNet in the early 1990s and, eventually, Portcullis TrustNet.

Mitchell was the main shareholder and company chair when the enterprise opened its doors with a staff of two and offices on Rarotonga, the largest of the Cook Islands,

which even now only has a population of about 13,000 and measures about 20 miles in circumference.

Scandal of the decade

TrustNet grew quickly, opening a Hong Kong office in 1991, the same year Mitchell told the Cook Islands News that the company dealt mainly with clients brought in by lawyers and accounting firms in Hong Kong. He said, "Sometimes we don't know the identity of the clients," but added that "anything that looks remotely dubious or of the laundering variety we just won't handle."

Anti-money laundering experts say that sort of logic doesn't make sense — it's impossible to know whether someone's involved in money laundering or other crimes, they say, without knowing their identity. "You've got to know who your customer is," said Charles Intriago, a former U.S. prosecutor and president of the Miami-based Association of Certified Financial Crime Specialists. "If you don't know who the guy is, there's no way to know why he's bringing his money offshore."

Mitchell could say that in 1991, though, without anyone taking

much notice. Things would soon change. The Cook Islands were about to become the epicenter of scandal.

In 1994, Winston Peters walked into New Zealand's Parliament carrying a cardboard wine box containing a trove of secret corporate tax documents. Peters, a member of Parliament, said the box held evidence of "wholesale cheating" on taxes."

The Winebox Affair, as it was called, became New Zealand's scandal of the decade.

The documents came from a company called European Pacific Banking Corporation, part of the European Pacific Group, which counted among its senior executives Trevor Clarke, one of the key players who helped the Cook Islands to become a tax haven.

One of the allegations at the center of the scandal involved European Pacific persuading the Cook Islands authorities to accept NZ\$2 million in taxes — money that was later returned, minus a NZ\$50,000 fee.

A European Pacific subsidiary then presented the Cook Islands tax certificate to the New Zealand tax authorities without disclosing that the money had mostly been

returned, creating a massive tax write-off in New Zealand.

As a British judge summed it up later, "thus European Pacific was better off by \$1.95 m[illion], the Cook Islands was better off by \$50,000 and the New Zealand Government was worse off by \$2 m[illion]."

Many other contentious transactions were alleged in the Winebox Affair but in the inquiries and court cases that followed, few witnesses were willing to come forward. The Cook Islands' solicitor general, John McFadzien, publicly warned people subpoenaed by New Zealand authorities that they could be prosecuted under Cook Islands offshore secrecy law if they gave evidence.

Nevertheless, tens of millions of dollars in unpaid taxes were eventually retrieved, New Zealand's tax laws were tightened and, for many years after, the Cook Islands were synonymous in Australasia with dodgy offshore deals.

A less known part of the story is what happened to others involved in the Winebox Affair. One of them was George Couttie. He had been a senior European Pacific tax expert handling the secret transactions and had gone to work for TrustNet

in Hong Kong before the affair broke.

Lawyers for European Pacific later accused him in court of leaking the documents that had led to the scandal. Couttie has always remained silent about his alleged role.

Soon after this accusation was made, according to the ICIJ documents, senior TrustNet staff recorded a terse company resolution that “accepted” his resignation “effective from the date hereof.”

In contrast, John McFadzien, the solicitor general who had invoked offshore secrecy that helped shield the activities of European Pacific, resigned from government and found a new job — as a senior TrustNet lawyer. McFadzien has since died.

Geoff Barry, a European Pacific manager in the Cook Islands during the years of the Wine-box deals, returned to New Zealand for a few years. Then he, too, took a job at TrustNet.

Within three years he had become the TrustNet’s chief executive officer. Today, more than ten years later, he is a group director in TrustNet’s Hong Kong office. He did not respond to a request for comment.

The revolving door between industry and officials was also seen at the islands’ new Financial Supervisory Commission. Trevor Clarke, the founding patriarch of the Cooks’ offshore industry in the 1980s and a key figure in the Winebox Affair, was appointed chairman of the regulatory commission from 2003 until 2010.

During that time, the ICIJ documents show, he maintained a complex set of personal offshore companies and trusts that were administered by TrustNet. These entities were home to millions of dollars of assets, the documents reveal, and TrustNet staffers were given special instructions.

One document reads: “We are to contact Trevor by phone only unless otherwise authorized. ... Minimum documents to be kept in the Cooks. All docs are to be held at our HK [Hong Kong] office.”

Clarke responded that he was not “a user of any Cook Islands entities” and the ones he had elsewhere were set up well before his role as FSC chair. TrustNet records show his companies and trusts were in Samoa and the British Virgin Islands.

He said he had disclosed them to a number of authorities and there

were lots of reasons for people to want to have assets outside the country where they live. The secrecy instructions did not come from him.

Variety of clients

TrustNet's low-profile services were being used by many of the world's major banks, such as UBS, Deutsche Bank and Credit Suisse subsidiary Clariden, and by the world's biggest auditing firms, such as PricewaterhouseCoopers, Deloitte and KPMG.

Bank accounts were being opened for clients in many parts of the world, from branches of HSBC in Singapore to the Cook Islands branch office of the Australian bank, ANZ.

The individual client list included a wide variety of politically and financially powerful figures.

In 1996 and 1997 TrustNet helped establish two British Virgin Islands companies for **Aye Zaw Win**, the son-in-law of General Ne Win, a military strongman who ruled Burma for three decades. He could not be reached for comment.

After the fall of the Indonesian dictator Suharto in 1998, a number of his family and other rich Indonesians began appearing as TrustNet clients, the documents obtained by ICIJ show.

Some were disguised even within TrustNet's own internal records — referred to simply as “Client A,” “Client B,” “Client C.”

Among the wealthy Indonesians was Suharto's cousin **Sudwikatmono**, who'd accumulated a fortune in rubber, wheat and other business dealings.

In the months after Suharto's fall, Sudwikatmono retained a lawyer thousands of miles away in California by the name of Machiavelli W. Chao. The lawyer in turn sent Sudwikatmono and his money thousands of miles from both California and Indonesia, to the Cook Islands.

TrustNet helped the family set up the secret Wilshire International Trust and two offshore companies, Truease Ltd. and Rodeo International. The trust's beneficiaries, according to documents, included Sudwikatmono's wife, his son Agus and what appear to be his three daughters.

Sudwikatmono has since died, but his son emerged as one of Indonesia's richest people, according to Forbes. He did not respond to a request for comment.

TrustNet also set up the secretive Sintra Trust in the British Virgin Islands for **Maria Imelda Marcos Manotoc** and her three sons. Imee, as she is known, is the oldest child of the former Philippines dictator

Ferdinand Marcos who plundered his country's finances and resources and enriched his family and business associates. She declined to comment.

Clients who signed up during the late 1990s included international mercenaries working in war-torn Sierra Leone. TrustNet helped set up a company called Hinterland Mining Brokers Limited, listing its directors as four ex-special forces officers from Britain, Fiji and New Zealand who'd been hired to protect mining sites in central Sierra Leone from opposition groups.

Hinterland was one of many hundreds of gold and mining companies working in developing countries that filtered their operations through offshore entities established through TrustNet.

In July 2008, TrustNet set up a British Virgin Islands company called Hall Kingston International for a Thai businesswoman and former cabinet minister named **Nalinee Taveesin**.

It is unclear what Taveesin used the new company for, but in November 2008 the U.S. Department of Treasury designated her as a "Mugabe regime crony," a reference to Zimbabwe dictator Robert Mugabe. It froze assets she held in the United States

and prohibited Americans from doing business with her.

The agency accused her of "secretly supporting the kleptocratic practices of one of Africa's most corrupt regimes" through "financial, real-estate and gem-related transactions" made on behalf of the dictator's wife, Grace Mugabe, and Gideon Gono, governor of the Zimbabwe Reserve Bank, and other suspect Zimbabwean elites.

Responding to questions through her secretary at the Thailand Trade Representative's Office, Taveesin said she had no knowledge of the existence of Hall Kingston International Limited.

Taveesin continued to deny her involvement when later confronted with information from documents that showed the address used for the directors and shareholders in Hall Kingston International Limited matched the registered address of a number of Taveesin's companies in Bangkok.

Rich American clients were attracted by the asset protection afforded under Cook Islands legislation. Records obtained by ICIJ, for example, show that the firm established more than 700 trusts for American clients since the law came into being, including large numbers of doctors, dentists, finan-

ciers and real-estate developers.

The ICIJ review also identified at least 30 American clients accused in government actions or private lawsuits of fraud, money laundering or other serious financial misconduct.

They include ex-Wall Street titans such as corporate raider **Paul Bilzerian**, who was convicted of securities and tax fraud in 1989, and billionaire hedge fund manager **Raj Rajaratnam**, who was imprisoned in 2011 in one of the biggest insider trading scandals in U.S. history.

TrustNet declined to answer a series of questions for the story.

Asia rising

In 2004, a Singaporean lawyer named David Chong bought TrustNet and merged it with his existing offshore services company, called Portcullis.

Chong was an experienced offshore operator who had helped draft the offshore legislation for the Malaysian island offshore centre of Labuan, a jurisdiction that features in the company's work.

Chong named the consolidated company Portcullis TrustNet and appointed a new chairman to the Singapore branch of the company: His Excellency Tee Tua-Ba, a former Singapore commissioner of

police who later served as a senior Singapore diplomat.

Having their headquarters in Singapore may have favored TrustNet when, in 2009, events elsewhere shifted the focus of offshore secrecy away from its traditional home in Switzerland.

In 2009 the U.S. Department of Justice successfully brought a criminal case against Switzerland's largest bank UBS for assisting offshore tax evasion.

This was followed by actions against a dozen other Swiss banks, such as Credit Suisse. Wegelin, Switzerland's oldest bank, folded early this year after admitting it had sheltered U.S. tax evaders.

Singapore — on the other side of the world and with vault-like banking secrecy — offered a solution to those determined to resist the U.S. action.

London-based international lawyer Jamison Firestone summed it up: "You're not going to get any banking information out of Singapore," he said. It is "a respectable-sounding black hole."

TrustNet, with its range of secrecy products, was perfectly placed to benefit from the offshore world's ever evolving geography. ■

Contributor to this story:
Prangtip Daorueng



What links the Rwandan genocide, a CIA secret prison, and Saddam Hussein? All used anonymous fronts offshore.

Faux Corporate Directors Stand in for Fraudsters, Despots and Spies

By Gerard Ryle and Stefan Candea

Published Online: April 7, 2013

Worldwide network of 'nominee directors' helps hide real people, and organizations, behind offshore companies.

On November 14, 2006, a man going by the name Paul William Hampel was arrested at a Canadian airport on charges of being a Russian spy.

Hampel's carefully constructed identity portrayed him as a successful businessman, yet for a decade his company did no business.

Only months before his capture, the same apparatus used to create his alias was also employed by a very different spy agency — the U.S. Central Intelligence Agency —to build a secret prison in Lithuania, where U.S. agents interrogated suspected al-Qaeda terrorists.

Earlier again, it was used by the regime of former Iraqi dictator Saddam Hussein to cheat the Oil for Food program.

All three deceptions employed a common subterfuge: far-flung corporate entities used as anonymous fronts, with “executives” who lacked knowledge of what the firms were up to.

The activities of these so-called nominee directors are a little noticed part of the world of secretive offshore finance that’s grown so vast that it touches more than 170 of the globe’s 206 countries, but it’s one that’s often drenched in intrigue.

For a fee as low as \$90, men and women who often appear to have little or no formal business qualifications lend their names as directors to enterprises they later can claim to know nothing about - even after those enterprises are linked to everything from stock fraud to money laundering.

As one Panama-based offshore

financial services firm tells clients, “It doesn’t matter who the front man for your corporation is, as long as it’s not you.” The firm promises that the nominee directors it supplies will be “completely ignorant to the happenings of your corporation.”

The service the nominee directors provide is, in itself, not illegal. They generally say they are helping owners of companies preserve legitimate privacy.

But the scale and the organization of their networks became vivid as the ICIJ scoured millions of secret files from the offshore world.

The documents are client records and internal emails largely associated with two firms — Commonwealth Trust and Portcullis TrustNet — that form offshore entities for a range of other middlemen and have offices in many offshore havens.

The documents lay bare complex interrelationships the two financial service providers — and there are many more like them, found largely on tropical islands — have with the nominee directors and hundreds of tax agents, banks and law firms scattered around the world.

It’s a secrecy system on a gigantic scale that obscures ownership of billions of often-untraceable dollars that flow through those entities ev-

ery year, adding to a global flood that exceeds \$1 trillion and has grown so large that it can distort and even destabilize the global economy.

What emerges is that drug cartels, arms dealers and rogue nations take advantage of the same system as the covert arms of the Russian and U.S. governments.

Uncovering the secrets

Most offshore companies and nominee directors are up to “pretty boring things,” says Jason Sharman, a scholar at Australia’s Griffith University who studies offshore secrecy, but “you’re certainly going to be using a nominee director if you’re doing anything bad.”

A 2011 World Bank and United Nations study co-authored by Sharman found that nominee directors regularly emerge in what it calls “grand corruption” scandals around the globe.

The study says the complexity of the relationships in the offshore world often produces a maze that can sometimes discourage investigators, regulators, lawyers and others who are trying to track corruption, money laundering and other misconduct.

“Offshore jurisdictions take a re-

laxed view of the duties of nominee directors, particularly if the director is in another jurisdiction,” Sharman explains. “Onshore authorities are very unlikely to go through all the effort of an extradition to get some foreign nominee director.” Law enforcement work across borders, he says, “is a major pain.”

Few nominee directors personify this better than Stan Gorin and Erik Vanagels. From a base in Latvia, a tiny nation in the Baltics, their names have been attached to hundreds of corporations around the world, some of which can be linked to “grand corruptions.”

Gorin and Vanagels have proved so good at acting as straw men that questions have arisen about whether or not they even exist.

A Ukrainian journalist working for television station TVi sought to track down the pair in 2011, and discovered the real live Gorin was an insurance broker in the Latvian capital, Riga, who denied all knowledge of his alleged work around the globe. Gorin also denied knowledge for this story.

In a follow-up report, the same journalist failed to find Vanagels, who was described by a woman who said she knew him as a half-blind vagrant, living on the city’s streets.

The ICIJ could not locate him either.

What is undeniable, according to the documents obtained by ICIJ, public records searches and the findings of other journalists, is the litany of intrigue that can be tied to the two identities.

The ICIJ documents show the names Gorin and Vanagels were used to set up a series of offshore entities linked to Mukhtar Ablyazov, the former head of Kazakhstan bank BTA.

Some of the entities were incorporated through Commonwealth Trust by Ablyazov's business associate Paul Kythreotis and Ablyazov's brother-in-law, Syrym Shalabeyev.

Ablyazov stands accused in his home country of embezzling up to \$5 billion from BTA in what British media describe as one of the biggest frauds in history. He fled Britain last year, where he had been living, shortly before being sentenced there to 22 months in jail for failing to disclose full details about his wealth, leaving behind a string of luxury homes financed allegedly using fake loans, backdated documents and offshore accounts.

Then there was the case of the *MV Faina*, a merchant vessel captured by pirates en route from Ukraine to Kenya in September 2008.

International concern at the time focused both on the plight of the crew and on the cargo: 33 Soviet-made T-72 tanks, plus grenade launchers and small arms ammunition, destined for the rebel government of South Sudan, then under a United Nations arms embargo.

An anonymous Panamanian company, Waterlux AG, officially owned the ship. But behind Waterlux AG were two other Panamanian companies, Systemo AG and Cascado AG — both of which were fronted by Gorin and Vanagels.

A very different but equally eye-popping event dates to July 9, 2003, when a Panamanian entity linked to Gorin, Star Group Finance and Holdings, was used to register an entity in Washington, D.C., called Elite LLC.

The CIA later used Elite LLC to buy a former horse-riding academy outside Vilnius, Lithuania, in March 2004. The U.S. agency flew in prefabricated elements to build a secret prison there. It opened in September 2004 and was later the subject of a European Parliament inquiry after ABC News reported that it was used to covertly and harshly interrogate suspected al-Qaeda terrorists.

ABC quoted a human rights researcher who claimed that prisoners

suffered “various forms of torture, including sleep deprivation, forced standing, painful stress positions.”

No persuasive reasons

A report released in January by the nongovernmental European Network on Debt and Development, “Secret Structures, Hidden Crimes,” finds that opaque legal structures are one of the key ways to hide the real ownership of entities that can sometimes facilitate tax evasion, corruption and related crimes.

“Using nominees is a key way of hiding the real owners,” says the report’s author, Alex Marriage. Investigators, he says, have “found no persuasive reasons for nominee shareholders.”

“There may be very special circumstance where a nominee director is needed,” he adds, citing the example of two international corporations needing neutral territory to conduct business, “but small changes in the law would make this unnecessary.”

A June 2012 report from the U.K.-based advocacy group Global Witness points out that one of the problems is that legal authorities in the United States, United Kingdom and many other countries don’t hold nominee

directors responsible for the conduct of the companies they front.

In addition, documents setting up offshore companies often include clauses that shield nominees from financial liability if the companies get sued.

“It is perfectly legal in many countries to avoid having your name appear as the director or owner of a company by employing the services of a nominee, whose name appears instead,” the Global Witness report states.

“Nominees are, in essence, renting out their name, and in doing so, providing the anonymity that corrupt officials, tax evaders and other criminals require to move dirty money around the world.”

Gorin and Vanagels are far from lone players in this regulatory wilderness.

The group of 28

The ICIJ, working with *The Guardian* newspaper in England and the BBC’s *Panorama* program, identified a group of 28 other nominee directors who have represented more than 21,000 companies between them, with individual nominees representing as many as 4,000 companies.

For example, Jesse Grant Hester

— a nominee director based on the English Channel island of Sark and later the Indian Ocean tax haven of Mauritius — was the director for an Irish entity Candonly Limited, which an official inquiry later found was used by the regime of Iraqi dictator Saddam Hussein to cheat the United Nations' Oil for Food Program.

Hester, who did not respond to a request for comment, has been listed as a director for at least 1,500 other companies in the British Virgin Islands, Britain, Ireland and New Zealand, according to the ICIJ analysis.

Until the practice was stamped out in the late 1990s, it was common for Sark residents like Hester to lend their names as directors to businesses around the world wanting anonymity.

At the height of what became known as the “Sark Lark” the BBC reported, the 600 inhabitants of the island held 15,000 directorships between them, some of which later led to controversy.

One extreme example was a resident John Donnelly who lent his name as director to an Isle of Man company, Mil-Tec Corporation Ltd., which shipped rifles, rockets, mortar bombs and ammunition to Rwanda that were used in the 1994 genocide.

After a crackdown by the British

government, many nominee directors from Sark relocated to other jurisdictions like Cyprus, the United Arab Emirates, Mauritius and Ireland and, as the secret documents obtained by ICIJ show, they simply resumed operations.

Russian spy

The ICIJ documents identify three other former Sark islanders who formed parts of the mysterious backstory of Hampel, the alleged spy for Russia arrested in Canada.

According to the National Post, Hampel had established a corporate presence in Ireland from July 1997, two years after he received his first Canadian passport using a fraudulent Ontario birth certificate.

Corporate documents described the Irish entity, Emerging Markets Research & Consulting Ltd., as a tourism venture — and Hampel as a travel consultant. But the National Post reported that the company's annual accounts showed it didn't do any business and that it appeared to be merely a cover for his spying activities.

Though he denied the allegation made in court that he was a member of the Sluzhba Vneshney Razvedki, the successor to the infamous KGB,

Hampel was eventually deported to Russia after admitting to being in Canada illegally.

Appearing as nominee directors in Hampel's Irish entity at various times were Sean Lee Hogan, Simon Ashley Couldridge and Michael Andrew Gray, who each show up over and over in the documents obtained by ICIJ. Each declined emailed requests for comment.

Among Hogan's many other directorships — including nearly 100 in the British Virgin Islands, 743 U.K. companies and dozens in the U.S., Panama, Austria, Ireland and New Zealand — are companies linked to a Norwegian professor, the Russian gas and oil giant Gazprom and a music publishing company, Plaza Mayor, whose website claims that they represent the work of Julio Iglesias, Ricky Martin and Placido Domingo.

Couldridge, who recently put up his Sark home for sale for nearly £5 million, is publicly listed as a director of more than 1,000 companies in Ireland.

Gray runs the *Alterego* Group, a Cyprus company that boasts in one email obtained by ICIJ: "We at *Alterego* Management are the visible other self. ... The desire to obtain complete privacy, often bordering on total anonymity, is a major reason

why so many professional firms do use our services."

In an example of how much the players in the offshore world overlap, the data obtained by ICIJ reveals that one of Gray's other clients was Roger Alberto Santamaria del Cid.

In October 2010, Santamaria was named in press reports as the Panamanian contact for an Internet investment scam, *Imperia Invest IBC*, which defrauded 14,000 investors worldwide of about \$7 million. They included about 6,000 deaf people from the U.S. states of Utah, Maine, Wisconsin and Texas.

The U.S. Securities and Exchange Commission, the Monetary Authority of Singapore, the Swedish Financial Supervisory Authority and the Swiss Financial Market Supervisory Authority all issued alerts regarding *Imperia*.

There is no suggestion that Gray was in any way involved in *Imperia*, and the data obtained by ICIJ and searches of public company registers indicate that Santamaria was a nominee director himself. Santamaria could not be contacted for comment.

His fellow officials in one Panamanian entity? Gorin and Vanagels. ■

Contributors to this story:

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Ferdinand Marcos' Daughter Tied to Offshore Trust in Caribbean

By Roel Landingin and Karol Ilagan

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Records show late dictator's oldest child, now a Philippine provincial governor, didn't disclose British Virgin Islands trust in asset declarations required for public officials.

Newly uncovered documents link Maria Imelda Marcos Manotoc, the eldest child of the late Philippine dictator Ferdinand Marcos and now a senior political figure in her own right, to two secretive offshore trusts and an offshore company.

The hardworking and popular provincial governor — widely known as Imee Marcos — was one of

the beneficiaries of the Sintra Trust, which was formed in June 2002 in the British Virgin Islands, financial records uncovered by the ICIJ show. Other beneficiaries were Imee Marcos' adult sons with estranged husband Tomas Manotoc: Ferdinand Richard Michael Marcos Manotoc, Matthew Joseph Marcos Manotoc, and Fernando Martin Marcos Manotoc.

It's unclear whether the trust remains active. The records obtained by ICIJ show the trust was still active at least as recently as 2010.

The documents show that Imee Marcos was also a financial advisor for the Sintra Trust as well as for a company in which the Sintra Trust was a shareholder, ComCentre Corporation, which was formed in January 2002 in the BVI and is still in operation. The records also



Governor Imee Marcos, her brother Senator Ferdinand “Bongbong” Marcos, Jr., mother Imelda Marcos, and sister Irene Marcos-Araneta.

show she was a “master client” for the M Trust, formed July 1997 in Labuan, Malaysia, and closed July 2009. Philippines law requires government officials to disclose their assets no matter where they’re held, and Imee Marcos’s disclosure statements do not list the three offshore entities. It is not known what assets they hold, but one Sintra Trust document refers to a bank account with United Overseas Bank Limited, a financial institution head-

quartered in Singapore. Another record related to ComCentre refers to an account at HSBC.

The Philippines’ Presidential Commission on Good Government is eager to find out if the entities connected to Imee Marcos might contain some of the estimated \$5 billion that her father allegedly amassed through corruption. He too held offshore accounts, which the Philippine government has sought to freeze.

Ferdinand Marcos fled the Philippines with his family and their close associates when a revolution toppled his 21-year rule in February 1986. He had been accused of large-scale human rights violations as well as widespread corruption.

After Marcos died in exile in 1989 at age 72, his wife, the flamboyant Imelda Marcos, returned to the Philippines with their three grown children to rebuild political careers and to contest the government's seizure of their assets and properties.

Though many cases are still in the courts almost 25 years on, the government has scored a few major victories, including a Philippine Supreme Court ruling that mandated forfeiture of \$356 million from the Marcos couple's secret Swiss deposits, after declaring the funds to be "ill-gotten."

Undeclared entities

Imee Marcos's role in the offshore entities uncovered by the ICIJ data raises questions as to why a public official has a need for offshore trusts and corporations in tax havens.

Philippine law requires public officials to list all assets in annual

statements of assets, liabilities and net worth. This statement must include business interests and financial connections, including those located in other countries.

In addition, the Philippine Constitution requires that "members of the Senate and the House of Representatives shall, upon assumption of office, make a full disclosure of their financial and business interests."

The Sintra Trust and the two other offshore companies linked to Imee Marcos were not listed in the asset disclosure statements that she filed as lawmaker and provincial governor and which were examined by the Philippine Center for Investigative Journalism (PCIJ).

A Civil Service Commission expert who helped draft the latest guidelines on asset disclosures said the law requires public officials to disclose all their assets and properties whether in the Philippines or elsewhere. "If it's yours, you should declare it," said Ariel Ronquillo of the commission's legal affairs office.

PCIJ sent an email and a fax to Imee Marcos asking her to comment on the ICIJ findings, but she did not respond to the detailed questions. The day after PCIJ sent the questions to the governor a per-

The discovery of any assets linked to Imee Marcos may help in the enforcement of a \$4.2 million judgment made by a U.S. court against her in 1991 for the 1977 death of a Filipino student activist who publicly questioned her about her government appointments, says former Sen. Rene Saguisag.

son who claimed to be a long-time friend of Imee Marcos called the journalists to inquire about the story. PCIJ requested that she ask Imee Marcos to respond to the questions or agree to be interviewed. The person has not gotten back to PCIJ since then.

Officers of the Presidential Commission on Good Government (PCGG), tasked to recover the billions believed to have been stashed away by the Marcoses, are now keen to find out if funds being managed by the Sintra Trust and the two other offshore entities came from the former dictator's allegedly ill-gotten wealth. "We are duty bound to investigate, and then pursue or discount the matter depending on informed findings," said Maita Chan-Gonzaga, a commissioner of the PCGG. "If funds came from the pre-1986 Marcos secret deposits that were the subject of freeze orders, then those

responsible for moving the funds around could be committing money laundering."

Former and current government officials shown some of the documents gathered by ICIJ said they were reminiscent of the methods Ferdinand and Imelda Marcos used in the 1970s when they created secret offshore accounts and foundations.

"Fruit never falls far from the tree. Like parents, like daughter," said former Sen. Rene Saguisag, a human rights lawyer during the Marcos dictatorship and a spokesman for President Corazon Aquino, who succeeded Marcos in 1986.

Saguisag said that the discovery of any assets linked to Imee Marcos may help in the enforcement of a \$4.2 million judgment made by a U.S. court against her in 1991 for the 1977 death of a Filipino student activist who publicly questioned her about her government appoint-

ments and who was kidnapped and tortured by state security forces under her control. In 1993, the mother of the victim initiated court proceedings in the Philippines to enforce the U.S. judgment, but the Supreme Court rejected the claim in 2006, saying Imee Marcos had not been properly notified.

Imee Marcos's offshore assets are unknown, but the disclosure statements she's filed show wealth that's significant by Philippines standards but less so in the context of the international elite. PCIJ examined 12 of the 15 such statements that she filed from 1998 to 2007 when she was a member of Congress and then in 2010 and 2011 when she was provincial governor.

The statements showed that her assets, consisting mostly of inherited jewelry, paintings and artifacts, as well as vehicles, rose in value from about \$170,000 in December 1998 to about \$640,000 in December 2011. Almost half of the overall increase came from the higher value of jewelry, and the value of her paintings and artifacts more than doubled.

Most Marcos statements that PCIJ examined were less than specific in listing her business connections and financial interests. "Share of various corporations currently under litiga-

tion; estate of Ferdinand E. Marcos," one reported. In 2010 and 2011, she listed about \$2,300 worth of stocks among her assets.

The PCIJ investigation also found more than 500 other Philippine residents who have links with offshore trusts, corporations and other entities. Only about half the names have public profiles, of varying prominence. Most are business people, professionals or people who work for foreign companies in the Philippines. But some are owned by public officials.

A popular governor

The Marcoses have staged a remarkable comeback in Philippine politics. In 2010, Ferdinand Marcos Jr., known as Bongbong, won a Senate seat. He is now being touted as a possible presidential candidate in 2016.

Imee's and Ferdinand Jr.'s mother is now a member of Congress, where she is seeking a second three-year term.

Princeton-educated Imee Marcos ran and won a seat in the House of Representatives representing her father's political bailiwick in Ilocos Norte from 1998 to 2007. In 2010, she made a successful run as governor of Ilocos Norte province, de-

feating the incumbent, who is her first cousin.

One of Marcos's biggest achievements as provincial governor is developing Ilocos Norte as a major tourism draw for both local and foreign tourists.

She says she has set new standards for transparency in local government, calling it "open governance." The provincial government celebrates the province's foundation day by opening up the capitol to the people, literally. "Students see how government works and how departments process papers," she boasted to the *Philippine Daily Inquirer* early this year. "We even opened a provincial safe to show tax collections, how they process the money and bring them to the bank."

In a sign of her popularity in the province, she is running unopposed for a second term as provincial governor in a May election.

Offshore accounts details

The Sintra Trust was created in June 2002 with the help of a Singapore-based offshore services firm called Portcullis TrustNet.

The documents indicate that in her role of financial advisor, Imee

Marcos had powers to direct the investment of trust assets held by banks and other financial institutions.

The so-called "settlor," "trust protector," and "master client" listed in the documents is Mark Chua, a Singapore-based businessman said to be Imee's new boyfriend. The settlor refers to the person who creates the trust by transferring a certain asset that he or she owns to the trustee, who then assumes legal ownership of the assets on behalf of the beneficiaries.

Chua has not replied to PCIJ's questions on his role in Sintra Trust.

In June 2005, Imee was named investment adviser of the Sintra Trust, according to a document uncovered by ICIJ. As investment adviser, she can direct any financial institution in the purchase, sale, liquidation and investment of the trust assets. Chua also became an investment advisor for the trust in 2006.

Although the Sintra Trust is located in the British Virgin Islands, another PCGG official — the commission tasked with recovering the Marcoses' assets — said he does not find it surprising that its servicing company, Portcullis TrustNet,

is based in Singapore, which has one of the toughest financial secrecy regulations in the world. It ranked No. 6 in the 2011 Financial Secrecy Index of the Tax Justice Network, a London-based group that campaigns against tax havens.

“We’ve had a hard time getting cooperation from Singapore in our requests for international mutual assistance on criminal matters,” said the PCGG official, who asked not to be identified because of the confidential nature of his work for the agency.

Parallels with Marcos’ foundations

Despite being formed in 2002, thirteen years after the death of Ferdinand Marcos, Sintra Trust has parallels with the Marcos foundations set up in the early 1970s in Liechtenstein. Then as now, the offshore entities were established in well-known tax havens that guaranteed secrecy. Before, the beneficiaries were the Marcos couple and their



children. Now, it is Imee and her children. Both the BVI trust and Liechtenstein foundations were set up with the help of foreign lawyers and other professionals whose job is ensuring the real owners and beneficiaries are well hidden.

Some of the documents that the Marcoses left behind at the Malacañang presidential palace as they were rushing to board U.S. military helicopters to take them to safety on February 25, 1986, show that the former president instructed one of his foreign agents, Marcus Geel of Zurich in Switzerland, to set up the Xandy Foundation in Vaduz, Liechtenstein in March 1970. Marcos and Imelda were named first beneficia-

ries, the surviving spouse the second beneficiary, and the three Marcos children were named as equal third beneficiaries.

A few months later, Marcos instructed his foreign agents to transfer funds from four secret Swiss bank accounts that Marcos and Imelda opened in 1968, just two years after he became president, to the Xandy Foundation. The couple hid their identities, using the false names “William Saunders” and “Jane Ryan” when they opened the Swiss bank accounts. Among the documents the Marcoses left behind at the presidential residence were “declaration/specimen signatures” forms the couple signed with their real names as well as pseudonyms.

In August 1970, Imelda also instructed Geel to set up the Trinidad Foundation in Vaduz, Liechtenstein, with C.W. Fessler, E. Scheller of Swiss Credit Bank, and Otto Tondury as directors. Imelda was named first beneficiary while her three children were named second beneficiaries.

The secret Swiss deposits, which include funds held in the name of the Xandy and Trinidad foundations and other secret entities, were part of the Marcos monies frozen

by the Swiss authorities in 1986 and eventually forfeited in favor of the government by the Philippine Supreme Court in 2003.

Investigating the remnants of the famed Marcos billions has become more difficult and costly in recent years because the money trail has gone cold. Many of the offshore financial centers where the funds are deposited are reluctant to help for fear it will undermine their attractiveness to investors, according to PCGG officials.

As a result, public and government interest in the Philippines in recovering the alleged ill-gotten wealth of the Marcoses and their associates seem to be waning. Last year, the head of the PCGG spoke of the possibility of the agency folding up and having its functions parceled out to the Department of Justice and other government agencies. An outcry from Marcos-era victims of human right violations forced the government to keep the commission going, at least for now. ■

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The *Christina O*, which was bought and refurbished using two of the offshore companies in ICIJ's data. Photo: Getty Images

Taxmen Have Little Clue of Offshore Companies Owned by Greeks

By *Harry Karanikas and Marina Walker Guevara*

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Officials say they will check ICIJ's data for any evidence of misconduct by owners of offshore companies.

GREEK CITIZENS who own or direct offshore companies in the British Virgin Islands and other tax havens rarely declare them to Greek tax officials, an International Consortium of Investigative

Just four out of 107 offshore companies investigated by ICIJ are registered with tax authorities as the law usually requires, particularly when the firms hold assets or conduct business in Greece.

Journalists' review of more than 100 companies shows.

Just four out of 107 offshore companies investigated by ICIJ are registered with tax authorities as the law usually requires, particularly when the firms hold assets or conduct business in Greece. Officials apparently have no record of the other 103 firms — or whether the owners declared any assets held by these entities or paid taxes on them.

After learning about ICIJ's findings, the Greek Finance Ministry said it would examine the data and determine whether there's any evidence of improper or illegal conduct by owners of offshore companies.

The companies' owners are a surprising cross-section of Greek society, from the richest districts in Athens to remote northern villages. They include retail executives, shipping magnates and middle-class families. What these people have in common is that they are connected

to offshore companies that appear to operate under the radar of tax authorities at a time when endemic tax evasion is fueling a financial crisis that has devastated Greece's economy and threatened the future of the euro.

Two of the offshore companies in the ICIJ data were used to buy and refurbish one of the world's most storied yachts — the *Christina O*, where the Onassis family once entertained John F. Kennedy, Marilyn Monroe and Winston Churchill, among other celebrities and statesmen.

Others are linked to a defense contractor working for the government and to top Greek executives who made a fortune on bonds sales.

Greeks are taxed on their worldwide income, so in theory they should pay taxes on income generated by offshore companies. But experts say tax regulation is complex in Greece and there are many legal loopholes citizens can use to avoid declaring their assets.

In this context, it's not surprising that tax revenue from Greek offshore companies fell 90 percent in the past two years to €345,000 (\$440,000) in 2012 from €3.4 million (\$4.5 million) in 2010, according to figures from the Ministry of Finance.

The Greek documents ICIJ analyzed are part of a trove of 2.5 million secret offshore files obtained by the global reporters' network. The documents, the largest cache of offshore data ever gathered and analyzed by a media organization, reveal the inner workings of offshore jurisdictions and the activities of real owners behind anonymous offshore companies.

"Offshore companies are used by Greek homeowners to evade taxes, businesses to hide their profits and by politicians for unlawful enrichment," George Kanellopoulos, the Greek government's former top financial crimes investigator, told ICIJ. Others say that there are legitimate uses of offshore companies, such as joint ventures by investors from different countries.

Kanellopoulos said that in 1998 his team at the Finance Ministry discovered the shocking scale of Greek offshore interests — 2,400 companies registered in tax havens in the

Pacific and the English Channel.

Until that point, he said, the existence of Greek-owned offshore entities was known only to a handful of law firms that had helped their clients set up the companies.

"Today they are widespread," he added, reaching all sectors of society.

Sources within the Ministry of Finance gave ICIJ a list of more than 23,000 companies incorporated in other countries, including tax havens, and that have been registered with Greek tax authorities over the years.

ICIJ reporters cross-checked the information with the list of 107 offshore companies identified in the ICIJ data and found that only four entities in the BVI had been cleared with Greek tax authorities.

The secretary general of state revenues at the Greek Finance Ministry, Charis Theocharis, said that ICIJ's findings were "of great concern," and that the government will examine the information to see "if evidence regarding illegal activities or irregularities arises."

At a recent conference on "Transparency and Offshores" held at the Greek Parliament, the deputy minister of finance, George Mavraganis, said the government is planning to close some of the loopholes that al-

low Greek offshore owners to avoid paying taxes. It will also audit and tax companies that are incorporated in tax havens but are conducting business in Greece.

Tax evasion is so rampant in Greece that it's at the core of an economic crisis that continues to cripple the country's economy despite the infusion of billions of dollars in bailouts from wealthier European neighbors. As austerity measures and riots have garnered unwelcome international attention, Greece has become known as a worst-case example of the toll of the 2008 economic meltdown and the dangers of fiscal irresponsibility.

According to a recent report by the European Union and the International Monetary Fund, Greeks owe about \$70 billion in unpaid taxes to the state, about a quarter of the country's gross domestic product.

Last year, a Greek journalist caused a political storm when he published the names of about 2,000 Greeks with bank accounts in Geneva — the “Lagarde list,” named for IMF head Christine Lagarde, who handed out lists of tax dodgers to authorities of several European countries when she was France's finance minister.

To add to the drama, a former

Greek finance minister, George Papaconstantinou, was accused of deleting the names of his relatives when he first got the Lagarde list. Papaconstantinou has denied wrongdoing.

Many of the Greek-owned companies in the ICIJ data are incorporated in the British Virgin Islands (BVI), a chain of coral and volcanic islands in the Caribbean. The islands host about 500,000 active companies, about 40 percent of all the world's offshore firms.

Kanellopoulos, the former financial crimes chief, said that back in 1999, his team asked the Organization for Economic Cooperation and Development to demand that its members stop hosting offshore companies for Greek citizens.

The request, he said, was rejected.

“If rich countries can withstand tax evasion from offshore companies, Greece cannot,” he said. “The international community stands silent, covering the actions of these companies.”

Christina O

With its canopied decks and marble bathtubs, the 325-foot *Christina O* yacht symbolizes an era in Greece. It was here where, in 1957, John F.



Maria Callas and Winston Churchill on the *Christina O* in 1959.

Kennedy and Winston Churchill met for the first time — and where, in 1968, owner Aristotle Onassis and Jackie Kennedy held their wedding reception.

One visitor to the yacht was John Paul Papanicolaou, a well-known ship owner and friend of Onassis. In 1998, two decades after Onassis' daughter Christina had donated the yacht to the Greek government, Papanicolaou set out to buy and refurbish the boat.

Two years later, he set up shop in one of the world's most secretive offshore jurisdictions, the Cook Islands in the South Pacific. On April 7, 2000, Papanicolaou and Irish lawyer Ivor Fitzpatrick created a Cook Islands company called Christina GP Limited. Both men were named directors of Christina GP in the company documents but they used a nominee firm, Stockcorp, as shareholder.

Nominees are persons or firms

that, for a fee, lend their name so the real company owners — in this case Papanicolaou and Fitzpatrick — don't have to disclose theirs. This is a legal artifice of the offshore economy.

The offshore structure used to own the *Christina O* didn't stop there. Five days later, Papanicolaou and Fitzpatrick created a Cook Islands limited partnership called The Christina Limited Partnership. They made Christina GP one of the partners.

Another partner, added in August 2000, was millionaire Irish developer Robert "Pino" Harris. According to court records, Harris invested nearly €145,000 (\$130,000) in the boat and gave €14.3 million (\$13 million) as a loan in exchange for a 4 percent share in the partnership. The partnership ended up paying nearly €66 million (\$60 million) for the ship.

The partners' goal was to refurbish the yacht and restore its past glory, so they could charter it profitably. But drama over management of the *Christina O* ensued, and they ended up in the London Court of International Arbitration.

Fitzpatrick retained a leading role in the partnerships that owned the ship. Papanicolaou sold his

stake in the *Christina O*, according to the executor of his estate, Mariella Tzoni. Papanicolaou died in 2010.

None of the Cook Islands entities created by Papanicolaou and Fitzpatrick to acquire and remodel the yacht appear in the list of Greek-owned offshore companies maintained by the Ministry of Finance. Tzoni said that her client never received any income from the ship; therefore, she said, he didn't need to report taxes.

According to Tzoni, ship owners in Greece use offshore entities routinely because they facilitate business with foreign partners.

"It's legal, nothing peculiar," she said.

As for the *Christina O*, she still boasts her famous mosaic swimming pool that converts into a dance floor and the barstools Aristotle Onassis had upholstered in fine leather made from minke whale foreskins. Charter prices start at \$60,000 a day for a small group.

In the meantime, Harris made news in Ireland in 2008 for winning a court judgment of €9 million in income tax refunds, a decision that upheld his deduction for his expenses in buying and remodel-

ing of the *Christina O* through the Cook Islands limited partnership.

Fitzpatrick and Harris did not respond to ICIJ's requests for comment.

Offshore defense

The reach of the Greek offshore economy extends also to the public sector, particularly to military contractors.

Last year a former minister of defense, Akis Tsochatzopoulos, was arrested and jailed, charged with receiving millions in bribes through offshore companies connected to his associates. Tsochantzopoulos has denied wrongdoing. His trial is set to start later this month.

The ICIJ data reveals that a contractor for the Greek air force is closely connected to secretive entities registered in the BVI. Interoperability Systems International Hellas S.A. is one of the companies that since 2003 has participated in a \$242 million contract for the production of electronic warfare equipment for Greek F-16 fighter jets. The company has also provided electronic hardware and software for the U.S. Navy and governments around the world.

At the time the F-16 contract

began in 2003, a BVI entity called Bounty Investments Ltd. owned 33 percent of ISI Hellas S.A. Some of the shareholders of the offshore company were managers of ISI: David Adams, Johan Boskemper, Gerhard Mazenier, Heinz Winter and David Tham.

The offshore structure had yet another layer. Bounty Investments was a shareholder in another BVI company called Interoperability Systems International Ltd, almost the same name as ISI Hellas SA, according to the corporate records reviewed by ICIJ. One of the directors of this company was Nikolas Papatsas, ISI Hellas SA's current president.

There was a third and even more secretive company, Belchamps Management Limited, which for several years used bearer shares — meaning that the owners of the shares were not officially registered anywhere.

In 2005, Commonwealth Trust Limited, an offshore services firm that BVI authorities sanctioned for its lax anti-money-laundering controls, took over management of the three companies.

Under CTL's management, ownership of the three companies became even more opaque. In January 2005 Sarah Petre-Mears, a Brit who

acts as nominee director for 1,200 companies in the Caribbean, U.K., New Zealand and Ireland, became director and shareholder of Bounty Systems, Interoperability Systems International and Belchamps Management.

Of the three BVI entities, only Bounty Investments Ltd appears in the list of offshore companies kept by the Ministry of Finance and reviewed by ICIJ.

A lawyer for ISI Hellas SA, Nicholas Karambelas, said Bounty Investments currently owns 40 percent of the Greek defense contractor and “has fully satisfied each obligation it has to the Greek tax authorities.” Karambelas said the other two BVI entities are “dormant.” He said the offshore firm Interoperability Systems International Ltd. has no tax liabilities because it never raised any capital.

Economist Evangelos V. Vasilakos, a former general director for armaments at the Greek Defense Ministry believes that defense contractors should not be part of the largely unaccountable offshore economy.

“Any direct or indirect contrac-



Apostolos Vakakis.

tual relationship between defense ministries and offshore companies, in any form, should be condemned, even if only for transparency reasons, in a sector replete with corruption allegations,” Vasilakos said.

The \$43 million bond deal

Another way Greeks use offshore companies is to buy and sell bonds

— thus keeping the arrangements cloaked in secrecy and avoiding taxes on the profits, according to Panayiotis Douvis, author of the book *Offshore Activities* and former director of investigations at the Greek Financial Crimes Unit.

On February 21, 2007, a Cyprus law firm created an offshore company in the BVI called Karpattia Ltd. It used the same registered agent as the Greek military contractor, Commonwealth Trust Limited. It named two companies as nominee directors of Karpattia.

Documents obtained by ICIJ reveal that the single shareholder behind the mysterious entity was Apostolos Vakakis, chairman of the retail conglomerate Jumbo SA, one of Greece's largest companies.

In July 2007, Karpattia purchased 3.5 million convertible bonds issued by Jumbo SA for €36.7 million (\$49.7 million), according to records from Greece's security and exchange commission. Within the next six months, while Jumbo's stock remained stable, Karpattia made a windfall: It sold 2.85 million bonds for €65.1 million (\$92.6 million) — a \$43 million profit, financial records show.

The buyers of the bonds re-

mained anonymous and are part of the mystery surrounding the transaction.

Vakakis did not answer detailed questions sent to him by ICIJ, but he said in an email: "I have declared officially all without exception my transactions that should be announced in public, as provided by relevant Greek legislation."

Vakakis also said that capital gains from buying and selling bonds at the time of Karpattia's transaction was "absolutely tax-free anyway" in Greece. He didn't respond to a follow-up question from ICIJ about whether Karpattia's capital gains had at any point become taxable dividends upon distribution to him, the sole shareholder of the offshore company.

"One does not use a legal entity in order to hide the identity of the beneficial owner by using shadow names but to be able to complete a transaction in a straightforward manner," said Vakakis. ■

Harry Karanikas is a reporter for the newspaper *Ta Nea*. Marina Walker Guevara is the deputy director of ICIJ.

Contributor to this story:
Mar Cabra

Disclosure of Secret Offshore Documents May Force Top Mongolian Lawmaker to Resign

By Gerard Ryle and Nicky Hager

Published Online: April 3, 2013

ONE OF Mongolia's most senior politicians says he is considering resigning from office after being confronted with evidence that he has an offshore company and a secret Swiss bank account.

"I shouldn't have opened that account," Bayartsogt Sangajav, Mongolia's deputy speaker of Parliament, told the ICIJ.

"I don't worry about my reputation. I worry about my family," he said after ICIJ asked him about records revealing his offshore holdings. "I probably should consider resigning from my position."

Bayartsogt, who says his Swiss account at one point contained more than \$1 million, became his country's finance minister in September



Bayartsogt Sangajav

2008, a position he held until a cabinet reshuffle in August 2012.

During those years he attended international meetings and served as governor of the Asian Development Bank and the European Bank of Reconstruction, pushing the case for his poor nation to receive foreign development assistance and investment.

He was also at the forefront of encouraging foreign mining and other companies to move into Mongolia, one of the world's most sparsely populated countries.

A cache of 2.5 million secret offshore files obtained by ICIJ includes documentation that Bayartsogt acquired a British Virgins Islands company, Legend Plus Capital Limited, in May 2008. The company was then used to open a Swiss bank account in the name of the Legend Plus Capital Limited, with an official address in the BVI.

Bayartsogt told ICIJ that not all of the money in the Swiss account was his. He said the account was opened to trade in international stocks.

He said his investment into the account was \$200,000 — profit derived from a family wheat business. Another \$800,000 or so belonged, he said, to three “business friends” he didn't name. All but about \$2,000 had since been withdrawn, he said.

“My friends told me: If you have extra profit, why not open an account? Our first intention was to have more than \$1 million,” he said.

“It was risky business but we wanted to try. Foreign banks came to Mongolia and invited us to invest abroad. I shouldn't have opened that account.”

He acknowledged that he hasn't declared the offshore company or the Swiss account on disclosure statements required for Mongolian public officials. But he said he didn't use the offshore entities to avoid taxes because the venture didn't produce any income.

“I should have included the company in my declarations,” he said. “We didn't even think of the tax issues. I am going to close it [the bank account] now.”

Bayartsogt was at the forefront of encouraging foreign mining companies to move into Mongolia. For instance, he championed changes to tax laws and other concessions in 2011 that had been demanded by the multinational mining company Rio Tinto, based in Britain and Australia.

The changes reduced the benefits for Mongolia and increased the returns for Rio Tinto of a planned multi-billion dollar copper and gold mine at Oyu Tolgoi in the Gobi Desert.

There is no suggestion his public stance had anything to do with his private offshore activity, but his Swiss bank account and offshore company remained secret throughout his years as minister. ■

Contributors to this story: *Emily Menkes and Marina Walker Guevara*

Canadian Senator's Husband Shifted Money Into Offshore Tax Havens

*By Frédéric Zalac, Alex Shprintsen, Zach Dubinsky
and Harvey Cashore*

Published Online: April 3, 2013

Lawyer Tony Merchant, Canada's "class action king," sought secrecy for Cook Islands trust.

A **PROMINENT** Canadian lawyer, husband to a Liberal senator, moved CA\$1.7 million (US\$1.1 million) to secretive financial havens while he was locked in battle with the Canada Revenue Agency over his taxes, according to documents in a massive leak of offshore financial data.

Tony Merchant of Saskatchewan, dubbed Canada's class-action king because of the large settlements he has won for his clients, transferred the money to a tax haven in the South Pacific and then onward to an

account in the Caribbean, according to the files. His wife, Canadian Senator Pana Merchant, and their three sons were named in the documents as beneficiaries of the funds.

The transactions are detailed in a leak of offshore financial information obtained by the ICIJ. The data covered more than 120,000 offshore companies and private trusts in the Cook Islands and other offshore havens. The Merchants are among the more than 400 Canadians whose names are included in the secret records.

Tony Merchant didn't reply to several requests from CBC News to discuss the matter.

The files show he set up a legal entity known as a trust in 1998 in the Cook Islands, a self-governing New Zealand territory in the South



Tony and Pana Merchant

Pacific that’s a popular place to move money because of its strict financial-secrecy laws. He put at least CA\$1.7 million (US\$1.1 million) into the trust, records show.

Merchant then had the trust open an account in Bermuda at a brokerage called Lines Overseas Management and used it to buy mutual funds, including some in Luxembourg.

All along, the documents show, the high-profile lawyer sought to keep the investments secret.

“Keep correspondence to a minimum,” reads a note placed on his Cook Islands account that warned only to communicate with Merchant by airmail. “Do not fax to client. He will have a st[r]oke.”

Another note discusses Merchant’s reaction when told his holdings in Luxembourg would require him to either cough up his identity to officials there, or have all transactions on the mutual funds frozen.

“Received a letter from Mr. Merchant requesting that we do not disclose now or in the future any information to the authorities in Luxembourg, or anywhere,” the note on the account reads. “And the [mutual funds] will just remain on a freeze for the foreseeable future.”

Mailed thousands in cash

Even the modest annual fees for his offshore accounts would have been impossible to trace back to Merchant: He often paid those expenses by sending cash in the mail from Canada to the South Pacific, prompting a caution from the account administrators.

“We strongly advise, however, that all future payments be made either by cheque or by telegraphic transfer, as we cannot vouch for the security of cash sent through the post,” a lawyer wrote to him in 2002.

Merchant didn’t heed the warning, though. Documents show he mailed cash and traveler’s checks in ensuing years to pay the roughly \$2,000 in annual charges.

“The less innocent explanation is that this particular individual did not want to have any record maintained at all of this payment,” said professor and lawyer Art Cock-

field, an expert on international tax at Queen’s University in Ontario, who reviewed the documents at CBC’s request.

“There may be an innocent explanation for all this. But boy, in my mind that does raise some serious red flags.”

“If you want to move money around the world without onshore regulators or officials understanding that you’re behind the wire transfer, you set up a bank, you set up an account at Lines Overseas Management — they use very strict standards of confidentiality,” said lawyer Martin Kenney, a specialist in tracing international assets who runs a firm in another offshore haven, the British Virgin Islands.

“This would be an excellent way to do it without Revenue Canada, or anyone in Canada, being able to discern who is this unidentified beneficiary,” added Kenney, who was shown the files but wasn’t given Merchant’s identity.

Tax battles

Merchant is one of Canada’s most prominent class-action lawyers. His crowning achievement is the \$1.9-billion settlement for survivors of aboriginal residential schools,

from which his Regina-based national firm, Merchant Law Group, was slated to earn \$25 million. He has also gone after cellphone companies for their system-access fees, drugmakers behind the withdrawn arthritis pill Vioxx, various automakers, the Canadian Standards Association, and universities over late-payment charges.

Merchant's legal maneuvers have sometimes landed him in hot water. He's been disciplined by the Law Society of Saskatchewan five times (the most recent case is under appeal), and in 2008 a B.C. court ordered him to pay a former client \$273,000 for excessive billing.

Some of the 68-year-old's biggest legal battles have been with the Canada Revenue Agency, over his income taxes.

Since the late 1970s, the litigator has repeatedly locked horns with the CRA, taking a dozen cases to tax court and a handful as high as the Federal Court of Appeal. Some of the disagreements centered on tens of thousands of dollars Merchant booked as business expenses, such as costs for his Jaguar or Regina social functions he attended. In one case, he failed to report \$75,592 in income, which a judge ruled was "grossly negligent, if not deliberate."

None of the court records from those cases mention Merchant's offshore investments. Those have only come to light in the leaked documents, which show that he created an entity called the Merchant (2000) US Trust in 1998 and then put the \$1.7 million into it.

Normally when someone sets up a trust, they give away control of the assets it holds. In Merchant's case, the leaked records show that at the time, he was a beneficiary of his offshore trust, as well as its "protector" — a role giving him significant power, according to experts in trust law. (He ceased being a beneficiary in 2002.)

The files also show the people handling the trust's investments were told Merchant "is to retain an active involvement on this account" and to "please revert directly to Mr. Merchant" for any "problems or queries." In addition, Merchant had trading authorization for the funds in Bermuda, according to the records.

"Canadian tax authorities could say, 'In fact, it's being controlled from Canada by Mr. Merchant, and not by the offshore trustee,'" Cockfield commented.

"Then it would be a domestic Canadian trust. You'd have to have

full disclosure on all of the income, the nature of the trust. The beneficiaries would also have to disclose everything.”

Tax-court filings obtained by CBC News show that on his income tax return for 1999, the year after he established the trust, Merchant didn’t tick off the box declaring ownership of more than \$100,000 in “foreign property.”

Under Senate rules, Pana Merchant was required to declare she was a beneficiary of the Merchant (2000) US Trust to the Senate’s ethics commissioner, but confidentially. There is no public access to the information.

CBC News attempted several times to also contact Pana Merchant. Like her husband, she did not reply.

Senate colleague

In a 2006 interview with the CBC, Tony Merchant said: “Money has always motivated me. But it’s not really that it motivates me to spend it, in particular. But I guess it motivates me to have it. And I’m sure my children will spend it well.”

While Merchant’s wife was named as a beneficiary of an offshore account, Liberal Senator Percy Downe has been campaigning



Online Video: What are offshore tax havens, who uses them, and how do they work? Find out in our explainer.

for years against such investment vehicles, calling many of them “a tax holiday.”

“More and more upper-income Canadians are hiding their money overseas, not contributing to the Canadian economy and not paying their fair share, and that simply means the rest of us have to pay more,” he said in an interview. “It’s grossly unfair.” ■

Zalac is a national reporter with Société Radio-Canada/Canadian Broadcasting Corporation. Cashore is senior producer and Shprintsen is a producer at CBC News, Special Investigations Unit. Dubinsky is a senior writer for CBCNews.ca.

Contributor to this story:

Nicole Reinert and Curt Petrovich

Offshore Companies Provide Link Between Corporate Mogul and Azerbaijan's President

By Stefan Candea

Published Online: April 3, 2013

Members of Azerbaijan's first family have had been shareholders in at least four offshore companies, newly revealed records show.

A CORPORATE mogul whose business empire has won building contracts worth billions of dollars amid Azerbaijani President Ilham Aliyev's massive construction spree is tied to the president's family through secretive offshore companies.

The businessman, Hassan Gozal, is the director of three British Virgin Islands (BVI) companies set up in 2008 in the name of the president's

daughters, according to secret documents obtained by the ICIJ.

The daughters were 19 and 23 years old at the time.

The documents obtained by ICIJ also show that the president and his wife, Mehriban, a member of Parliament, acquired their own BVI company in 2003, Rosamund International Ltd.

Why the presidential family established these companies is unclear. What is clear is that the family took steps that obscured its involvement in the companies, using various agents to register the companies and direct them, at least on paper.

The presidential family and Gozal did not respond to ICIJ's repeated requests for comment.



Azerbaijani President Ilham Aliyev and his wife Mehriban.

The timeline of Ilham Aliyev's ownership of the offshore company raises questions about whether he violated constitutional provisions against members of Parliament operating or owning businesses, according to Annagi Hajibeyli, president of Azerbaijani Lawyers Association, a group that is often critical of the government.

Ilham Aliyev was still serving in Parliament when he was director and shareholder of the offshore company in early 2003. Aliyev became president of Azerbaijan in

October of that year. The records show that the BVI company was in good standing until May 2004.

In addition to the constitutional provisions relating to members of Parliament, Azerbaijani law also forbids state officials involved in overseeing business from being involved in business themselves, including being shareholders in companies, according to Hajibeyli and Alimammad Nuriyev, a lawyer and director of the Azerbaijan's Constitution Research Center.

"Ilham Aliyev violated this law if

he was involved in business activities during the period when he was a member of Parliament ... or president,” Hajibeyli asserted.

ICIJ send questionnaires to Ilham Aliyev and his wife Mehriban via email and post mail. The president’s press office offered no response to the questions raised by ICIJ. Letters sent to the president’s daughters, Leyla and Arzu Aliyeva, also went unanswered.

Arzu and Leyla Aliyeva acquired their BVI companies in December 2008, two months after their father was re-elected for a second term as president, the secret documents show.

Arbor Investments was registered under Arzu’s name. Leyla is listed as the owner of LaBelleza Holdings Limited and Harvard Management Limited. For all three companies, the same offshore middleman was used — Malaysia-based Naziq & Partners — and all are registered by Portcullis TrustNet, a Singapore-based offshore services provider.

In registering the companies, the young women listed addresses in Dubai: two apartments in a luxury resort called Marina Le Reve. Other apartments in the building, one of the area’s most exclusive

towers, are more than 6,000 square feet each and have asking prices close to \$6 million.

Flame Towers

Hassan Gozal, the corporate mogul listed as a director of Leyla and Arzu Aliyeva’s companies, is a busy man.

He and his brother, Abdolbari, both originally from Iran, conduct a wide range of businesses, mostly out of Dubai’s Jebel Ali Free Trade Zone. Hassan Gozal is the CEO of as many as a dozen companies operating under the umbrella of a mega-company called Intersun Holding, where Abdolbari is president and Hassan vice president.

Documents show the Gozal brothers’ business interests have won major contracts from Azerbaijan’s state-owned oil company, where Aliyev served as an executive before becoming president.

The brothers have also benefited in indirect ways from the country’s oil wealth — thanks to an oil money-financed building boom that’s transformed the cityscape of Azerbaijan’s capital, Baku, into a forest of high rises.

In all, their companies have won construction contracts in and

around Baku totaling some \$4.5 billion:

- Their holding company, Azerusun, is building an ambitious resort development, the \$2 billion Dream Island, which will cover 300 hectares near Baku.
- Another company they control, Dia Holdings, has won \$2.5 billion in construction contracts in Azerbaijan, much of it financed by public money.

Dia's projects include the Fairmont Flame Towers in Baku, three curving glass-walled buildings whose shape in part pays homage to the vast natural gas deposits in the region. Dia is also behind luxury

villas built for the presidential administration and the Heydar Aliyev Center, named for the president's father, who was his predecessor as the country's chief executive.

Hassan Gozal did not respond to repeated attempts by ICIJ to seek comment from him via email and telephone.

Family properties

Questions have been raised for years about the first family's financial dealings.

In 2010, *The Washington Post* found \$75 million worth of real estate in Dubai whose owners had names and ages appearing to match those of President Aliyev's three children. Nine mansions were purchased in 2009 for about \$44 million, far more than President Aliyev's \$228,000 annual pay, the Post noted, and "roughly 10,000 years' worth of salary for the average citizen of Azerbaijan,"

According to Dubai property records, the purchaser of the mansions, Heydar Aliyev,



Baku's dramatic Flame Towers: part of Azerbaijan's oil-financed building boom.

was 11 years old at the time. Arzu and Leyla's younger brother, Heydar, has a matching birthdate.

Documents obtained by ICIJ show the parents acquired their own offshore company, Rosamund International Ltd., in early 2003, using a reseller of offshore entities in Singapore, DBS Trustee Limited. The couple were named as directors and shareholders, listing a personal address in the Jebel Ali Free Zone in Dubai.

Ilham Aliyev ascended to the presidency in Azerbaijan shortly after the company was created. The company became dormant in 2004.

In addition to the offshore companies purchased in 2003 and 2008, the Aliyev family has been connected to several other ventures and investments:

- Arzu Aliyeva was co-owner of Silk Way Bank, a unit of SW Holdings, a firm that controls in-flight meals, airport taxi



The \$1 million house in Karlovy Vary owned by Arzu Aliyeva. Photo: OCCRP

services, airline maintenance, ticketing and duty-free shops, according to a 2010 report by Radio Free Europe/Radio Liberty.

- Azerfon, one of the biggest cell phone operators in Azerbaijan, was co-owned by offshore companies in Panama that listed the Aliyeva daughters as president and treasurer, according to a 2011 story by Radio Free Europe/Radio Liberty.
- Arzu Aliyeva owned a house worth \$1 million in the Czech luxury resort Karlovy Vary, ac-

ording to a 2012 article from the Organized Crime and Corruption Reporting Project.

Father and son

On paper, Azerbaijan is making strides towards accountability. The country has signed several international agreements relating to transparency and corruption.

Corruption prosecutions, however, have largely been confined to low-level officials, according to Global Integrity, a Washington-based research and advocacy group. Another anti-corruption group, Transparency International, ranked Azerbaijan 139th out the 176 countries on its 2012 Corruption Perception Index. Reporters Without Borders puts Azerbaijan 162nd out of 179 countries on its 2011-2012 Press Freedom Index.

The Aliyev family has held power in Azerbaijan for decades, long before the country was a country.

President Ilham's father, Heydar Aliyev, was member of the NKVD, the Soviet secret service, in the 1940s, and in the 1960s became the head of the Azerbaijani KGB. In 1969, he became the leader of Soviet Azerbaijan, a position he held for almost 20 years, until he was forced to

resign amidst corruption charges.

After the Soviet Union collapsed in the early 1990s, Aliyev regained power in the wake of a military coup, taking over presidential powers and then formally winning the presidency in a national election in October 1993. He remained president for a decade.

Just before his death in 2003, his son Ilham inherited the country's leadership from him, winning the presidency in an election that many outside observers claimed was rigged in the son's favor.

In June 2012, in the wake of media reports about the presidential family's business interests, Azerbaijan's parliament voted to put a veil of secrecy over information about companies based in Azerbaijan, restricting public access to details about corporate registration and ownership.

The parliament also voted to give the president and first lady lifetime immunity from criminal prosecution. ■

Another Azerbaijani reporter who wishes to remain anonymous for safety reasons contributed to this story.

Contributor to this story:
Khadija Ismayilova

François Hollande's Campaign Treasurer's Investments in the Cayman Islands

By Anne Michel and Raphaëlle Bacqué

Published Online: April 5, 2013

Jean-Jacques Augier says that his actions were fully legal and attributes his participation in these schemes to his “adventurous nature”.

FRENCH president François Hollande faces more embarrassment after it emerged that a close friend and treasurer for his presidential election campaign invested in offshore businesses in the Cayman Islands.

The revelation comes at the worse possible time, as France is reeling from the Budget Minister Cahuzac scandal.

The name of 59-year-old Jean-Jacques Augier, a businessman and an unobtrusive figure on the French publishing scene who was François Hollande's treasurer during the 2012 presidential campaign, features in documents obtained by the ICIJ and seen by *Le Monde*. These show that he has shares in two offshore firms in the Cayman Islands through his financial holding company Eurane.

Investigations by *Le Monde* using files unearthed by the ICIJ have established that Mr Augier and several other shareholders set up a company called International Bookstores Limited in 2005 in the Caribbean tax haven, which is a British Overseas Territory.

Mr Augier confirmed these facts



Jean-Jacques Augier

with a hint of embarrassment, but has stated that he does not have “either a personal bank account in the Cayman Islands or any personal direct investment in that territory”.

“I invested in this firm through Eurane’s Chinese subsidiary, Capital Concorde Limited, a holding company that manages all my business in China,” added this friend of the French President. “The investment in International Bookstores appears in company records. Nothing is illegal.”

An alumnus of the elite Polytechnique and ENA management school, and a brilliant former inspector of finances, Mr Augier is indebted to his business mentor, André Rousselet, a close friend of François Mitterand, for paving his way to success by hiring him to run the struggling G7 taxi company in 1987. He left it 13 years later having turned the company round and made his fortune, with a golden handshake of 11 million euros.

In 2004, heeding a desire to see the wider world, Mr Augier headed

for China, where he put some of his fortune into founding a new chain of Western-style bookshops. This led to his setting up International Bookstores in 2005 with two business partners: Jacques Rougeaux, a French engineer based in China like himself, and a Chinese businessman.

Three years later, in 2008-09, Mr Augier, who was still living and doing business in China, joined several international shareholders and tour operators, some of them European, to set up a second offshore structure in the Cayman Islands.

Mr Augier was willing to explain his actions regarding these two operations. The French publisher, who owns Books magazine and, since January 2013, *Têtu*, France's leading gay magazine, says that he was asked to set up International Bookstores by one of his then partners, Xi Shu, a prominent figure in China who owns a chain of bookshops.

Xi Shu was interested in Mr Augier's European business experience and was keen to enter into partnership by selling Augier a stake in his bookstore business. He insisted, however, on establishing a holding company in the Cayman Islands in a move that was very popular with Chinese entrepreneurs at the time.

Was the senior Chinese official's plan to avoid paying capital gains tax on the sale? Whatever his intentions, the French businessman and Mr Rougeaux bought about 30% of the capital of International Bookstores, and Mr Augier became its managing director, while the French engineer took care of setting up the company in the Cayman Islands.

Soon after, in 2006, it came to a clash with Xi Shu. Mr Augier says he felt cheated, having realized that the bookshops were in debt. He resigned but was unable to sell his shares. Mr Augier states that he has no idea what the company does now.

Asked about a second offshore firm set up in 2008-09 with tour operators of various nationalities to manage investments whose activities he refuses to disclose, all Mr Augier will say is that it was based in the Cayman Islands at the request of his business partners. The fund has reportedly now been moved to Hong Kong.

"You think I'm reckless?" he replied to Le Monde's probing about the timing of this arrangement at the height of the global financial crisis just as the G20 was declaring war on tax havens. "Put it down to

my adventurous nature. Maybe I lacked prudence.”

Maybe, yes. There are two burning questions about the French publisher’s offshore investments. The first is obviously about the legality of these operations and whether Mr Augier — a Frenchman who set up Eurane, a company whose assets are quite separate from his personal fortune, to host his international business activities — knew that he was breaking French law.

The law is very clear. According to Article 209-B of the French General Tax Code, any French company owning, either directly or indirectly, a legal entity that has no real business activities but does harbor “liabilities” (dividends, loans, etc.) in a country with a preferential tax regime is subject to French tax in proportion to its offshore investments. This does not appear to apply to Mr Augier’s case. He further states that all his operations are legal and have been declared.

But how can this be verified for companies that publish no accounts? And hasn’t Mr Augier got himself into a sticky situation with a company he cannot pull out of?

The second question is naturally one of ethics. Even if these operations are legal, should a treasury



Online Video: What are offshore tax havens, who uses them, and how do they work? Find out in our explainer.

auditor, a member of one of the “grands corps de l’État” and a representative of Republican values really be getting involved in arrangements of this kind and propping up the financial secrecy of offshore territories?

Speaking anonymously, a senior civil servant offered this observation: “We live in a world in which exchange controls have been abolished but where countries do not have equal taxation rights. There is a jungle of rules, and a lot of loopholes for business. Many people confuse the law with morals. Taxation is a matter of law. Tackling financial secrecy is something else entirely — a different dimension where everyone is a judge.” ■

Translation: *Simon Pare*

‘Crony’ of African Strongman Among Thai Names in Secret Offshore Files

*By Prangtip Daorueng, Prasong Lertrattanasuth,
Sanoh Sukcharoen and Montree Juimoungsri*

Published Online: April 3, 2013

Nearly 600 Thais have owned offshore companies in the British Virgin Islands and other havens.

POLITICIANS and billionaire business magnates are among the prominent Thais listed in secret documents as owners of offshore holdings in tropical tax havens.

The list includes the former wife of ousted Prime Minister Thaksin Shinawatra, a sitting senator, a former high-ranking defense ministry official, *Forbes*-listed tycoons, and a former government minister whose assets in the United States are fro-



Nalinee Taveesin: former Thai minister whose U.S. assets are frozen because of her alleged links to Robert Mugabe. Photo: AP

zen because of her alleged links to Zimbabwean dictator Robert Mugabe.

Documents obtained by the ICIJ and examined by Bangkok-based news portal Isra show nearly 600 Thais owning offshore companies in overseas havens such as the British Virgin Islands (BVI) and the Cook Islands.

Some of the entities owned by politicians have been previously self-declared under tough local anti-graft laws, but at least one may have escaped scrutiny from authorities.

Thai anti-corruption laws require all elected politicians and those holding political posts to reveal their wealth. Officials and their spouses are prohibited from holding more than 5 percent of shares in privately or publicly listed companies, and politicians must list their work positions, such as directorships of companies, going back five years from the time they take office.

The ICIJ unearthed details of the offshore holdings through an analysis of about 2.5 million files largely associated with two offshore services providers, Singapore-based Portcullis TrustNet and British Virgin Islands-based Commonwealth Trust Limited.

Among those who appear as clients in the data is Nalinee Taveesin, a former government minister who is currently Thailand's international trade representative.

In 2008, she was designated as one of four "Mugabe regime cronies" by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC).

The OFAC's 2008 statement was strongly worded, particularly in reference to Taveesin. "Ironically," it said, "Nalinee Taveesin has participated in a number of initiatives on corruption and growth challenges in Africa and Southeast Asia while secretly supporting the kleptocratic practices of one of Africa's most corrupt regimes."

The OFAC statement became a point of controversy in Thailand when Taveesin was appointed minister for the prime minister's office in January 2012. She strongly denied the allegations, saying that her relationship with the Mugabes is "strictly social" and that she is a victim of guilt by association.

Taveesin is currently under scrutiny by the Thai National Anti-Corruption Commission (NACC) over an unrelated matter. The commission is investigating whether she concealed her wealth through an

intricate series of stock transactions before she took political office in 2008.

Analysis of the secret documents obtained by ICIJ appears to show Taveesin and her brother Anuraj Mishra in 2008 bought a company called Hall Kingston International Limited that had recently been incorporated in the British Virgin Islands. They appear in the documents as directors and shareholders.

The offshore company was acquired shortly after Taveesin's first appointment to a political position, as secretary to the commerce minister in 2008. The company does not appear in her 2012 public statement of assets. Though the company still exists, according to records in the BVI, it is unclear whether it had to be publicly declared.

Responding to questions through her secretary at the Thailand Trade Representative's Office, Taveesin said she had no knowledge of the existence of Hall Kingston International Limited. "She [Taveesin] strongly affirmed that she had neither known nor heard about this so-called Hall Kingston. The information about her being [a company] shareholder is incorrect," said the secretary, who identified herself as Ms. Supavadee.

When asked if it was possible that Taveesin's brother, Anuraj Mishra, was a shareholder of Hall Kingston International Limited, Supavadee repeated, "She [Taveesin] had no knowledge about the company and none of her family members were involved in the company."

Taveesin continued to deny her involvement when later confronted with information from the ICIJ documents that shows the address used for the directors and shareholders in Hall Kingston International Limited matched the registered address of a number of Taveesin's companies in Bangkok.

"She insisted on her earlier response," said secretary Supavadee. "She never heard about the company. She has never been its shareholder. She doesn't know anything whatsoever."

According to her asset declaration to the NACC after she took office as a minister in 2012, Taveesin reported she owned a 4 percent interest in 32 different businesses, ranging from spas, import-export, ticketing, computers and telecommunication.

Many shared the same address as listed for Hall Kingston International Limited.

Taveesin's brother, Anuraj

Mishra, is shown at a different Bangkok address in documents obtained by ICIJ — one that matches the residence of Taveesin’s mother, as reported in Taveesin’s official 2012 assets report.

The documents show that, in 2008, Mishra separately set up another BVI company called Sino King Group Holdings Limited with Ernesto Guerra Pires, a general in the Angolan Armed Forces. Each held a 50 percent share.

Mishra could not be contacted for comment, despite repeated attempts to reach him.

Others who appear in the ICIJ documents include Potjaman Na Pombejra, the former wife of Thailand’s ousted Prime Minister Thaksin Shinawatra, and her step-brother Bhanapot Damapong.

Potjaman and Damapong, along with former premier Shinawatra, were charged with corruption after a military coup in 2006 that ousted Shinawatra from power.

Potjaman and Shinawatra obtained a high-profile divorce at the Thai consular office in Hong Kong in 2008.

In 2010, about \$1.4 billion of



An official portrait of Nalinee Taveesin.

Shinawatra’s family assets were seized after he was found guilty by the Supreme Court of corruption and abuse of power to benefit his family’s telecommunication company, Shin Corporation, while he was prime minister. Later the same year, the Supreme Court also determined that he used offshore entities to conceal his ownership of shares in Shin Corporation — ownership that ought to have been revealed under Thai law.

The ICIJ documents reveal that

while the former Prime Minister's then-wife Potjaman was fighting her separate court battles against the corruption charges she purchased an offshore company called Premium Select Inc.

It was incorporated in the British Virgin Islands in 2007, and soon after she was listed as the sole owner. The company was set up with the help of a Singapore subsidiary of Swiss banking giant UBS. Two BVI holding companies were appointed as on-paper stand-ins for Potjaman — Execorp Limited as the “nominee” director and Sharecorp Limited as “nominee” shareholder.

It is unclear what Premium Select Inc. was used for, if anything. It did not last long. Potjaman did not pay the company's license extension in mid-2008. That was the same year she and her stepbrother Damapong were found guilty in a separate tax evasion court case, also involving Shin Corporation.

Potjaman's lawyer, Somporn Pongsuwan, did not return several phone calls seeking information on the offshore entity.

A criminal court sentenced both

Potjaman and Damapong to three years' imprisonment in 2008 over the tax evasion charges. However, they were immediately released on bail.

In 2011, an appeals court acquitted Potjaman and reduced Damapong's sentence to two years, with the jail term suspended.

The ICIJ data shows Damapong was the owner of two other BVI companies. He purchased Bounti



Thaksin and Potjaman Shinawatra

Harvest Corporation in BVI in 2004, using the same companies — Execorp Limited and Sharecorp Limited — as nominee shareholder and director.

It is unclear from the data what Bounti Harvest was used for. It went defunct in 2009.

In 2006, Damapong bought Tropic Offshore Holdings Inc., and was registered as its owner until 2007. Both of these companies were also registered through UBS AG Singapore.

Damapong could not be contacted for comment.

Both Potjaman and Damapong are now free of their legal difficulties. They live in Thailand while Shinawatra remains in exile, investing in various businesses through a host of companies registered overseas.

One of his past investments was the 2007 purchase of the British Premier League soccer club Manchester City for \$163 million, which he sold for a reported \$36 million profit to Abu Dhabi United Group one year later.

Among the hundreds of other Thai names that appear in the ICIJ data is Sen. Prasert Prakoonsuksapan, who properly declared his ownership of Singapore-based Metalsing Private Limited in his asset reports soon after he won a senate seat in 2008.

Another is Adm. Banawit Kengrian, the former deputy permanent secretary of defense, who is listed as one of many shareholders in the British Virgin Islands compa-

ny Vnet Capital International Co., Ltd in 1998.

Kengrian was appointed a member of the National Legislative Council after the military coup in 2006. He resigned as a naval officer in 2007 but was later appointed chairperson of a transportation committee under the National Legislative Council with a mandate to investigate corruption cases within the Ministry of Transportation that had allegedly occurred under the previous government led by Shinawatra.

Kengrian said he had bought a small stake in the company as a personal investment. "I have never gotten involved with company management," he said. "As far as I understand, the company has changed status. It has merged with another company a while ago. I do not really have the details though."

There is no suggestion Kengrian avoided his disclosure responsibilities.

Also found in the ICIJ data are members of the Chirathivat family. In 2012, *Forbes* magazine listed the retailing family as the second richest in Thailand, worth about \$6.9 billion.

The documents show Sudhitham Chirathivat as a shareholder and

director of the BVI company Daily Legend Investment Limited in 2008. It is unclear what it was used for. The entity, set up through Goldman Sachs (Asia) LLC, based in Hong Kong, went defunct in 2009.

Another family member, Sakchai Chirathivat, and his wife, Suranrat, controlled a company called Vintage Gold Investment Limited, incorporated in the BVI in 2008. It was also set up through Goldman Sachs (Asia) LLC.

Sudhitham Chirathivat was overseas when ICIJ/Isra called for his response. According to his secretary, he is scheduled to return to Thailand but had yet to confirm the date. Sakchai and Suranrat Chirathivat's could not be contacted despite calls to different branches of the family's retailing firm, Central Group.

The Vongkusolkit family is another whose name appears in the documents. In 2012, *Forbes* listed the family as the 12th richest in Thailand, worth about \$1 billion.

Isara Vongkusolkit, chairman of Thailand's biggest sugar company, Mitr Phol Sugar Corp. Ltd — along with four family members, all of whom are on the company's board — appear as the beneficial owners of a company called Pan-Asia Sugar

Fund Limited, based in Grand Cayman. The company was registered in 1998 through the service of international law firm Baker & McKenzie in Hong Kong.

Supavee Vongkusolkit, a family member, said that Pan-Asia Sugar Fund was no longer active. "It does not have anything to do with [Mitr Phol Sugar]. It is a personal company," she said.

The ICIJ documents also contain the name of the singer and guitarist Yuenyong Opakul, who leads one of Thailand's most famous string bands, Carabao. In 2008, Baker & McKenzie Ltd. (Thailand), helped Opakul register as the owner of Superp Offshore Investment Ltd, based in the Republic of Mauritius.

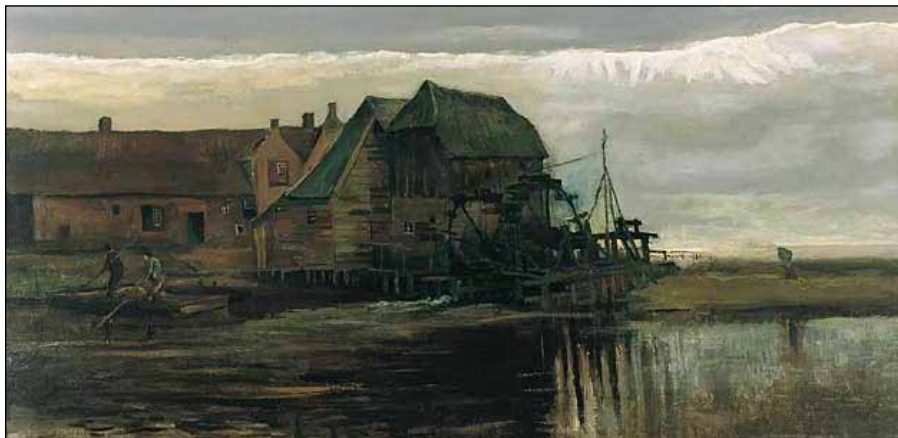
The other owners of the company were listed as the businessmen, Sathien Setthasit and Nutchamai Thanomboon.

Opakul, Setthasit and Thanomboon are shareholders of the Thailand-based energy drink company Carabao Tawandang.

Setthasit did not return a phone call. Opakul and Thanomboon could not be contacted for comment. ■

Contributor to this story:

Kimberley Porteous



Watermill at Gennepe by Vincent Van Gogh, held at the Carmen Thyssen-Bornemisza Collection at the Museum Thyssen-Bornemisza

Mega-Rich Use Tax Havens to Buy and Sell Masterpieces

By *Mar Cabra and Michael Hudson*

Published Online: April 3, 2013

Famed Spanish art patron uses island haven in South Pacific to manage her collection.

TOURISTS who come to Spain's capital often make a pilgrimage to the museums in Madrid's so-called Art Triangle. After the Prado and the Reina Sofia, the next stop usually is the Thyssen-Bornemisza. The Span-

ish state owns the majority of the paintings inside this museum, but it also holds much of the private collection of Carmen Thyssen-Bornemisza, one of the world's biggest art collectors.

What visitors don't know as they look at these Monets, Matisses and other masterpieces is that many of them are legally owned by secrecy-guarded companies in tax havens: Liechtenstein, the Cayman Islands, the British Virgin Islands and the Cook Islands.

Van Gogh's 1884 painting, *Water Mill at Gennepe*, is one of the works Thyssen-Bornemisza purchased with the help of an offshore operative based in the Cook Islands, a South Pacific haven more than 10,000 miles from Madrid.

Documents obtained by the ICIJ show how Thyssen-Bornemisza built up part of her collection buying art from international auction houses such as Sotheby's and Christie's through a Cook Islands company. The offshore service provider now called Portcullis TrustNet helped with the arrangements under a secretive structure that connected people in as many as six different countries.

Thyssen-Bornemisza, 69, didn't reply to ICIJ's questions directly,

but allowed her attorney, Jaime Rotondo, to discuss her art and her offshore companies.

Rotondo acknowledged that Thyssen-Bornemisza gains tax benefits by holding ownership of her art offshore, but he stressed that she uses tax havens primarily because they give her "maximum flexibility" when she moves paintings from country to country.

"It's convenient," he said. "You have more freedom to move the assets, not just buying or selling, but also circulation."

Offshore ownership helps prevent works of art from getting tied up by laws in various countries that can make it "a nightmare" to transfer them across national borders, he said.

Thyssen-Bornemisza isn't alone in using offshore havens to manage her vast art collection. Many of the multi-millionaires and billionaires who count themselves among the world's biggest art collectors use tax havens to buy and sell art, experts told ICIJ.

Using offshore entities to buy and sell art "is quite common among the very, very wealthy," said Hector Feliciano, a Puerto Rican journalist who investigated the commercial side of the art world for

his book about Nazi-plundered art, *The Lost Museum*.

Feliciano said many art dealers and big collectors use companies in the Cayman Islands, Luxembourg, Monaco and other “loosely regulated” jurisdictions to trade and own art in much the same way they use offshore entities to make investments, reduce their taxes and protect their fortunes.

“Art to them is one more thing to be bought and sold,” he said.

The global art market now tops \$55.1 billion. The mixing of art and offshore is another example of how the super-rich use tax havens to organize their lives and their belongings — buying and selling art, yachts, homes and jewelry through offshore companies and trusts.

In the United States, a 2006 Senate investigation found that billionaire brothers Sam and Charles Wyly and their families had spent “at least \$30 million in untaxed offshore dollars” on artwork, jewelry and furnishings over a 13-year period. A \$937,500 portrait of Benjamin Franklin and other items were legally owned by two offshore corporations, but the report said evidence showed that the family held and used these assets in the U.S.

The Wyly brothers denied any

wrongdoing, asserting that they were following the recommendations of their financial advisers. Charles Wyly, 77, died in a traffic accident in August 2011.

Thyssen-Bornemisza’s attorney said she paid sales taxes for her paintings in the countries where she bought them, but she doesn’t pay annual wealth taxes on them in Spain or Switzerland, where she holds a passport.

Rotondo said a loophole in Spanish law allows her to live in Spain most of the year, but not declare her wealth or pay taxes. She declares her assets in Switzerland, he said, but she doesn’t have to pay taxes there on her art because assets held in trusts are exempt from taxation under Swiss law.

Had the paintings been owned directly under her name, instead of through offshore entities, she may have been required to pay millions of dollars a year in taxes, ICIJ’s research indicates.

A public secret

Carmen “Tita” Cervera became a celebrity in Spain in 1961 when she won the Miss Spain contest. She was the third runner-up in the Miss Universe pageant. A few years later,

she married Hollywood actor Lex Barker, known for playing Tarzan. After Barker died of a heart attack in 1973, she appeared in a few films as an actress and raised a son, Borja.

Her life changed dramatically in 1985 when she married businessman and art collector Baron Hans Heinrich von Thyssen-Bornemisza.

Born in the Netherlands to a German baron and a Hungarian baroness, Hans Heinrich inherited a global fortune with dozens of companies that ranged from glass production to shipping. He lived in several European countries and had four wives — and four children — before he met Carmen.

He himself used offshore to manage his money and his art collection, partly as a way of preserving control and confidentiality amid battles among his children and earlier wives over his wealth, according to Rotondo. The legal owner of the Thyssen-Bornemisza's family collection was Favorita Trustees Limited, a Bermuda company likely named after Villa Favorita, the family's home in Lake Lugano, Switzerland, where the collection resided for many years.

In August 1993, just 10 months after the baron opened a museum under his name in Madrid, Favorita

Trustees Limited sold 775 paintings — about half of the collection — to the Spanish state for \$350 million. Spanish law considers Bermuda as a tax haven.

That same year Carmen “became fully aware of her role as a collector,” according to the museum’s website. She began building up her own art collection using the same secretive structures used by her husband.

In March 1994 Nautilus Trustees Limited was incorporated in the Cook Islands with the help of TrustNet, the offshore services provider, internal records show. The company’s 2,000 shares were put in a “bearer certificate.” Whoever held that piece of paper, held their ownership. It was immediately sent to prominent law firm Lenz & Staehelin in Zürich to be kept safely. A month later TrustNet incorporated Sargasso Trustees Limited, using similar procedures.

Emails obtained by ICIJ show that Carmen Thyssen-Bornemisza was the two offshore companies’ owner. Her lawyer in Spain, Rotondo, declined to comment on whether she was the owner, but confirmed her connection to the companies.

Rotondo said the Swiss lawyers

used corporate structures that obscured shareholders' identities because she needed to "protect" the art work from the aging baron's sons at a time when it was unclear how his wealth would be divided after his death. The family tradition of fighting over his fortune would continue until he died in 2002.

Nautilus Trustees Limited appears to be the vehicle Carmen Thyssen-Bornemisza used to purchase *Water Mill at Gennepe*, a work on which Van Gogh, painting entirely outdoors in November 1884, tried out "pure touches of colour for the first time, bringing him closer to Impressionism and heralding his mature style," according to the Thyssen-Bornemisza museum.

It was sold at a Sotheby's auction in London for £500,000 (\$760,000) on June 24, 1996. Three weeks later TrustNet received correspondence about the sale at its offices in Rarotonga, the Cook Islands' capital. TrustNet faxed a note to alert the Swiss firm Lenz & Staehelin — its contact for Nautilus Trustees Limited.



Carmen Thyssen-Bornemisza.

"Please find enclosed various correspondence received from Sotheby's. In particular we have received correspondence as to the purchase of 'Watermill Gennepe' [sic] by Vincent Gogh [sic]," the July 18, 1996, letter said.

The Van Gogh did not end up in Rarotonga nor Zürich. It landed in Madrid at the Thyssen-Bornemisza in late 1996 — the same year Car-

men's private collection was first shown in public.

Between July 1995 and November 2002 TrustNet received at least 31 invoices and statements from Sotheby's and Christie's for Nautilus Limited, then called Nautilus Trustees Limited. The correspondence shows charges for £202,912.50 (about \$300,000) from Christie's in London in relation to "an export licence" and \$302,605.06 for Sotheby's client account number 3012374.

TrustNet records also include six invoices from Momart, an international art transport company. Other correspondence came from the Metropolitan Museum of Art in New York, Kunsthaus Lempertz in Cologne, Germany, and auction houses Bonhams and Phillips.

Today Carmen Thyssen-Bornemisza's public collection includes around 700 works of art, records show. According to a recent official estimate, it's worth more than half a billion dollars.

It not only includes *Water Mill at Gennev* but also paintings from renowned artists such as Canaletto, Munch, Picasso and Goya. Apart from Madrid's museum, some are shown in Barcelona, and about a third of the pieces are now exhibit-

ed in a new museum with her name in Málaga, in the south of the country, which opened in March 2011.

The Carmen Thyssen-Bornemisza collection remains in Spain temporarily, though, given up "for free" thanks to a loan agreement signed in 1999 with then-Minister of Culture (and now Prime Minister) Mariano Rajoy. It was due to expire in 2011, but it has been renewed yearly since then — although the number of paintings has decreased 35 percent because of the move to Málaga. In return, the public foundation that owns the Thyssen-Bornemisza museum in Madrid receives around €4 million annually in subsidies. Public funds also paid for an expansion between 2002 and 2004.

The yearly agreement is published in the Boletín Oficial del Estado (Official State Gazette). It states that the contract is signed between the foundation, presided by the Minister of Culture, and "Omicron Collections Limited, Nautilus Trustees Limited, Coraldale Navigation Incorporated, Imiberia Anstalt and the Baroness Carmen Thyssen-Bornemisza." The four companies mentioned are all incorporated in tax havens.

Although Swiss magazine *Bilan*

ranked her as the seventh-richest woman in Switzerland, with an estimated family fortune between \$1.6 billion and \$2.1 billion in 2011, Carmen has complained that most of her wealth is tied up in art. In May 2012 she announced she had to sell one of her masterpieces — *The Lock*, by Constable — because she needed cash.

“I may be a millionaire in art, but not in liquidity,” she said.

The Lock’s auction at Christie’s in London closed at £22.4 million (\$34 million), making it one of the most expensive British paintings ever sold. Thyssen-Bornemisza’s attorney confirmed she sold it through Omicron Collections Limited, her company in the Cayman Islands.

A (new) family battle

A change in Cook Islands law in 2003 required Thyssen-Bornemisza to send her “bearer certificate” to TrustNet. But her lawyers couldn’t find it — not in Zürich, Bermuda or Madrid, correspondence shows.

Emails from the end of 2004 indicate that she was no longer the sole shareholder of Nautilus Trustees Limited. Her then-24-year-old son Borja had 45 percent of the company. Both were using an address in

Andorra, a landlocked microstate tucked between Spain and France, which has had a long history as a tax haven. Some months later, the company was renamed as Nautilus Limited. Sargasso Trustees Limited was closed by then.

Borja Thyssen-Bornemisza declined, though his lawyer, ICIJ’s request to comment.

Having endured a family quarrel over her husband’s fortune, which ended with a secret agreement in 2002, Carmen now is in the midst of a new family battle. Both mother and son are engaged in a legal fight disputing who owns what, and reportedly the two hardly talk since Borja married in 2007. In an October 2011 interview Carmen denied they had any companies in common.

Among the several issues in question, there are two paintings. Borja said that a Goya and a Giamontino, with an estimated value of \$9 million, were his. Carmen said that they were from the baron and he never gave them to her son. They are both owned by Cayman Islands-based Omicron Collections Limited.

Borja lost that case because he could not prove that the paintings were his. ■



Russian President Vladimir Putin used his first state-of-the-nation address in December 2012 to denounce offshore tax havens. Photo: AP

Elites Undermine Putin Rail Against Tax Havens

By Roman Shleynov

Published Online: April 4, 2013

Owners of corporations registered in British Virgin Islands include top managers of state-controlled giants.

THE DEPUTY prime minister's wife, as well as top managers of major Russian military contractors and of giant government-controlled companies, are among an array of Russian figures with secretive offshore investments revealed in documents obtained by the ICIJ.

The disclosure puts President Vladimir Putin's persistent call for curbing offshore investments in a new and ironic light: he is well acquainted with at least one of the offshore investors the documents identify.

Even before the 2012 election returned him to the presidency, Putin was calling for curbs. In February, he introduced a draft law to bar senior Russian officials from holding bank accounts or stocks outside Russia, which has now passed the first stage of adoption in the Russian Parliament. And in his state-of-the-nation address, Putin said Russia's economy is hurt because so much of it operates through offshore tax havens.

Upon releasing a recent study of the Russian economy, Global Financial Integrity, a Washington research and advocacy organization, said illicit offshore flows of money are so great that they raise "serious questions about the economic and political stability of the nation."

Ruslan Milchenko, a former Moscow police officer who heads the Federal Information Center for Analysis and Security, a nongovernmental organization, added in an interview: "When top managers of state-controlled corporations

linked with the defense sphere become the secret shareholders of offshore companies, it may bring harm to state security. ... The question is: What is more important to them, the interests of the state or their private offshore interests?"

ICIJ's investigation found that owners of corporations registered in the British Virgin Islands included top managers of state-controlled giants including Gazprom, one of the world's largest extractors of natural gas. Others in the documents include relatives of ranking Russian officials and prominent private business people.

None of the Russians named in the documents responded to requests for comment about the purposes of the companies. Among the offshore investors were these well-connected luminaries:

- **Olga Shuvalova**, wife of Igor Shuvalov, who has served as first deputy prime minister since 2008. In 2007, the documents show, she became a shareholder in Severin Enterprises Inc., which was registered in the British Virgin Islands and owned at least two other offshore companies that owned still others. The dealings of one of the compa-

nies, called Sevenkey Ltd., were laid out in a 2011 investigative article in *Barron's*, which tied the company to her husband, who has denied wrongdoing. But new documents identify corporations beyond those Barron's discovered.

- **Valery Golubev**, deputy chair of the management committee of Gazprom. The documents show that he held half of the shares of Sander International Inc., which was registered in the British Virgin Islands in 2008 and was dissolved later the same year. His personal ties to Putin go back to the 1990s, when they worked together.
- **Boris Paikin**, the general director of a Gazprom construction subsidiary called Gazprom Sotsinvest that builds such projects as a \$200 million stadium in St. Petersburg and an Olympic ski resort. He also held Sander International shares.
- **Andrey Reus**, a former director general of Oboronprom, a part of the Russian Technologies State Corporation whose products include helicopters, jet engines and power plants. He is also a former deputy minister of

industry and energy. The documents show him as a shareholder in a BVI corporation called Dreemlover Ltd. He could not be reached for comment.

- **Vladimir Margelov**, a member of the board of administration for the Russia-Belarus joint venture Defense Systems, a state-controlled group of developers and manufacturers of air defense systems. The documents show him as a shareholder and director of Winkind Technology Development Ltd. in 2005 and Innovation Tech Group Ltd. in 2008.

The ICIJ documents, the largest collection of secret offshore corporate documents ever made public, identify many Russian businessmen as owners of companies incorporated in the British Virgin Islands.

Much that happens offshore is illicit — money laundering, tax evasion and bribery. But wealthy Russians have other reasons to do their business offshore.

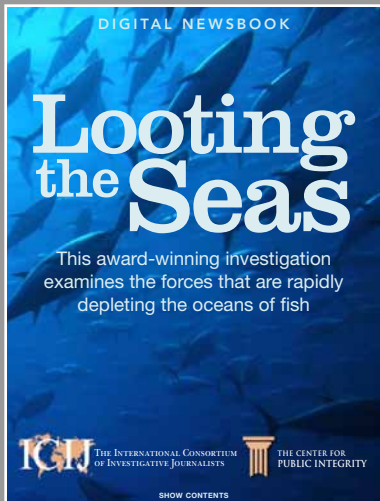
After the Soviet Union collapsed, the weak Russian state in the 1990s offered little structure for business or for protection of money, and much of the money

made by the “oligarchs” — the early Russian business figures who made billions by privatizing state-owned businesses — was shipped offshore for protection.

Alexander Zakharov of Paragon Advice Group, a private firm that offers tax advice to Russian businesses and high net worth individuals, said that for legal matters the wealthy much prefer the courts of Great Britain, which oversees many of the tax haven islands, to those of Russia. Further, he said, offshore jurisdictions conclude deals much

faster than Russian financial institutions do.

Raymond Baker, director of Global Financial Integrity, agrees with Putin that offshore dealings hurt Russia. “Hundreds of billions of dollars have been lost that could have been used to invest in Russian health care, education, and infrastructure,” Baker said in announcing GFI’s recent report. “At the same time, more than a half trillion dollars has illegally flowed into the Russian underground economy, fueling crime and corruption.” ■



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Ponzi Scheme Used Offshore Hideaways to Shuffle Investors' Money

By Marina Walker Guevara and Emilia Díaz-Struck

Published Online: April 4, 2013

Bribes for Venezuelan officials were funneled through tax havens, court filings claim.

FRANCISCO Illarramendi often called on Moris Beracha when he needed an infusion of cash.

The Venezuelan-born Illarramendi was a manager of a Connecticut-based investment advisory firm. Beracha was a Venezuelan financier close to the Hugo Chavez government who, a lawsuit against him claims, could produce multi-million-dollar advances of cash with relative ease — for the right price.

On Nov. 2, 2007, Beracha emailed Illarramendi instructions to deposit more than \$10 million — Beracha's

share of profits from a transaction — into three HSBC bank accounts in Switzerland, via an HSBC account in New York.

“Dude, I am your biggest producer hahahahaha,” Beracha wrote in Spanish before he sent the message off to Illarramendi.

A pair of lawsuits in U.S. federal court claim the two men were at the center of a half-billion-dollar Ponzi scheme that shuffled investor money among a maze of offshore companies, hedge funds and bank accounts stretching from the Cayman Islands to Switzerland and Panama, smoothing the way by funneling bribes to officials in Venezuela.

The scheme collapsed in 2011, causing losses of hundreds of millions to investors, including a member of one of Latin America's richest families. According to court

documents, the Ponzi scheme also ate up part of the pension fund of Venezuela's government-owned oil company, Petroleos de Venezuela, or PDVSA, a piggy bank for Chavez' socialist revolution.

Some of the companies used in the scheme are included in a cache of 2.5 million secret offshore files obtained by the ICIJ.

Illarramendi pleaded guilty to criminal charges in 2011. John J. Carney, a receiver appointed by a U.S. judge to clean up the Ponzi mess, is pursuing a lawsuit that accuses Beracha of providing "the money or access to money that kept Illarramendi and his scheme afloat."

Beracha has not been charged criminally in the U.S. He asserts that he was not part of the scheme but one of Illarramendi's victims.

The receiver has also accused a Venezuelan government official — Juan S. Montes, a senior investment manager at PDVSA, nicknamed

"Black" — of pocketing more than \$30 million in bribes in exchange for approving complex "bond-swap" transactions between PDVSA's pension fund and Illarramendi's hedge funds.

Carney claims it was Beracha, with his network of contacts among the rich and powerful in Venezuela, who helped Illarramendi keep the fraud going. He alleges in the



The Ponzi scheme ate up part of the pension fund of Venezuela's government-owned oil company, Petroleos de Venezuela.

lawsuit that Beracha injected fresh money into the scheme in return for "exorbitant fees and kickbacks." Illarramendi and Beracha, Carney claims, made more than \$170 million in fraudulent transfers via a web of offshore companies.

Beracha, who owns a brokerage business and a mobile phone company that operates throughout Latin America, strenuously denies wrongdoing and says he is entitled to the return of \$140 million. “I never knew that Illarramendi was defrauding anybody until it became public,” Beracha wrote to ICIJ in Spanish.

In 2008, Beracha was an advisor to Rafael Isea, then Venezuela’s minister of finance. Isea served for years as one of Hugo Chavez’s closest deputies.

The receiver’s lawsuit says that Beracha controlled four British Virgin Islands companies used in the scheme: Bradleyville Ltd, Northwestern International Ltd, Brave Spirit Ltd and Rowberrow Trading Corp. All four were incorporated through Commonwealth Trust Limited (CTL), a British Virgin Islands-based offshore services firm that the islands’ financial regulators sanctioned for violating anti-money-laundering rules.

Offshore fraud

The secrecy provided by offshore middlemen creates the perfect environment for fraud — and, especially, Ponzi schemes.

Fraud experts say big Ponzi

schemes usually include offshore elements — bank accounts and companies in overseas hideaways that allow financial criminals to obscure the origins and destinations of the huge sums of cash needed to keep their schemes going.

“Very rarely do you have one that does not” include offshore companies or accounts, says Michael I. Goldberg of Fort Lauderdale, Fla., an attorney who often testifies as an expert on Ponzi schemes. “If you don’t, it’s usually a very parochial, Podunk type of Ponzi. But the more sophisticated ones almost always do.”

Allen Stanford’s \$7 billion fraud, for example, was run through a bank he controlled in Antigua. Bernard Madoff used a series of offshore “feeder funds” to fuel the growth of his \$65 billion house of cards.

In the Illarramendi Ponzi case, three hedge funds alleged to be at the core of the fraud were based in the Cayman Islands.

In addition, Carney alleges that the BVI companies controlled by Beracha received millions in payment for “no work, service or value.”

In a written court declaration, Beracha claims he had disposed of any majority stake in the four BVI companies well before Illarramendi’s crimes came to light.

But Carney says that Beracha used the companies to channel money from the fees and interest — annual loan rates of 80 percent were not uncommon — that he charged Illarramendi in return for funneling cash into his money-losing hedge funds. Bribes to pay the PDVSA pension manager were also routed through Beracha's offshore companies, according to Carney's court filings.



Moris Beracha

On March 22, 2007, nearly \$12 million in money for bribes was transferred to one of the BVI entities, Northwestern Ltd, as well as two other companies controlled by Beracha, according to the receiver's complaint. In one email exchange later that year, Beracha and Illarramendi discussed a payment of more than \$7 million for "black." Then Beracha wrote: "I will give you the instructions for the new account I am opening for him at hsbcc," according to an affidavit filed by the receiver in court.

Beracha said Carney's bribery allegations are "false."

A lawyer for Montes, Elliot Greenfield, did not return emails and calls from ICIJ seeking comment on the allegations against his client.

In 2008, another one of Beracha's BVI entities, Brave Spirit, received more than \$3.6 million from one of Illarramendi's funds "in exchange for absolutely nothing," the receiver alleges. Internal records from CTL, Brave Spirit's registered agent, indicate that Moris Beracha and four other persons who share the name Beracha were shareholders of Brave Spirit at the time. Moris Beracha owned a fifty-percent stake and was the sole director of the company, according to the records.

"I don't own or participate in any company with that name," Beracha wrote to ICIJ.

Beracha once told Illarramendi in an email that they were "a team." But in the heat of shuffling large amounts of money around the world, things sometimes got tense between the men. Like when money transfers got delayed.

"Dude, you have me up sh-t's creek too much responsibility for me. Really send them like you are telling me but pull the trigger. It's mucho real papa," Beracha wrote in Spanish in a Dec. 4, 2007, email to Illarramendi.

“We already know that doing this takes time and that we don’t like to send out multiple transfers on the same day,” answered Illarramendi. “We can’t drive ourselves crazy because the roads get cut off my friend.”

Shell game

In 2010 the U.S. Securities and Exchange Commission began probing Illarramendi’s business practices. SEC investigators found intricate financial transactions and virtually zero bookkeeping. They traced the Ponzi to a \$5 million loss that Illarramendi suffered in 2005.

From that point on the hole continued to grow as Illarramendi, a former Credit Suisse banker, “played a shell game” with investors’ funds to try to pay debts and conceal the losses, according to court filings.

Court documents show that an early investor in the Illarramendi’s offshore hedge funds was Venezuelan millionaire Oswaldo Cisneros, who owns one of the largest telecommunications companies in the country. His cousin, Gustavo Cisneros, together with other family members, has built a fortune that *Forbes* estimates at \$4.2 billion, including interests in television stations, a brewery and a baseball team.



Hedge fund manager Francisco Illarramendi leaves court in 2011 where he plead guilty to five federal charges. Photo: Handout

Documents filed in court by Oswaldo Cisneros’ lawyers and associates show that the Venezuelan businessman invested around \$117 million in the Illarramendi offshore funds.

In 2004, a company linked to Oswaldo Cisneros was co-manager of one of the offshore hedge funds

later used in the scheme, Highview Point Offshore Fund, created by Illarramendi and two business partners in the Cayman Islands. An affidavit filed by the receiver indicates that Cisneros did this for “tax reasons” and that Illarramendi and the others had exclusive authority to execute trades.

A lawyer for Cisneros, Laurence Curran, said his client cannot comment because court proceedings are ongoing.

In March 2011, Illarramendi pleaded guilty to four counts of wire fraud, securities fraud, investment adviser fraud and conspiracy to obstruct justice. Two months later the SEC announced that it had recovered \$230 million of investors’ money from a bank account in The Netherlands.

Investors quickly lined up to claim their money from the receiver, who is still searching for money that vanished in the scheme.

It’s often a game of cat and mouse. When the receiver’s lawyers tried to serve notice of the lawsuit to Beracha’s companies in the BVI, they found that the firms apparently didn’t exist anymore or had been transferred to other offshore jurisdictions. CTL, the BVI registered agent, told the receiver it can’t ac-

cept court papers for companies it no longer represents.

Jonathan New, a New York attorney and former federal prosecutor who is working on behalf of the receiver, says there are often many layers of intermediaries between a company and its real owners. “You end up,” he says, “with almost like a Russian doll situation trying to figure out where ultimately this ends up.”

ICIJ contacted the Panamanian middleman who helped Beracha incorporate his companies through CTL in the BVI. Dani Kuzniecky, a well-connected lawyer and former comptroller general of Panama, declined to comment, citing confidentiality and legal issues.

Meanwhile, Beracha’s lawyers are fighting his case in U.S. courts, pushing to have the case moved to Venezuela, where an investigation by Venezuela’s Congress found all government officials accused in the Illarramendi case innocent.

Beracha now lives in the Dominican Republic. He says he has been blackmailed in Venezuela.

“I am a victim of Illarramendi’s fraud,” he wrote in an email to an ICIJ reporter. In written responses sent later through a PR firm he said, instead, that he was a victim of a

prosecution against Illarramendi in which “I have been implicated without any legal basis.”

Extorted

After the Illarramendi case was uncovered, the Chavez government said it would cover any losses suffered by the 25,000 PDVSA pensioners. The president of the association of pensioners, César Delgado, told ICIJ that the retirees have continued receiving their pensions normally. But a group of pensioners sent a letter to the U.S. Attorney’s Office of the District of Connecticut in October 2012 saying that they had suffered financial harm from Illarramendi’s scheme and had not been able “to obtain redress” from PDVSA.

Rafael Ramírez, Venezuela’s minister of oil and mining, did not respond to requests for comment.

Illarramendi did not respond to calls and emails from ICIJ seeking comment. His father, Ramon Illarramendi, said in an email that his son is bound to silence as part of a confidentiality agreement reached with the SEC during his plea negotiations.

However, he added, “both the U.S. Attorney’s Office and the SEC have blatantly ignored such an agreement, creating a cloud of repetitive

and self-propagating disinformation. My son never pled guilty to running a Ponzi scheme — the term isn’t even mentioned in his guilty plea nor in the transcript of the hearing. His attorneys have demonstrated that there was no such thing, and yet that is what every headline has been calling it for the past two years.”

In a court filing, Francisco Illaramendi said that he had been extorted on multiple occasions and forced to pay out millions to Venezuelan government officials, which resulted in losses for the hedge funds he administered. “My life and the lives of my family were threatened with bodily harm if certain payments were not made to Venezuelan officials or their alleged intermediaries,” Illarramendi wrote.

Illarramendi has been in a prison in Rhode Island since late January awaiting sentencing.

As for Cisneros, the Venezuelan millionaire, he is fighting in court to get his money back. His name is deeply buried in court filings. Like most other characters in this story, Cisneros sits behind secretive offshore companies, including a Panamanian firm that is claiming \$20 million from the receiver. ■

Contributors to this story:

Francisca Skoknic and Michael Hudson

Deutsche Bank Helped Customers Maintain Hundreds of Offshore Entities

By Christoph Heinzle, Lena Guertler, Mareike Fuchs, Bastian Brinkmann and Christoph Giesen

Published Online: April 4, 2013

Largest German bank's Singapore unit helped birth companies and trusts in tax havens

GERMANY'S largest financial institution, Deutsche Bank, helped its customers maintain more than 300 secretive offshore companies and trusts through its Singapore branch, an investigation by German newspaper *Sueddeutsche Zeitung*, German public broadcaster NDR and the ICIJ has found.

More than 100 customer consultants at Deutsche Bank Singapore helped create or manage 309 off-

shore entities for its customers in the British Virgin Islands and other tax havens, according to secret records obtained by the news organizations.

Most of the companies carry fantasy names like "Thrilling Returns Incorporated," "Amazing Opportunity Limited" or "Market Dollar Group Limited." Public sources don't show any business activities for most of these companies.

Deutsche Bank registered the entities with the help of Portcullis TrustNet, an offshore services provider headquartered in Singapore. Many companies list Deutsche Bank subsidiary Regula Limited as their directors.

A Deutsche Bank spokesman in

Frankfurt declined to answer a detailed list of questions from NDR and *Sueddeutsche Zeitung*, but gave general comments.

“Deutsche Bank is not offering any tax advice or any service offering registration of companies in tax havens,” the spokesman wrote. The spokesman said Deutsche Bank takes “extensive precautions to obstruct the misuse of the bank’s products and services for money laundering,” but did not offer further details.

A brochure available on the Internet from Deutsche Bank’s Private Wealth Management unit advertises “the creation, management and administration” of “trusts, companies, foundations” in several countries.

Private banking units of the world’s largest banks often use offshore havens to serve their “high net worth” clients and solicit deposits from customers across national borders.

A study last year by James S. Henry, former chief economist at global consulting firm McKinsey & Company, charges that giant private banking units seek to “entice the elites of rich and poor countries alike to shelter their wealth tax-free offshore, usually in contravention of

these home countries’ laws.”

Deutsche Bank’s private banking operations ranked No. 6 among the world’s largest private banks, increasing their assets under management from \$180 billion in 2005 to \$367 billion in 2010, according to the study, which Henry did for the Tax Justice Network, an international group that’s critical of the offshore system.

Overall, assets under management by the globe’s 50 largest “private banks” grew from more than \$5 trillion to more than \$12 trillion over the same period.

Frank Wehrheim, the former head of the tax investigation unit in German financial hub Frankfurt, charged that big banks such as Deutsche Bank are responsible for “aiding and abetting tax fraud, money laundering and similar crimes.” Because of complex structures in tax havens, tax investigators can “very rarely look into these acts,” Wehrheim said. ■

Heinzle is an editor with the investigative unit of the radio news channel NDR Info. Guertler and Fuchs are reporters with the investigative team of NDR TV. Brinkmann and Giesen write for *Sueddeutsche Zeitung*.



A BNP Paribas conference room in their Paris office.

French Banks Traded in Secrecy

By Anne Michel

Published Online: April 6, 2013

THE “OFFSHORE LEAKS” files published around the world on April 4 show that, from the late 1990s until the end of the 2000s, two major French banks, BNP Paribas and Crédit Agricole, oversaw the creation of a large number of totally opaque offshore companies in the British Virgin Islands,

Samoa and Singapore for clients in search of secrecy and lower tax rates.

These are the findings unearthed by the ICIJ, which has been re-searching the story for over a year.

According to these secret documents, BNP Paribas channels operations through its Singapore and Hong Kong subsidiaries, whereas

Crédit Agricole relies on its Geneva-based Swiss subsidiary.

Both banks have set up companies through their Asian subsidiaries with the help of Portcullis TrustNet, a service provider that specializes in offshore business and turnkey companies (the famous “quick” companies that can be incorporated within 48 hours) for rich clients claiming to be domiciled in Asia and concealed by nominees.

Setting up such firms is not in itself illegal by law in English-speaking countries, as long as such services are not offered to clients in a country where this type of company is banned (which includes France, where the beneficiaries of a company must be identified by law and trusts are banned).

However, such activities require extreme vigilance. Experts in the fight against international tax evasion and fraud all agree that any bank engaging in this kind of activity exposes itself to a serious risk of aiding and abetting tax fraud or even money laundering.

The active involvement of the two French banks in setting up these offshore firms contributes to international financial secrecy and contravenes the principles they have repeatedly asserted in public.

For example, on the 17th of April, 2012, Baudouin Prot, chairman of the BNP Paribas banking group, made a bullish declaration to the Senate investigative committee into tax evasion: “We make no compromises in this area: we insist on being absolutely exemplary.”

On the 30th of January 2013, at a parliamentary hearing during the review of the bill on splitting up and regulating the banking industry, the chief executives of the major French banks stated to a man that their offshore activities were either marginal or else related to funding the real economy (for example, financing ships or planes in states with obliging contract law arrangements).

The ICIJ’s files made it possible to trace 56 international business companies — an entity comparable to a trust — that BNP Paribas had set up through its subsidiaries in Jersey and Asia (Singapore, Hong Kong and Taiwan), in the British Virgin Islands, Samoa, and the Seychelles.

Crédit Agricole also appears to have been very active, at least until the end of the 2000s, and according to the ICIJ’s files set up 36 companies through Crédit Agricole Suisse SA and its Asian branches (Hong Kong and Singapore).

When contacted by *Le Monde*,

BNP Paribas' CEO, Jean-Laurent Bonnafé, refused to comment publicly. Yet after examining its activities in Asia, the bank confirmed that these firms did exist, but insisted that half of them were no longer operational today.

BNP Paribas claims that these companies were set up for Asian clients or clients domiciled in Asia in strict accordance with the law, that the bank “knows the identity” of these individuals and has “verified the funds’ origins, uses and purposes”. The bank says that none of these clients is European.

According to BNP Paribas, their clients are not attempting to avoid inheritance tax, which is low in Asia, but simply trying to put their money in a safe place in territories where there is business confidentiality so that they can pass it on to their heirs in secret when the time comes.

“Most inheritance in Asia and the Commonwealth countries is channelled through trusts in offshore territories,” says BNP Paribas in justification. “It’s an accepted form of private banking.”

However, the ICIJ’s information undermines BNP Paribas’ claims. It shows that the real shareholders of the company Muju International Limited, set up in the British Vir-

gin Islands by BNP Paribas Private Banking in Singapore, are domiciled in Greece, i.e. in a European country that has been receiving financial aid from the European Union since 2010 and whose finances are blighted by tax evasion. They are George Macrymichalos and Dimitrios Charitatos.

Sources in Athens have confirmed that the latter is the son of Catherine Drakopoulos-Charitatos and grandson of the Greek shipping magnate George Drakopoulos, who owned Empros Lines until his death in 2008. Mr Macrymichalos and Mr Charitatos are the current company directors of Empros Lines.

For its part, Crédit Agricole refused to comment on confidential information, hiding behind “bank secrecy and other applicable confidentiality rules, non-compliance with which is a punishable offence”.

A senior official from the cooperative bank did however emphasize that the bank had conducted a major cleanup of its activities in uncooperative tax havens (in their relations with internal revenue services or other countries’ judicial authorities) in 2009 and 2010 following the G20 summit in London in April 2009. In the wake of the 2008 financial crisis, the major

economic powers had declared war on “palm-fringed jurisdictions”, as they are known, and urged their banks to pull out of international financial black holes.

The ICIJ’s files lay bare a host of incredibly complex offshore arrangements. They are clearly designed with concealment in mind - particularly from regulators.

This raises the question of their beneficiaries’ intentions. They contain multiple layers of bogus directors and shareholders based at P.O. box addresses in tax havens dotted around the globe.

Triple 888 Fortune Limited, which is registered in the British Virgin Islands, is a prime example. The company’s directors include bankers from BNP Paribas Jersey and other companies domiciled in the Virgin Islands and the Cayman Islands. One of its shareholders is UBS Nominees, a Swiss bank subsidiary that specializes in supplying nominees. It is a freak of law that would prove impenetrable to any tax authority minded to take a closer look at its cash flows and legality and to track down its true financial beneficiaries.

The architecture of the companies set up by *Crédit Agricole* is just as opaque. Coincidentally, it uses

the same nominees as its French competitor, including companies such as Execorp Limited, Sharecorp Limited or Acticorp Limited, as well as fictitious directors and fake shareholders that Portcullis Trust-Net rents by the year.

This raises similar issues. What was the purpose of setting up these “vehicles”? What checks were carried out? Can the bank vouch for the identity and probity of its clients? Can it guarantee that these structures have not been used to shield money from taxation in the country of origin? Is it not exposing itself to money laundering?

Experts say that French banks were among the first to react to pressure from governments and civil society in 2009 by withdrawing from tax havens such as Panama that were seen as overly opaque and unwilling to cooperate with other countries’ tax and legal authorities. But this process of withdrawal has ground to a halt since. The banks’ activities lack transparency, and nameless trusts and unaudited offshore firms are prospering.

Although the banking industry has made enormous efforts to implement procedures to counter the laundering of the proceeds of crime, its actions to combat tax evasion and

fraud are considered insufficient.

A bank executive who wishes to remain anonymous challenges these accusations. “The black list of tax havens drawn up by the OECD [Organisation for Economic Co-operation and Development] no longer exists. Every one of them has signed a tax treaty. Why should we refuse to work in territories that are not on file?” he wonders, then continues: “We apply rules when they exist. If politicians have the courage to penalize countries they consider opaque, we’ll adapt. It’s not up to the banks to do the policing. We’re not the police or the army, let alone prosecutors.”

For Daniel Lebègue, former head of the French Treasury and president of the anti-corruption NGO Transparency International, “one of the major challenges is to set up a national register of trusts and other kinds of opaque offshore firms and foundations so that we know the names of the trustees, managers and real financial beneficiaries of these entities all around the world. Transparency is one of the pillars of the free market. It is non-negotiable. I am delighted that France and subsequently Europe decided to force the banks to report their activities on a country-

by-country basis worldwide, including their turnover, the profits they make and the taxes they pay,” says this experienced observer of banking practices, alluding to the banking law that is currently being examined by the French parliament.

In his 2009 preface to a book by Philippe Quême published in 2011 (*Monnaie bien public ou “banque-casino”?*, L’Harmattan), the former head of the Treasury wrote: “Banks are expected to behave in a socially responsible manner and to keep a close eye on the impact of their activities (...) Governments and professionals are jointly responsible for ensuring that the globalization of trade does not go hand in hand with an exponential increase in fraud and financial crime including money laundering, corruption and tax havens.”

The NGO CCFD-Terre Solidaire concurs with his analysis. “We know how shrewdly banks around the world adapt to what they are or are not allowed to do,” notes Mathilde Dupré. “Tax havens exist and they are harmful to states, especially developing countries. They need to collect the taxes that are currently slipping through their fingers.” ■

This story was also published in Le Monde.

The Swiss Lawyers Who Help Europe's Richest Families Park Their Wealth Offshore

By *Titus Plattner, Catherine Boss and François Pilet*

Published Online: April 9, 2013

Thyssen, Sachs and Rothschild are among Switzerland's largest law firm clients.

LITTLE DID Zurich-based lawyer Peter Hafter imagine how things would turn out when he ordered a \$2,700 offshore kit to create a front company in the Cook Islands on September 13, 1993. Twenty years on from that day, the fax he sent, the ensuing emails and all his business correspondence with Portcullis TrustNet in Rarotonga, the largest island in the archipelago, have been copied and passed on to journalists around the world.

Nor did the lawyer imagine that

the internal revenue service would then reopen the case of one of his clients, and yet that is precisely what the spokesperson for the tax authorities in Berne, Yvonne von Kauffungen, announced on Thursday. This announcement was triggered by the publication of a preview based on our investigations into two decades of correspondence between Portcullis TrustNet and Peter Hafter.

Matin Dimanche and *Sonntags Zeitung* have reviewed hundreds of pages of confidential documents that are part of a cache of 2.5 million files obtained by the ICIJ — probably the largest set of confidential financial data ever disclosed to the media.

The files offer a first ever glimpse of how Swiss lawyers and trusts from

Geneva to St. Gallen helped clients the world over establish offshore firms and trusts to protect their assets from the taxman or over-zealous heirs. “People don’t set up this kind of structure out of altruism, but to gain a profit,” says Christian Wanner, one of Switzerland’s leading authorities on tax collection.

The offshore files show the role not only of Swiss banks but also of Swiss lawyers in helping foreign clients set up secretive offshore entities.

“Someone who has set up dozens of offshore firms for foreign clients obviously risks becoming a target for foreign tax inspectors,” predicts Beat von Rechenberg, the president of the Swiss Bar Association. Of his 9,000 members he estimates that only two to three hundred are likely to be involved. “But, a bit like banking, our profession is going through a paradigm shift,” Beat von Rechenberg says.

Let’s go back to our lawyer and his fax. He is just one of the many Swiss middlemen who feature in the offshore files. The documents show how Peter Hafter helped arrange the financial affairs of some of Europe’s

wealthiest individuals — for example the banker Elie de Rothschild and industrialist Hans Heinrich Thyssen — by setting up business entities in tax havens such as Panama, the British Virgin Islands, Luxembourg and Liechtenstein. This is known as “asset protection” in commercial legalese, but some experts say it’s tax



Zurich-based firm helped clients establish offshore firms and trusts to protect their assets from the taxman or over-zealous heirs.

avoidance and evasion.

Peter Hafter, who is now 83, is not just anyone. Prior to his recent and gradual retirement, he was one of the mainstays of Lenz & Staehelin, the largest law firm in Switzerland, which has offices in Geneva, Lausanne and Zurich. It employs more than 150 attorneys.

On September 15, 1993 Peter Hafter called for the first time —

but by no means the last — on the services on Portcullis TrustNet. From Zurich, over 10,500 miles away, he opened a limited liability company called Triton Limited on the island of Rarotonga, somewhere in the middle of the South Pacific between New Zealand and Hawaii. His client? The famous Gunter Sachs, a German-born photographer and heir to the Opel dynasty (Opel cars), Brigitte Bardot's ex-husband and a Swiss citizen since 1976. Yet Gunter Sachs does not feature in any of Triton's official documentation. Its directors are Peter Hafter and two of Sachs' trusted associates. On paper it is they who own the company's 2,000 bearer shares.

Peter Hafter also set up a second front company called Tantris Limited along with four trusts — Parkland Oak, Moon Crystal, Espan Water and Sequoia — all of them incorporated in the Cook Islands between May 18, 1994 and July 22, 1996. These firms were created to host a substantial share of Gunter Sachs's fortune. Peter Hafter is a trustee of all four, meaning that he is not acting for himself, but for the beneficiaries — who are none other than Rolf, Christian Gunnar and Claus Alexander “Halifax”, Sachs's

three sons. Yet, Gunter Sachs himself was a beneficiary of at least two of the funds and thus had access to the money.

Trusts run from Geneva

A “special arrangement” was found to keep the name of the settlor (Gunter Sachs) secret according to a memo dated April 4, 1999. He was therefore swathed in secrecy, anonymous amid the anonymity of the Cook Islands. He retained control of the funds, though, which were managed until his death by a Geneva-based company called Galaxar SA. Another trust, Triton Trust, was set up as late as April 2007.

Things began to heat up in 2008 when Gunter Sachs moved his domicile back to Switzerland after a brief interlude in London. Lenz & Staehelin prepared a dossier for the Swiss tax authorities in which Sachs declared a fortune of around \$500 million. However, the most recent tax returns reviewed by *Matin Dimanche* and *Sonntags Zeitung* make no mention of any of the five trusts, or the two front companies, or the firm in Panama.

Nor is there anything about several other companies belonging to Gunter Sachs, despite official docu-

ments proving that they contained millions of dollars' worth of assets. This is notably the case of K-Buchs and K-Erlen, both registered in Luxembourg and both absent from his tax return. According to some of his former friends, the photographer was at least as good a businessman as he was a ladies' man, and former Galaxar employees hint that he had "much more" than the \$500 million he declared to the tax authorities in Berne. Despite his flourishing business, Sachs paid no income tax in Switzerland, just \$3 million in wealth tax.

A further eyebrow-raiser is the photographer's inheritance inventory, which was drawn up by his Swiss attorneys and is dated July 2012. This document estimates the value of the works of art belonging to Sachs at only \$51 million. Yet six weeks earlier, on May 22 and 23, 2012, Sotheby's of London sold 260 pieces from the photographer's private collection — only a part of the whole — for far more than that, fetching \$65.5 mil-



Gunter Sachs, alongside his Andy Warhol portrait.

Photo: AP

lion. A self-portrait of Andy Warhol from 1986 sold for \$8.5 million, a flower painting went for \$5.8 million, and a portrait of Brigitte Bardot, also by Warhol, was auctioned for \$4.8 million. There is no trace of the income from these sales in the tax documents we have seen.

Masterpieces

Peter Hafter also established 18 trusts in the Cook Islands for Baron Elie de Rothschild, the founder and

former president of the Rothschild Bank in Zurich, who died in 2007. The famous lawyer declined to comment on this case. He also declined to explain his role in setting up companies for art patron Carmen Thyssen-Bornemisza, wife of the German steel manufacturer Baron Hans Heinrich Thyssen.

Peter Hafter even reinvented himself as an art buyer for them. Fond of Old Masters, horses and women, Baron “Heini” became a Swiss citizen in 1950 and lived in Lugano. His private collection was already world-famous when he married his fifth wife Carmen, Miss Spain in 1961 and ex-wife of the American actor Lex Barker (Tarzan, 1949-53).

Alongside her passion for small

dogs and liking for cigarettes, Carmen quickly became an art expert. In the 1990s she persuaded her husband to sell a large part of his vast collection of over 1,000 works of art to the Spanish state for \$350 million. The baron then set up five trusts in Bermuda to host the remaining masterpieces and bequeath them to his wife and children, each trust named after a major painter. The Carvaggio Trust was in Carmen’s name, according to her lawyer.

A safe in Zurich

At the same time, a firm called Nautilus Trustees Limited was set up in the Cook Islands to enable Carmen to secretly purchase other

paintings. She was the firm’s beneficiary, but remained in the background. The directors included Peter Hafter of Lenz & Staehelin and the Zurich-based lawyer Patrick Oesch. Nautilus’s bearer shares were sent to Lenz & Staehelin for storage in a safe in Zurich.



Vincent Van Gogh's *Water Mill at Gennepe*

In a memo dated July 18, 1996, Puai Wichmann of Portcullis Trust-Net sent on the correspondence he had received from Nautilus Trustees Limited in Rarotonga in the Cook Islands to Lenz & Staehelin in Zurich as agreed. The letter concerned the purchase of a painting for \$751,550 three weeks earlier. “Please find enclosed various items of correspondence from Sotheby’s, in particular one relating to the purchase of *Water Mill at Gennepe* by Vincent Gogh [sic].”

However, Vincent van Gogh’s oil painting did not end up in Rarotonga or Zurich. Instead, it made its way to the Thyssen-Bornemisza Museum in Madrid in late 1996. From July 1995 to November 2002 the Thyssens carried out about twenty operations of this kind through their Nautilus hub, with a detour via the Buque Anstalt in Liechtenstein.

A billion in Bermuda

Despite having sold 775 works of art to the Spanish state ten years earlier, in 2002 Carmen found herself at the head of one the world’s largest private collections containing 655 works officially valued at €541 million (\$706 million). A judgment

by the Supreme Court of Bermuda on March 12, 2013, which *Le Matin Dimanche* has obtained, values the assets of a trust associated with Carmen, the Gauguin Trust, at about \$1 billion.

The Swiss and Spanish tax experts we have interviewed identify a clear motive for this sleight of hand involving the Cook Islands and Bermuda. If Carmen Thyssen owned the works in her private collection directly, they would have been subject to Spain’s 2.5% wealth tax. To put it plainly, her lawyers’ smart advice has saved her between 10 and 20 million dollars per year, and according to the Spanish attorney Jaime Rotondo, she pays no wealth tax on her paintings in Ticino, where she is once more officially domiciled. The trusts therefore enable her to save at least \$2 million per year, more than covering the few dozen thousand dollars she spends each year to keep these firms running.

Last year she sold John Constable’s painting *The Lock* for \$36 million via a company called Omicron Collections Limited, registered in the Cayman Islands. It was very painful to sell the work, she told the BBC, but she had “no liquidity.” However, there seems to be a problem with this sale

too. In order to escape Swiss wealth tax, the Caravaggio Trust is clearly irrevocable, and Carmen therefore has no access to its contents — except when she needs liquidity. The Ticino tax authorities declined to comment on the matter. As for Peter Hafter, he has not been Mrs. Thyssens' lawyer for nearly ten years now.

University professor

At least five other lawyers at Lenz & Staehelin have helped clients set up firms in offshore jurisdictions. “This type of arrangement has long been a national sport,” confirmed a Geneva banking law professor, who wishes to remain anonymous despite having nothing to do with this business. However, some academics seem to have turned this “sport” into something of an academic discipline. Max Baumann, a lawyer and professor at the University of Zurich until 2011, was legal advisor of the After Trust, registered in the Cook Islands on October 31, 2002, for the famous Italian producer Goffredo Lombardo. Among other films, Lombardo produced *The Leopard* starring Burt Lancaster and Alain Delon.

All After Trust's bearer shares were placed in a company called Ita-

glio Services in Great Britain. These assets are worth about \$7.5 million and are hidden away in a Zurich bank safe. This was all run from a company in Rarotonga and handed down to Goffredo's son Guido after the elder Lombardo's death in 2005. Professor Max Baumann declined to answer our questions.

Heads or tails

As for Peter Hafter, he championed a slightly different position three years ago. In an article about the future of Switzerland as a financial centre published on February 28, 2010, he explained that many Zurich-based wealth management firms were acting through structures set up with the help of trustees in Liechtenstein and other offshore centres. “Not all these trusts with bank accounts in Switzerland are used to avoid tax — but probably most of them are,” Peter Hafter said at the time. ■

*Translation by Simon Pare. This story was also published in *Matin Dimanche* and *Sonntags Zeitung*.*

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Swiss Bank Pushed Offshore Middleman to Skip Anti-Money Laundering Checks for Wealthy Clients

By Marina Walker Guevara and François Pilet

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Clariden, part of Credit Suisse, sought highly secretive structures for some clients.

IN DECEMBER 2006, an official at Switzerland’s Clariden Bank, part of Credit Suisse, contacted the Singapore office of the offshore services firm Portcullis TrustNet to discuss a sensitive question.

The banker wanted TrustNet’s help administering an offshore company based in the British Virgin Islands and owned by a group of wealthy private-equity investors, according to internal TrustNet emails obtained by the ICIJ.

In the sprawling offshore world,

it wasn’t unusual for a bank in one country to ask a service provider in a far-off place to oversee a company based in yet another jurisdiction.

But the request came with a wrinkle: Clariden didn’t want to disclose to TrustNet the identities of its clients.

Law requires middlemen like TrustNet to verify the names and backgrounds of their clients — a process called “due diligence” — as a way to deter criminals and terrorists from hiding illicit cash in secret offshore entities, a practice known as money laundering. If shady figures slip through the system despite the checks, law enforcement can use the records to help track down the real owners.

What Clariden officials were asking TrustNet, instead, was to blind-

ly oversee an offshore company for anonymous wealthy individuals and record the bank as the “principal” in those entities, relying on the bank’s assurances that its clients weren’t involved in illicit activities. The documents trace an intrigue inside TrustNet over whether or how to deal with the Clariden request and the law at the same time.

One of TrustNet’s in-house lawyers, Michael Darwyne, described such a secretive arrangement as “the Holy Grail” — an offshore company so anonymous that “law enforcement officials and the regulators will be met with a blank wall” if they ever tried to discover the identities of the owners. Under this arrangement, he said, “we will have to say we know nothing about who owns the company.”

Clariden officials declined to comment. A spokesman for the bank’s parent, Credit Suisse, said that due to Swiss banking secrecy laws “we are not allowed to provide any information about existing or supposed accountholders” and that Credit Suisse and its affiliated companies “respect all the laws and reg-

ulations in the countries in which they are involved.”

Law or business

Clariden’s aggressive effort to shield its clients’ confidentiality was business as usual among Swiss financial institutions in the mid-2000s. In 2008, the United States launched an assault on Swiss banks that had helped thousands of American citizens dodge taxes. Currently, about a dozen Swiss banks are under investi-



Credit Suisse’s Clariden Bank pushed for the “Holy Grail” of banking secrecy.

gation by the U.S., including Credit Suisse, Clariden’s parent. Wegelin, Switzerland’s oldest bank, folded early this year after admitting it had sheltered U.S. tax evaders.

Clariden’s December 2006 request triggered a heated debate

within TrustNet that shed light on the role big financial institutions play in the offshore economy as well as on the gatekeeping responsibilities of intermediaries that set up secret companies.

Some TrustNet employees believed Clariden could be trusted to make sure its clients were not involved in dirty money. Others argued that following “know-your-customer” rules is a basic anti-money laundering procedure that shouldn’t be brushed aside by business considerations.

To complicate things more, the BVI’s anti-money laundering law had a loophole that allowed for more than one reading of the legislation on due diligence responsibilities. The BVI law explicitly allowed offshore servicers to rely on reputable financial organizations to vouch for their clients under certain conditions. But BVI regulators had in fact started to crack down on service providers who abused this loophole to skirt their know-your-client duties.

“I think we have to rely on the fact that Clariden is a reputable financial institution and will be regulated by AML [Anti-Money-Laundering] provisions in Switzerland,” wrote Felicia Wee, an employee in TrustNet’s Singapore office. “Oth-

erwise we don’t do the business.”

Ronnie Summers, senior counsel and compliance officer in TrustNet’s Cook Islands office, disagreed.

“I understand what Clariden would like, but their request does not absolve us from our legal requirements to know who the real principal is,” she wrote. “Sometimes we need to say ‘no.’ ”

As these discussions were going on, another request from Clariden was sitting on TrustNet’s desks. In this case, Clariden officials in Hong Kong and Singapore were exploring an offshore venture for a wealthy American couple living in Tokyo. The husband was a consultant for Airbus, the French aircraft manufacturing giant, who dealt with Taiwanese clients on a regular basis, one Clariden official explained in an email.

The proposed offshore structure included a foundation and a trust. The money involved: \$20 million. The wrinkle: The couple didn’t want their offshore holdings to have any connections to the U.S., a possible indication that they weren’t planning to declare it to the IRS.

This time the response from in-house counsel came quickly: “No,” read the one-word email response by

TrustNet lawyer Darwyne Summers said that “there’s no way around” U.S. tax reporting obligations.

Meanwhile, the request from Clariden about administering an offshore company for anonymous private-equity investors was still in works.

After hearing the pros and cons from his employees, TrustNet’s owner, David Chong, made the call: He gave a green light to the deal proposed by Clariden, provided the bank signed a letter vouching that the clients weren’t involved in money laundering.

The letter would require Clariden to inform TrustNet if its clients were criminals or terrorists and to make their identities available to TrustNet upon request. In other words, TrustNet would still not know who the clients were at the onset but could potentially find out if, for example, the company became the focus of a law enforcement investigation.

“Are you surprised?” TrustNet BVI compliance officer, Adam McDonnell, who opposed the idea, asked in an email to lawyer Ronnie Summers.

“Not really,” Summers answered.

TrustNet officials declined to comment for this article.

It is not clear from the documents available to ICIJ whether Clariden

signed the proposed letter, but a few months later, in August of 2007, TrustNet employees were still debating the effect of the Clariden “precedent.” Several were discussing, via email, a complaint from a banker with UBS, the Swiss banking conglomerate, who only reluctantly pledged in writing to verify his clients’ identities in accordance with the BVI law.

Felicia Wee, in the Singapore office, believed that, as long as it complied with the law, TrustNet’s requirements should be flexible. “Sometimes the banks have a big-wig client that they will protect,” she wrote. Again, she said, a solution would be for the bank to sign a letter saying the clients weren’t money launderers.

McDonnell had not realized that some of his colleagues were taking this approach. “I was of the understanding that it was merely for Claridan [sic] (but obviously this is a precedent so can [be] and has been extended to other institutions),” he replied.

Wee said that so far TrustNet had made use of the “Clariden precedent” in only two cases. “It simply [is] not possible, in the interest [of] taking on work from some institutions, to take the stance that it is either this or that or we don’t do business.” ■



Dutch bank ING helped set up offshore companies. Photo: AP

Dutch Banking Giants Helped Clients Go Offshore

By Joop Bouma and Martijn Roessingh

Published Online: April 10, 2013

ING and ABN Amro set up dozens of companies in island tax havens.

THE DUTCH banks ING and ABN Amro registered dozens of companies for their clients in offshore refuges with lovely beaches and low tax rates such as the Brit-

ish Virgin Islands, the Cook Islands and the Malaysian island of Labuan, an investigation by Dutch newspaper *Trouw* and the ICIJ has found.

Trouw found the information in leaked documents and emails from two companies — Singapore-based Portcullis TrustNet and British Virgin Islands-based Commonwealth Trust Limited — that specialize in helping customers set up and man-

age companies in offshore centers known as havens for individuals who want to reduce their taxes.

ING and ABN Amro said they have never been party to tax evasion.

“The companies were set up for international clients and always in compliance with local and international laws,” ABN Amro said in a statement.

The companies set up by the two Dutch banks have names like Thriving Capital, Capital Plus Worldwide, Wise Bonus Group and Billion Giant Development. Records show that so-called ‘nominee’ companies helped obscure the identities of many of the people involved in the companies that ING and ABN set up through offshore services firms. These nominee companies act as stand-in directors or shareholders while the actual owners stay in the background.

The database lists ING-subsidiaries and ING-staff as nominee directors and nominee shareholders. Several companies that are registered through TrustNet name ING (Jersey) Nominees Limited as shareholder and list ING employees as directors.

In one example, ING (Jersey) Secretaries Limited and ING (Jersey) Nominees Limited are listed as shareholders of a company called Ocean & Mountain Limited. There is no ING company document showing that Ocean & Mountain Limited was part of the bank.

ING said that because the bank divisions that managed such companies have since been sold, it was unable to explain the reason for the use of such structures. ■

This story was also published in Trouw.

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After Multi-Million Inheritance, Playboy Sachs Goes Offshore

*By Bastian Obermayer, Frederik Obermaier
and Titus Plattner*

Published Online: April 5, 2013

He's known as Brigitte Bardot's husband, photographer, director, art collector. Now another aspect has come to light: a man who set up an intricate offshore scheme to manage his vast fortune, a scheme that remained inscrutable to the fiscal authorities until the end.

THE HAND that governs everything must remain invisible. It certainly must not sign anything. That is why



Sachs and Brigitte Bardot in 1966.
Photo: AP

Hanswerner Schwenk, a private secretary in his 50s, sets off for the Pacific island of Rarotonga.

Meanwhile, the man behind the scenes can relax: in London, Paris or St. Tropez, on one of his many estates. His name must not appear in any official document, for such is the nature of an anonymous enterprise. Otherwise one would not need to bother with all the hassle, after all: the South Seas, the lawyers and all that secretiveness.

It is a strenuous trip for Schwenk, who lives in Munich. Rarotonga is situated about halfway between New Zealand and Hawaii, and it takes him more than 40 hours to get there from Germany. At least his local partner, the International Trust Corporation Ltd., has arranged for a hotel and a rental car. Hanswerner Schwenk's mission: confirm with his signature that the share issue of the recently founded company Triton Ltd. proceeded in a lawful way.

Officially, the sole owner of Triton Ltd. is a company called Trustcorp Ltd., who, on paper, also owns a large number of other companies. In fact, however, that is just a smoke-screen, put up to avoid mentioning the real owner's name. For this is Trust Corporation Ltd.'s business model: They set up anonymous shell

corporations and trusts, and then manage them with absolute discretion. The Cook Islands, an archipelago of which Rarotonga is a part, are a typical offshore tax haven: Founding a company or trust there means paying almost no taxes at all and, above all, total anonymity. An ideal place to minimize one's tax burden, be it legally or illegally.

The man in whose employ Hanswerner Schwenk made that trip to the South Sea, almost twenty years ago, in November 1993, is very famous and very rich. His name is Gunter Sachs. Schwenk had been working for him for more than twenty years at the time, and was one of his closest confidants.

Next Monday [April 8, 2013], the ARD will air a lavishly produced portrait of Gunter Sachs. It will show the many aspects of his personality everyone had known so far: playboy and millionaire's heir, Brigitte Bardot's husband and lover of Empress Soraya, photographer, director, art collector, philanthropist and good friend.

Now, however, another aspect has come to light — that of a man who set up an intricate offshore scheme to manage his vast fortune, a scheme that remained inscrutable to tax authorities until the end.

During the last few weeks, a team of journalists from *Süddeutsche Zeitung*, the Swiss *Sonntags Zeitung* and the NDR examined the offshore leak data provided by the International Consortium of Investigative Journalists and discovered dozens of documents to reconstruct Gunter Sachs's offshore scheme. These documents include deeds and contracts, photocopied ID cards and accounts of charges, a vast amount of internal emails and faxes, but also letters by Gunter Sachs, bearing his own signature.

The documents provide detailed evidence of how Sachs, with the help of some advisors, constructed an anonymous network of companies on the Cook Islands. And that is not all: SZ journalists discovered Gunter Sachs also had shares in companies based in other tax havens, apparently with values and debts in the high millions.

Even before private secretary Hanswerner Schwenk set off for his trip to the South Seas in 1993, most formalities had already been dealt with. On September 15, 1993, a lawyer of the major Zurich law firm Lenz & Staehelin had already registered "Triton Ltd." by fax. The "Company Kit", a sort of starter set for shell corporations, was on its way

to Zurich soon after. Its price: 2,700 dollars.

Staehelin also managed Sachs's offshore companies over the next two decades. Dozens of faxes, letters and emails going back and forth between the lawyers and International Trust Corporation Ltd. (later called Portcullis TrustNet) attest to this fact.

The South Seas Scheme looked as follows: Two shell corporations, Triton Ltd. and another company called Tantris Ltd., acted as trustees for five trusts set up between 1994 and 2007 — the Moon Crystal Trust, the Espan Water Trust, the Sequoia Trust, the Triton Trust and the Parkland Oak Trust.

These five trusts were the opaque containers in which Sachs stored parts of his fortune. According to the Parkland Oak Trust's charter from May 18, 1994, the trust's beneficiaries were Sachs's three sons Rolf, Christian Gunnar and Claus Alexander. The same goes for three of the other trusts.

But Gunter Sachs himself demonstrably had access to the funds of two of those trusts as well, and was therefore liable to declare them. "Assets in such trusts are attributed to the trust's founder. Therefore, Swiss law demands they be declared, just like all kinds of international income,

property or investment,” says Andreas Kolb, a tax attorney who specializes on wealthy private clients.

However, neither Gunter Sachs’s last tax returns nor the official inventory of his estate (the *Süddeutsche Zeitung* had access to these documents) said anything about the five trusts registered in Rarotonga. The inventory of his estate was drawn up by two executors and signed on July 6, 2012. One of them is precisely the Lenz & Staehelin lawyer who founded the first South Sea company by fax in 1993 and then went on to become the director and trustee of Sachs’s companies. Additionally, the law firm took care of the annual payments of around 2,000 dollars per trust to Portcullis Trustnet for all those years.

When asked about this, the two executors of the deceased — the Lenz & Staehelin lawyer and another one from Munich — said they had handled the trusts “transparently” and that, while they did not declare the trusts themselves, they did declare the funds contained in them.

The tax authorities of the Canton of Bern, Sachs’s last place of residence, take a different view on the legal situation. One speaker asserts it is not enough to “merely declare the funds held by the trust” in

such cases; “receipts, certificates or written confirmations by third persons” must be submitted, so that the trust’s existence can be verified.

Without such documentation, there is no way to verify the contents of a trust, either.

Secrecy

In managing his companies in the South Seas, Gunter Sachs put extreme stress on secrecy. For years his name did not appear in Portcullis’ customer files — a highly unusual exception. The electronic files of three of his trusts show the following note by an employee, dating from April 1999: “No information on the founder, apparently top secret. No info on bank data. No declaration of intention by the founder.”

Contrary to usual practice, Gunter Sachs doubly protected himself within a totally confidential environment. He was secretly secret and anonymously anonymous.

Documents stating the amount invested in the trusts do exist. However, Lenz & Staehelin did not comply with the SZ’s request to access them. Thus, it remains unclear, whether or which of the trusts’ funds have indeed been officially declared.

Numerous inquiries to the de-

ceased's heirs, to his lawyers and business partners, remained largely unanswered. The only reply was a letter by the two executors, who are in contact with the heirs but do not officially speak on their behalf. The letter states: "All assets belonging to the testator Gunter Sachs at the time of his death are listed in the inventory of his estate and in the inheritance tax return filed with the appropriate revenue authorities." All of these assets, the executors assert, had "already been disclosed during Herr Sachs's lifetime for the purposes of his income and property tax return."

The inventory of Sachs's estate also reveals the magnitude of the issue: Sachs's fortune at the time of his death is listed at 470 million Swiss francs. In a case of rare luck, the deceased playboy had been born not into one, but two family dynasties: His father, the industrialist Willy Sachs, owned the engine works "Fichtel und Sachs" — selling off most of his shares must have later made Sachs more than 200 million Deutschmarks. And his mother, Elinor von Opel, granddaughter of Opel founder Adam Opel, was the heiress to a similarly vast fortune.

Old money, wherever Sachs was looking.

Together with his cousin, the race driver Frederick von Opel, Sachs seems to have founded companies in Panama, another tax haven. They are each registered as presidents and legal representatives of a company there. Sachs's company is called "Dirki Finance S.A.," his cousin's bears the name "Muraccio Investment S.A." There has to be a connection between the two companies: both were founded on the same day, on September 16, 1977, and both employ the same two Swiss trustees as directors. When questioned, the two men claimed not to remember any details; von Opel could not be reached by the SZ.

Much like the others, the Panama company neither appeared in Sachs's last tax returns, nor in the inventory of his estate. According to the official register in Panama, however, it still operates today. The executors offered no comment on this company.

But the list of offshore companies goes on: SZ research shows that Gunter Sachs held shares of four companies founded between 2003 and 2008 in the tax havens of the British Virgin Islands, Jersey and Luxembourg. In 2008 he put all his eggs into the same basket: the discreet Grand Duchy of Luxembourg.

Now it is getting complicated, but it is worth to take a closer look: According to official documents, those companies temporarily had capital assets of about 9 million Swiss francs (\$9.6 million) at their disposal. They also had bank debts of about 77 million Swiss francs (\$81 million) and owned a lot of real estate in Switzerland. That real estate probably served as security for the bank debts, and must therefore be accordingly valuable.

Only two of the four companies are mentioned in Sachs's tax returns and the inventory of his estate, and they seem to be listed well below their actual value: the superordinate holding company Sunrise Water at zero, K-Berg at 60,000 Swiss francs (\$64,000). The other two companies, K-Buchs and K-Erlen, are still unknown to the tax authorities.

Even experts are confused by this. Sub-participations need not necessarily be declared, but "if they are not, the holding company itself absolutely has to be correctly appraised," says Andrea Opel, a tax law professor at the University of Lucerne.

The *SZ* has access to documents indicating that this has not been the case. According to those documents, two of the companies own real estate whose book value is well

below their market value.

The executors deny they failed to adequately declare the companies' value to the authorities.

At least one thing is clear in this whole jumble of companies, investments, debts and tax havens: Gunter Sachs went to extreme lengths to be able to manage part of his millions in secret. Up to now, there are eleven offshore companies whose existence is unknown to the tax authorities. Even Switzerland's rather soft taxation system seems to have been enough to entice Sachs to come up with strategies of tax evasion.

Sexy Sachs

Looking at the intricate network of Sachs's offshore companies, one understands it cannot have been easy to keep track of everything. However, according to sources close to him, Sachs had a fully equipped office in each of his many apartments and houses (13, at the time of his death). The notorious bon vivant "Sexy Sachs", as the yellow press dubbed him in the sixties, is said to have often been working there in the early morning.

As the ICIJ offshore documents show, Sachs did in fact participate in the management of his tax ha-

ven companies. There are various letters, personally written by him, in which he announces the appointment or dismissal of a trustee with the legally correct clause “in exercise of the right conferred me as the trust’s founder.” Signed: Gunter Sachs.

But Sachs also enlisted professional help. There were Lenz & Staehelin’s lawyers, of course, but also a company he had founded in Geneva under the mysterious name of “Galaxar S.A.”. Galaxar is his “family office”, a company solely concerned with the management and increase of his fortune. According to a former employee, almost 30 people all over the world were busy with Sachs’s real estate in Europe and the USA, his art collection, his cars and his yachts.

To the day of Sachs’s death, Galaxar was managed by the German economist and political scientist Wolfgang Reinicke, a former World Bank advisor. Galaxar was fully involved in Sachs’s offshore activities. Reinicke directed two of the companies on the Cook Islands, and acted either as manager or member of the administrative board in the four Luxembourg companies as well. When asked by the *Süddeutsche Zeitung*, Wolfgang Reinicke did not

want to comment on this and merely referred to the executors’ statement.

Saturday, May 6, 2011. Gunter Sachs has returned from the USA to his Chalet, an old farmhouse, in the Swiss town of Gstaad. After supper, he sits down at his desk, writes a suicide note mentioning “the incurable illness a.,” and shoots himself.

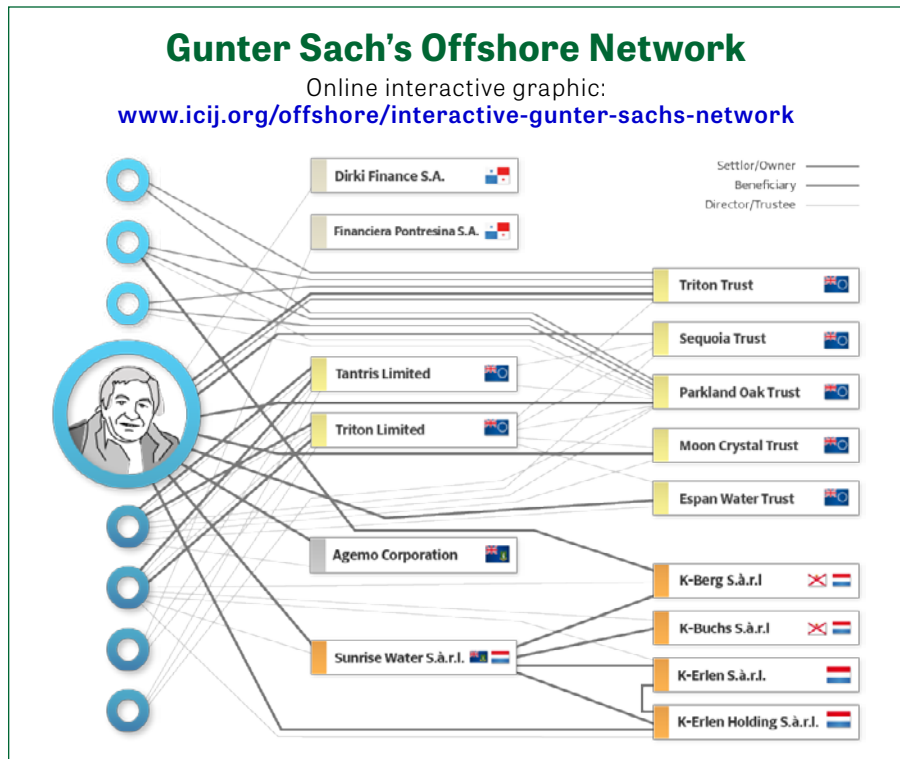
With him in the chalet were his butler and his best friend, Samir Sibaei. Sibaei had been Sachs’s constant companion for 50 years: as a college friend, as best man at Sachs’s first wedding and, for a while, as his secretary. In his autobiography Sachs writes about their friendship: “We were co-architects of our lives.”

Sibaei, originally from Beirut, could also have been a co-architect of Sachs’s financial schemes. At the very least, he was involved in various places: as a director and trustee of the South Sea enterprises, and as member of the family office’s administrative board. As of Wednesday afternoon, he has given no reply to the *Süddeutsche Zeitung’s* questions.

That was the Sachs Scheme, secretly functioning for many years, and profitable for a large number of people: Sachs himself, his sons (as beneficiaries of some of the trusts), Samir Sibaei, and all the various

Gunter Sach's Offshore Network

Online interactive graphic:
www.icij.org/offshore/interactive-gunter-sachs-network



contractors, of course, the lawyers, directors, administrative board members, trustees and managers of the offshore companies. And the providers of the shell corporations.

Only the government was left out.

But Gunter Sachs is dead, and the only remaining question is what consequences all this will entail here and now. Tax fraud is only an admin-

istrative offence in Switzerland, and whether it has been committed intentionally or unintentionally has no bearing on the case. For it is entirely possible that Sachs and his executors merely lost track of their vast and complicated offshore scheme.

The crucial document here is the inventory of Sachs's estate. Swiss fiscal law expert Andreas Kolb says the

signing lawyers will face legal consequences “if they can be proven to have participated in or incited to tax fraud”.

And the heirs themselves will have to make steep back payments if the Swiss revenue authorities determine that Sachs, a Swiss citizen since 1976 and registered in Gstaad since 2008, did in fact evade taxes. There may even be fines involved, says Kolb, “if they failed to declare assets against their better judgment.”

Once before Gunter Sachs was at the heart of a tax scandal. When he and his brother became Swiss citizens and moved to Switzerland in the seventies, and then tried to sell their shares in Fichtel & Sachs for about 330 million Deutschmarks soon after, tax authorities swiftly took action. In the morning of January 22, 1976, ten tax officials searched Sachs’s farmhouse in the Rechenau region, while five others went through his Munich office. Apartments in Sylt and Hamburg were also searched, with the officials looking for some kind of proof that Sachs’s main place of residence was in Germany after all. To no avail.

Thus, the Sachs tax case turned into the “Sachs affair,” a Spiegel cover story. Gunter Sachs felt he was being persecuted. In his mind, the

authorities’ investigations “culminated in envy.” In his autobiography, he describes a meeting with “three important gentlemen of the world of finance.” Without thinking, he told them: “If our names were Müller, Maier and Huber [three rather common German names], we wouldn’t be here.” The three gentlemen, he adds, were called Müller, Meyer and Huber.

This is probably a mere anecdote, and there may not be much truth to it. Indeed, the last of those three men still alive, finance undersecretary Albert Meyer, says he neither remembers this event nor the three of them ever having been in the same room with Sachs at all.

It would seem that Gunter Sachs sometimes had his very own truth, and maybe he just liked to exaggerate a bit here and there. Only where the revenue authorities were concerned, however, the gifted entertainer seems to have been rather tight-lipped. Too tight-lipped, it seems, by the standards of the law. ■

Translation: *Jan Schönherr.*

This story was first published in Süddeutsche Zeitung

Contributor to this story:

Miranda Patrucic

Offshore Documents Solve Mystery of Pre-Civil War Helicopter Deal in Congo

By Stefaans Brümmer and Craig McKune

Published Online: April 5, 2013

Secret records from British Virgin Islands firm show a South African and two Americans reaped \$2.5 million from aborted sale of surplus military choppers to Congolese leader.

ON JUNE 5, 1997, all hell broke loose in Brazzaville. Presidential forces moved on the compound of a former president whose militia hit back, igniting a civil war that would lay to waste much of the Congolese capital and claim the lives of thousands of civilians, many of them victims

of indiscriminate bombardment from helicopters.

Five days earlier, as his forces readied for the offensive, then-President Pascal Lissouba personally approved the purchase of four ex-South African Air Force helicopters offered by a Johannesburg company headed by a German expat.

They were French-designed Puma SA 330L transporters, suitable for military and civilian use.

Within weeks, as the war raged on, tens of millions of petrodollars started sloshing from a Paris account controlled by Lissouba's oil-rich regime to pay for the Pumas and other items that could be useful in war. Other hardware ordered from companies linked to the German expat included two East-bloc



Bombardment by government forces killed thousands in Brazzaville during the Republic of Congo civil war in 1997. Photo: AP

MI-17 multi-role helicopters, four fixed-wing cargo and transport aircraft, and 290 trucks.

The fact and destination of those payments would likely have remained hidden were it not for Lissouba fleeing and his predecessor, current President Denis Sassou-Nguesso, publishing a trove of documents that were discovered when he took the presidential palace that October.

Now, a unique peek into these money flows — and the use of offshore secrecy jurisdictions affording anonymity in such transactions — has been provided by offshore company records uncovered by the ICIJ.

The ICIJ has obtained 2.5 million documents from two firms which provide services to offshore clients in the British Virgin Islands (BVI) and similar jurisdictions. It is

believed to be the largest breach of offshore secrecy yet, and has given rise to the publication, starting this week, of investigative articles across the globe.

Profiting from war

Selected records reveal how millions from Lissouba's order of the Pumas overflowed into the BVI accounts of three Johannesburg-based businessmen — although the two who are still alive now claim they didn't know the ultimate source of the money. These helicopters were ultimately not delivered to the Republic of Congo.

The three were Johannesburg dealmaker Esmond Myhill and U.S. nationals Richard Parker and the late Roy Segers. They were doing business through Exotek Management Services Ltd, a company registered for them in the BVI by Commonwealth Trust Limited (CTL), a firm that specializes in setting up offshore entities for clients who want to keep their financial affairs confidential.

The name Exotek had previously emerged in the document trove published by Sassou-Nguesso, after he captured the palace. Among the documents was a June 1, 1997, in-

voice, approved by Lissouba's signature, detailing an offer to the Congolese government of four Pumas at an asking price of \$19.9 million.

The invoice was issued by Johannesburg-based company CED Marketing, headed by German expat Rudolph Wollenhaupt, but stated that the offer was "on behalf of" Exotek and another company.

The documents did not reveal, however, who was behind Exotek. That 15-year-old mystery has now been solved by internal CTL documents that are among the offshore records obtained by ICIJ.

The records show that Myhill headed Exotek, through which he, Parker and Segers had exclusive rights to the helicopters that were to be sold to Lissouba. They reveal how, on August 28 that year, the three partners were paid \$2.5 million into a CTL trust account at Chase Manhattan Bank, split with \$900,000 going to Myhill and \$800,000 each to Parker and Segers.

Beginning that same day, hundreds of thousands of dollars began to flow onwards to destinations in the United States, the UK, Switzerland, BVI and other places that remain a mystery.

CTL immediately funneled \$423,500 from Segers' share, de-

scribed as: “Eleven transfers as requested per fax of this date.” And \$311,000 flowed similarly from Parker’s share days later.

Parker and Segers also used some of the money to pay start-up and service fees on two new offshore companies based in the BVI, while a large part of Myhill’s portion was moved from the BVI to Switzerland — from one secrecy jurisdiction to another.

The records show \$300,000 went to the Swiss account of investment management firm Rathbones in 1998 and more than \$40,000 to Swiss law firm Umbricht Rechtsanwälte and one of its attorneys over the next two years. Myhill paid another \$120,000, the records indicate, to Hofmann Schneider Capital, an investment firm with Swiss, Austrian and Panamanian registrations.

Meanwhile, the trio also splurged on high living. Less than a week after taking transfer of the Puma money, Segers spent nearly \$47,000 at Louisiana car dealer Orr Acura BMW Infiniti. Parker and Segers transferred more than half a million dollars to South African real estate agent Pam Golding, and Myhill received several large transfers of between \$5,000 and \$15,000 in London and South African bank

accounts — in at least one instance while he was travelling in London.

The records show that CTL provided services that went beyond simply registering companies in the BVI. It administered the three partners’ funds in the secrecy jurisdiction too.

Emails between Myhill and CTL co-founder Scott Wilson also suggest Wilson got involved directly in his clients’ business dealings. Years later, Myhill wrote to Wilson recalling “when we first made contact during the Puma days.”

A record obtained independently by the M&G Centre for Investigative Journalism (MGCIJ) shows Wilson writing on Exotek letterhead, on behalf of the company, to confirm an aspect of the helicopter transaction.

Wilson did not answer questions about the Puma deal, saying they related to a “responsibility that I left over a dozen years ago” and he no longer had access to the files. But, he said, “As a matter of policy, CTL would never knowingly have been involved with arms sales. In the scenario described, for CTL to have been involved in any capacity, including simply acting as registered agent, any such aircraft would have had to have been completely unarmed.”

Thomas Ward, who co-founded CTL with Wilson in 1994, initially claimed that “CTL never, to the best of my knowledge and belief, ever had client funds pass through its hands, other than relatively small payments for its professional registered agent and office services.”

Later, when pressed on the Puma deal, he conceded recalling a “single case” where “CTL did act as sort of an ‘Escrow Agent’ for the sale of a BVI company to a third party, holding the buyer’s funds temporarily for the seller.” Like Wilson, he said his recollection imperfect due to the passage of time.

The CTL records obtained by ICIJ show that the arrangement in the Puma deal was in fact not temporary. CTL held the funds and made disbursements on behalf of Myhill over the course of six years and Parker and Segers two years.

Relocating to South Africa

Parker told MGCIJ he and Segers had relocated to South Africa in the mid-2000s hoping to make millions buying and selling surplus military aircraft and spare parts from the government.

Parker describes himself as a former air conditioner parts salesman

and financier who was working in Kuwait when he learned of the lucrative South African proposition from Esmond Myhill, who worked in the 1980s and 1990s for security equipment suppliers, including in Kuwait.

Parker explained: “He said to me, ‘Well, don’t you have a business partner who’s really into aviation?’ I flew directly from Kuwait to South Africa and had some meetings with Esmond, and then I contacted Roy Segers who was in Texas.”

A pilot and self-described “risk-taker, traveler, adventurer, ex-marine [who] seeks the unusual,” Segers flew to South Africa a month later. “And we all got together and then started meeting with the people from Armscor,” Parker said.

Big deal

Their goal was to buy and sell 28 Puma helicopters from Armscor, which among other duties disposes of surplus South African defense materiel.

“It wasn’t just the surplus aircraft — it was the spares. That’s what made it very attractive,” Parker said.

Surplus state military aircraft may gain enormous value once they are refurbished using cheaply

purchased spares. In later written correspondence, an official of Denel Aviation, an Armscor sister company, valued the basic Puma airframes at \$150,000 each.

“When you take the refurbishment costs and the approximate value of those helicopters, the profit our company stood to make was \$20 million,” Parker explained.

Negotiating with Armscor “was very slow going for the first several months, but it looked like there were some possibilities and we just kept after it,” Parker said.

Myhill said, “Once we had the right to buy the helicopters, the whole deal really depended on us selling them at a price where we could have them refurbished to whatever the requirements of the customer would be.”

Both Parker and Myhill said Exotek was trying to sell the fleet to Greece or Turkey after having it overhauled by Denel Aviation.

“Forced” to sell

But, Parker said: “At the eleventh hour the helicopter guys at Denel said we can’t stand behind this project any longer. And we were sitting there with our bankers and we were flabbergasted.”

Within days, he said, they were called by a contact of Wollenhaupt’s who said: “I understand that you guys are in a difficult position but if you come to this meeting [at Wollenhaupt’s home] some things can be cleared up.”

Myhill said: “All I can assume is that [Wollenhaupt] got to know from Denel that we had the rights. He then engaged in discussions with us. We did not have a buyer at all at that stage. We had tried our damndest to dispose of them for normal profit, but were unable to do so.”

In Parker’s view, he and his partners were forced to sell Exotek — and the contract giving the right to buy the Pumas from Armscor with it — for \$2.5 million, to Namibian-registered Support Systems Corporation, a company 51 percent owned by another Wollenhaupt entity.

Wollenhaupt gave MGCIJ a similar account, although he denied forcing anyone to sell. He said Lisouba wanted “VIP” helicopters from him but when he went knocking at Armscor and Denel’s door to supply Pumas, officials told him to deal with Exotek, which had the right to acquire all 28 available.

Wollenhaupt insisted that the president did not want them for the

war effort. He pointed to Lissouba having indicated, next to his signature on the June 1 invoice for the four Pumas, that he was interested in another 16. The refurbishment schedule, Wollenhaupt said, was two every three months. “Lissouba was aware of this timeline and therefore could not have expected that these helicopters would arrive in Congo soon.”

Wollenhaupt’s version appears to be undermined by the timeline on the invoice itself, which promised faster delivery — two by mid-August and another two by mid-September — meaning Lissouba would have received the original order, had all gone according to plan, during the course of the hostilities.

Be that as it may, the three partners sold Exotek to Support Systems Corporation, the Wollenhaupt-linked company, which planned to sell at least four of the Pumas to Lissouba’s Congo. There, had the delivery taken place, the helicopters might well have been used in an escalating civil war.

“No idea”

Parker and Myhill were adamant they and Segers did not know the helicopters were destined for Con-

go nor that they were to profit \$2.5 million from a civil war.

“We had no idea where [Wollenhaupt] was going to sell them. [And] the National Conventional Arms Control Committee [the state body that vets arms exports] would have to approve the end user,” Parker said.

According to Myhill: “I have never engaged with the Congo in any discussions on the sale of Pumas. The reason [Exotek] was sold was that it had the buying right on the Pumas from Armscor.”

While they could not recall when they agreed to sell Exotek, nor when they subsequently learned of the agreement to sell the Pumas to the Congo, he and his partners received their payout almost three months after the June 1 invoice to Lissouba.

The Congo regime paid \$7.7 million directly to Armscor to fulfill Exotek’s purchase contract for all 28 helicopters. An Armscor spokesperson confirmed the money was wired directly from Congo on July 11.

A letter dated July 14 from CTL’s Wilson, the administrator still acting for Exotek, acknowledged receipt of a minor amount in connection with the sale of the company to Wollenhaupt-linked Support Systems Corporation.

Less than six weeks later, on August 28, the three Exotek partners got their full \$2.5 million paid in the BVI.

Myhill disputed that they received as much as \$2.5 million, but he refused to give an amount. However, CTL's own accounts summary reflects the deposit, and Parker confirmed the amount.

No delivery

But the four Pumas were never delivered.

Two months after Lissouba fled the presidential palace that October, Jean-Pierre Ossey, the chargé d'affaires heading Congo's embassy in South Africa, wrote to Wollenhaupt on Sassou-Nguesso's instruction to emphasize that all "contracts and proofs of payment" still stood. It was the new regime's "wish to conclude the outstanding business and conduct further business with you and your group."

Ossey sent Wollenhaupt further demands in May and November 1998.

Wollenhaupt told MGCIJ that the helicopters had been taken from Armscor to Denel, but that "attempts by lawyers and involved parties to receive the helicopters

were unsuccessful. ... In my and my lawyer's opinion, Armscor has not made delivery of the helicopters as per the contract."

Armscor's spokesperson said it had delivered the choppers to Denel Aviation on Exotek's instruction, thus completing Armscor's role in the deal. "Any further enquiries on this matter can be directed to Denel."

Denel Aviation in turn referred all queries to Armscor.

In 2002, the Congolese government sued Armscor in a South African court for the repayment of the \$7.7 million. But Armscor told MGCIJ that following discussions Congo withdrew its case.

"Naïve and greedy"

Wollenhaupt said his company CED Marketing's "actions may have been naïve or even greedy but it never delivered any arms" and that "all contracts were later scrutinized by the relevant authorities in Congo, France and Great Britain and no contracts or payments were found to be related to arms or war equipment."

Wollenhaupt maintained that many of Lissouba's orders for helicopters, planes and trucks predat-

ed the civil war, and that deliveries were “stopped for the entire period of the civil war.”

And he pointed MGCIJ to a letter, also contained in the trove later released by Sassou-Nguesso, in which he told Lissouba that his CED Marketing could not fulfill a request to supply arms.

But a closer reading of the letter shows that while it said that CED, as a South African company, could not help, it assured Lissouba that “an Eastern European supplier possessing government authorization will take care of it.”

The thrust of Wollenhaupt’s letter — dated June 27, 1997, three weeks after the civil war started — dealt with Lissouba’s order of what Wollenhaupt called two MI-17 “transport” helicopters. The letter confirmed receipt of \$1m payment

and an end-user certificate from Lissouba’s regime, and promised that the helicopters would be delivered to the Congo by an Ilyushin-76 cargo plane on June 29 or 30.

Also in Sassou-Nguesso’s trove is an end-user certificate issued 11 days earlier by Lissouba’s ministers. It was frank, confirming Congo’s “intention to acquire two combat helicopters for the defense of its territory.”

On June 29, an Ilyushin-76 delivered two combat helicopters to Lissouba’s forces, according to a press release issued two days later by Sassou-Nguesso’s wartime press office in Paris. ■

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Offshore Tax Havens Became Traps for Investors

By *Scott Higham, Michael Hudson
and Marina Walker Guevara*

Published Online: April 7, 2013

Internal records of offshore trusts and companies in the South Pacific and the Caribbean reveal sanctuaries for secrecy-seekers.

A **NEW YORK** hedge fund manager allegedly swindles \$12 million from a prominent Baltimore family. An Indiana couple is accused of bilking hundreds of customers by charging for free trials of cosmetic products. A financial manager in Texas promises 23-percent returns but absconds with \$33.5 million of his investors' money in a classic Ponzi scheme.

All three cases have one thing in

common: money that ended up in offshore accounts and trusts set up in tax havens around the world.

The existence of the trusts surfaced during a joint examination of the offshore world by *The Washington Post* and the ICIJ. The ICIJ obtained 2.5 million records of more than 120,000 companies and trusts created by two offshore companies, Commonwealth Trust Ltd. (CTL) in the British Virgin Islands and Portcullis TrustNet, which operates mostly in Asia and the Cook Islands, a South Pacific nation. The records were obtained by Gerard Ryle, ICIJ's director, as a result of an investigation he conducted in Australia.

Many people use the offshore world for legitimate purposes, for legal tax shelters or to smooth the



Used offshore havens: Allen Stanford and Raj Rajaratnam. Photos: AP

way for international trade. Offshore havens vaulted into public consciousness last year with stories about Republican presidential nominee Mitt Romney's accounts in the Cayman Islands. Recent coverage of the Cyprus banking crisis has thrust the issue back into the spotlight.

U.S. citizens are permitted to move money offshore as long as they report their account information to the Internal Revenue Service. But there have long been concerns that much of the money is not reported and bleeds tax revenue from gov-

ernments worldwide. Recently, aspects of the offshore world came under assault after whistleblowers alerted the IRS to thousands of unreported U.S. accounts in Swiss banks, resulting in an amnesty offer to violators who paid billions in fines to the U.S. government.

The records reviewed by The Post and ICIJ expose how havens in the South Pacific and Caribbean in some cases have become sanctuaries for individuals seeking to conceal their activities from investigators and investors.

Among the 4,000 U.S. individu-

als listed in the records, at least 30 are American citizens accused in lawsuits or criminal cases of fraud, money laundering or other serious financial misconduct.

They include billionaire hedge fund manager **Raj Rajaratnam**, who was convicted in 2011 in one of the biggest insider trading scandals in U.S. history, and **Paul A. Bilzerian**, one of the most famed corporate raiders of the 1980s, who was convicted of securities fraud.

An attorney for TrustNet, which helped create the companies and trusts for the clients, declined to comment, referring questions to senior TrustNet officials who did not respond to requests to discuss their firm.

Fraud experts say offshore bank accounts and companies are vital to the operation of complex financial crimes. Allen Stanford, who ran a \$7 billion Ponzi scheme, used a bank he controlled in Antigua. Bernard Madoff, who ran the largest Ponzi scheme in U.S. history, used a series of offshore “feeder funds” to fuel the growth of his multibillion-dollar house of cards.

Michael I. Goldberg, a Fort Lauderdale, Fla., attorney who often testifies as an expert on Ponzi schemes, said it is rare to see one

that does not make use of the offshore world.

“If you don’t, it’s usually a very parochial, Podunk type of Ponzi,” he said. “But the more sophisticated ones almost always do.”

The offshore world makes it hard for prosecutors pursuing complex financial crimes to follow the money, because many offshore jurisdictions refuse to recognize U.S. subpoenas and account information is hidden under layers of corporate shells.

“People were trying to hide their money from the IRS, or they were trying to hide their money from law enforcement, or they were trying to hide their money from regulators,” said Paul E. Pelletier, the principal deputy chief of the Justice Department’s fraud section who prosecuted Stanford before entering private practice in 2011. “As a prosecutor, it was very difficult pursuing these people.”

The records reviewed by *The Post* and ICIJ include tax filings, internal memoranda and e-mails kept by CTL and TrustNet.

The CTL records contain information on at least 23 companies linked to an alleged \$230 million tax fraud in Russia, a case that was being investigated by a Moscow-

CTL's general manager, Sandy Holburn, warned about the firm's Russian clients: "There's obviously a lot going on that we don't really know or understand concerning the users of the companies we form for these clients."

based lawyer named Sergei Magnitsky, who died in prison under suspicious circumstances. One of the companies was used to set up Swiss bank accounts into which the husband of a Russian tax official deposited millions in cash, according to legal filings in Switzerland.

The Magnitsky Affair has created tensions between the United States and Russia. Russia last year blocked hundreds of foreign adoptions after Congress passed the Sergei Magnitsky Act, barring Russian officials believed to be involved in the lawyer's death from entering the United States or using its banking system.

There's no evidence that CTL participated in fraud or other crimes. Internal records suggest, however, that the firm often did little to screen its clients to make sure they weren't involved in illicit activities.

CTL co-founder Thomas Ward

blamed many of the firm's problems on "the law of large numbers." Anytime you form thousands of companies for thousands of people, he said, it's likely that a few of them are going to be up to no good.

"I regard myself as an ethical person. I don't think I intentionally did anything wrong," said Ward, an entrepreneur from Canada who has worked as a consultant for CTL since selling it to new owners in 2009. "I certainly didn't aid and abet anybody doing anything illegal."

In late 2005, CTL's general manager, Sandy Holburn, warned about the firm's Russian clients: "There's obviously a lot going on that we don't really know or understand concerning the users of the companies we form for these clients."

Ward agreed that such clients might "cause some difficulty," but told Holburn there was "little we can do about that unless we wish to

stop growing,” according to an e-mail exchange at the time.

Ward said he does not recall Holburn’s warning and added that the firm’s client-screening procedures were consistent with standard practices in the offshore industry. He said the firm often relied for its vetting on intermediaries in other countries who usually employed lawyers and accountants and did a good job of collecting information about would-be clients.

But he said such measures can’t always protect firms from “being duped by dishonest clients” or signing on “someone who appears, to all historical examination, to be honest” but “later turns to something dishonest.”

Cordishes lose \$12 million

In the spring of 2006, New York financial planner **Brian Callahan** and a TrustNet attorney toured the United States with a sales pitch that urged wealthy Americans to invest their money through trusts set up in the Cook Islands. Among the clients that Callahan and the attorney approached was a family that runs a large commercial real estate and casino development company in Baltimore, the Cordish Cos.

At the time, the Cordishes were already in the process of creating four trusts in the Cook Islands through TrustNet and the family eventually placed \$116 million worth of assets in them, a transfer they disclosed to the IRS. They invested some of the money with Callahan, but instead of protecting their investment, he allegedly swindled the Cordishes out of nearly \$12 million, according to previously confidential documents and a civil lawsuit brought by the Securities and Exchange Commission.

The SEC sued Callahan this past May, alleging that he diverted investor money to help pay for his home in a fashionable Long Island enclave and to underwrite his brother’s oceanfront real estate project in Montauk, N.Y.

Callahan’s attorney declined to comment, citing the SEC case and a criminal investigation into his client by federal prosecutors.

The Cordishes also declined to comment.

Callahan raised \$90 million from at least 45 investors who reported losing nearly \$68 million, according to a recent filing by Steven Weinberg, a court-appointed receiver in the case.

The U.S. Attorney’s Office for

Today, there are between 50 and 60 offshore financial centers around the world holding untold billions of dollars.... Groups that monitor tax issues estimate that between \$8 trillion and \$32 trillion in private global wealth is parked offshore.

the Eastern District of New York has opened a criminal investigation and initiated forfeiture proceedings of Callahan's Long Island home and the Montauk real estate project.

For the better part of a century, the U.S. government has been trying to rein in the offshore world. In 1937, Treasury Secretary Henry Morgenthau Jr. wrote to President Franklin D. Roosevelt to warn that millions of tax dollars were being kept in offshore accounts and limited partnerships, including one \$3 million account in the Bahamas.

"The companies are frequently organized through foreign lawyers, with dummy incorporators and dummy directors, so that the names of the real parties in interest do not appear," Morgenthau wrote.

Today, there are between 50 and 60 offshore financial centers around the world holding untold

billions of dollars at a time of historic U.S. deficits and forced budget cuts. Groups that monitor tax issues estimate that between \$8 trillion and \$32 trillion in private global wealth is parked offshore.

For most investors in the United States, the first step to open an offshore account is to contact one of the hundreds of law firms specializing in "asset protection." These firms then call on a sprawling industry of offshore-based middlemen, such as CTL and TrustNet. They set up companies and arrange trusts and hard-to-trace bank accounts.

Sen. Carl M. Levin (D-Mich.) has been holding hearings and conducting investigations into the offshore world for nearly three decades. In 2010, Congress passed the Foreign Account Tax Compliance Act requiring that U.S. taxpayers report foreign assets to the government and foreign institutions alert

the IRS when Americans open accounts.

In February, Levin introduced legislation that would permit the Treasury Department to penalize offshore financial institutions that “significantly” impede U.S. tax enforcement and put an end to accounting practices that enable corporations to evade billions in taxes.

“We can’t afford to lose tens of billions of dollars a year to tax-avoidance schemes,” Levin said. “And many of these schemes involve the shift of U.S. corporate tax revenues earned here in the U.S. to offshore tax havens.”

The efforts by Levin and other lawmakers have been opposed by powerful lobbying interests, including the banking and accounting industries and a little-known nonprofit group called the Center for Freedom and Prosperity. CF&P was founded by Daniel J. Mitchell, a former Senate Finance Committee staffer who works as a tax expert for the Cato Institute, and Andrew Quinlan, who was a senior economic analyst for the Republican National Committee before helping start the center.

In filings with the IRS, the center says it has “met with more than 175 Capitol Hill offices on benefits

of tax competition.” The center argues that unfettered access to offshore havens leads to lower taxes and more prosperity.

According to records reviewed by The Post and ICIJ, the organization’s fundraising pleas have been circulated to offshore entities that make millions by providing anonymity for wealthy clients, many of them U.S. citizens.

In May 2007, one director of a Hong Kong company that creates offshore trusts sent a CF&P solicitation to contacts in the Cook Islands, pointing out that CF&P was trying to raise \$250,000 for a lobbying campaign to “stop the bleeding, build allies and go on the offensive” against efforts in Washington to regulate the industry.

“I personally think the efforts of CF&P should be supported by the Cook Islands given the impact [that] passage of current bills being considered in the USA Congress would have on the jurisdiction and industry,” the director said.

Attached to the e-mail was the proposal from CF&P to “work with Congress and the White House” and explain the “legitimate role that low-tax countries play in protecting financial privacy.”

Quinlan, the president of CF&P,

declined to disclose his donors or say how much of the \$200,000 his organization raises each year comes from the offshore world.

“I don’t think it matters what percentage of the money comes from which donor,” Quinlan said. “There are huge offices on K Street that lobby on behalf of interests that are outside the United States. We’re just trying to be as effective as we can be.”

Mitchell, the co-founder of CF&P, added that nations shouldn’t be telling other countries how to conduct their affairs and noted that the United States is one of the worst offenders in the world when it comes to corporate secrecy.

“The United States is one of the biggest tax havens in the world,” Mitchell said. “In general, the United States is impervious to fishing expeditions here, and then the United States turns around and says, ‘Allow us to do fishing expeditions in your country.’”

Bankrupt couple’s \$3 million

In 2003, hundreds of U.S. consumers complained that they had been bilked by an online health and beauty supply company operating out of the home of **Wayne and Anita**

Phillips in Evansville, Ind. The Indiana attorney general’s office stepped in, accusing the couple of civil fraud and demanding refunds in excess of \$1 million.

The attorney general’s office alleged that companies controlled by the couple had promised “free trial” offers for their products, including vitamin supplements and “fat buster” beauty creams, but customers ended up paying for the products without receiving their free trials.

When requests for refunds began to mount, the couple filed for bankruptcy protection in October 2003. A month later, they opened a company on the Caribbean island of Nevis, records show.

The next month, Fifth Third Bank, which had sustained heavy losses, filed a lawsuit in the case against the Phillipses. Two weeks later, the Phillipses opened a trust in the Cook Islands.

The couple transferred millions in assets into the offshore accounts, according to court documents and the internal records. Within three years, one offshore company formed by the couple held \$3 million, assets that were beyond the reach of the U.S. judge overseeing the bankruptcy case.

“They were moving funds offshore and there was nothing we could do,” said Andrew C. Ozete, a lawyer hired by Fifth Third Bank, which claimed it lost more than \$1 million in the case. “The judge was not happy. Judges don’t want to hear that people have moved millions of dollars offshore so they don’t have to pay settlements.”

The bankruptcy judge appointed attorney R. Stephen LaPlante as the trustee to recover as much money as he could for the creditors.

“I thought to myself, how are we going to get this money back?” LaPlante said. “We didn’t know anything other than that these accounts existed. For someone like me, I can’t do my job when people are able to create these kinds of trusts.”

When LaPlante learned that the Phillipeses were planning to move to Costa Rica, he asked the judge to order them to surrender their passports.

The couple eventually settled the lawsuit without admitting wrongdoing and repaid some of the money to the bank, but Ozete said his client was not able to recover much. The Indiana attorney general’s office also settled with the couple, dropping its lawsuit in return for

their promise to refund \$130,000 to customers and pay a \$20,000 fine.

“I really can’t say anything about this,” Wayne Phillips told The Post recently.

“It was stunning to see how the laws are written in these places to create these havens,” said Justin G. Hazlett, the deputy attorney general in Indiana who investigated the case. “It presents a significant uphill battle to pierce through these accounts.”

Secrecy cuts both ways

In 2005, Dennis Kittler, the president of a Houston-based oil company, thought he had found a sound investment opportunity after hearing a sales pitch by a businessman named **Robert Watson**.

Watson, who told clients he was a former military intelligence officer and a professor of finance at Texas A&M University, said he had developed an algorithm for trading in foreign currencies. He promised returns as high as 23 percent.

“He came out of A&M with an accounting degree. He was in Special Operations in the Army; he had gone on all these covert operations around the world; he knew all these generals,” Kittler recalled in

a recent interview. “He went to my daughter’s graduation. He always seemed to remember everyone’s birthday. I thought he was one of the greatest guys in the world.”

The first sign of trouble came in 2008, when Kittler received a monthly report that was identical to the one he had received the month before. Kittler called Watson, who apologized for what he called an oversight.

“He said he was sorry and he said, ‘I guess I owe you another \$50,000.’”

The following summer, Kittler received a call from his attorney.

“He said, ‘You know that guy you’ve been investing with? He’s been arrested.’”

Kittler soon learned that Watson was a fraud. When investors withdrew money, Watson simply transferred funds from other investors to cover the withdrawals, using two British Virgin Islands companies set up by the offshore firm CTL, court records and internal documents show.

“He should have won an Academy Award,” Kittler said.

According to previously confidential documents reviewed by *The Post* and ICIJ, the nominal directors of Watson’s companies were a

husband-and-wife team in the Caribbean who had served as directors of other companies with thousands of wealthy clients seeking to shield their assets.

Watson used his investors’ money to pay for a high-flying lifestyle, including a \$500,000 annual salary and a \$33,000 diamond ring.

In February 2012, a federal judge sentenced him to 20 years in prison and ordered him to pay restitution and a \$10 million fine.

Kittler lost nearly \$2 million, among 132 investors who lost an estimated \$33.5 million.

“Once your investment ends up in a place that bills itself as a secrecy haven, your money is offshore and you have no legal standing to go get it,” said David L. Peavler, an associate regional SEC director in Texas who worked on the case. “You’re basically putting your faith in another country’s process and there’s a high degree of risk. You have to ask yourself, why in the world would you send your money there?” ■

This article was also published in The Washington Post.

Contributor to this story:
Magda Jean-Louis



Chaudhry family residence in Lahore, Pakistan, which was listed as the address for Moonis Elahi in the offshore files.

Son of Leading Pakistani Politician Tied to Secret Caribbean Company

By Aamir Latif and Marina Walker Guevara

Published Online: April 8, 2013

Moonis Elahi, a Punjab legislator, was shareholder of a British Virgin Islands firm set up with the help of Swiss bank UBS.

The scandal-buffed heir to one of Pakistan's most powerful political dynasties, the Chaudhry family, owned a secret company in the British Virgin Islands he created with the help of Swiss bank UBS, according to documents obtained by the ICIJ.

Moonis Elahi, son of Chaudhry Pervaiz Elahi, who has just stepped down as deputy prime minister, was the sole shareholder in an offshore company called Olive Grove Assets Ltd, created in 2006 in the British Virgin Islands according to corporate records reviewed by ICIJ. In 2008 Moonis Elahi won a seat in the Punjab Provincial Assembly.

Elahi was swept up in scandal in 2011 when government prosecutors accused him of obtaining illegal payments in an alleged land scam involving the government-owned National Insurance Company Limited (NICL).

A Pakistani court acquitted him after what critics say was intense interference from Pakistan's government, which twice transferred the case's head investigator and later suspended him. The president of Transparency International Pakistan, Syed Adil Gilani, said Elahi's acquittal was "completely bogus and fraudulent."

Even Pakistan's Supreme Court accused the government of hinder-

ing the prosecution against Elahi.

During the probe, Pakistan's Federal Investigations Agency uncovered a bank account that Elahi kept in the British Virgin Islands. But the existence of the offshore company discovered by ICIJ never surfaced during the agency's investigation.

In an email to ICIJ, Elahi said he does not own or control the BVI company found by ICIJ. He did not answer whether he had owned the firm in the past.

ICIJ verified Elahi's connection to the firm through the address listed for the politician in the corporate records, which is that of the Chaudhry family residence, a columned white mansion in the eastern city of Lahore. According to the data, the company was active at least until 2010.

The records show the Singapore branch of Swiss bank UBS acted as intermediary between Elahi and the Singapore-headquartered offshore services provider, Portcullis TrustNet, which set up the BVI company.

The files suggest that UBS was closely involved in the affairs of Elahi's company. "With immediate effect, all correspondences of the above entity to be sent to Nicolas Nussbaumer as per UBS email dated 15 April 2008," reads a note included among Olive Grove Assets



Moonis Elahi

documents reviewed by ICIJ. Nussbaumer was the UBS contact for Elahi's company.

The arrangement wasn't unusual. The ICIJ files show that in the past 20 years UBS and TrustNet worked together to help the bank's clients set up more than 2,960 companies in 12 offshore jurisdictions from the Bahamas to Hong Kong.

In 2008, UBS was the first casualty of the U.S.'s historic crackdown on Swiss banking secrecy. The bank agreed to pay \$780 million to settle U.S. civil and criminal charges, admitting it had helped Americans hide their money from the IRS. U.S. Senator Carl Levin of Michigan said investigators found that UBS had woven a cloak of secrecy by using offshore companies, anonymous wire transfers and code names for clients.

A UBS spokesperson declined to comment about particular clients citing confidentiality issues but said the bank has strong guidelines for the verification of its clients' sources of wealth.

Elahi is one of about 40 Pakistanis included in a cache of 2.5 million offshore records obtained by ICIJ, the largest collection of offshore data ever gathered and analyzed by a media organization. The files also

contain information about another Pakistani politician, Sen. Muhammad Talha Mahmood, who created a company in 2008 in Mauritius, a tax haven island off the southeast coast of Africa, with the help of Deutsche Bank.

Mahmood told ICIJ that he had created the company hoping to use it for his automotive battery export business but that it became so complicated to get the necessary permits from the Pakistani government that he soon abandoned the idea and closed the company. He said he used Mauritius because it was the easiest place to incorporate a company, but that the short-lived firm did not hold "a single penny."

Global Financial Integrity, a Washington-based research group that tracks dirty money worldwide, estimates that \$2.5 billion was illegally siphoned out of Pakistan between 2001 and 2010.

Shahid Hasan Siddiqui, a Karachi-based economist and former World Bank consultant, said Western governments and international organizations have put pressure on banks to question the source of the money kept by their Pakistani clients in offshore accounts. But in their chase for profits, he said, banks often circumvent their own

anti-money-laundering regulations. “They cannot afford to lose such huge amounts.”

Political interference

The Chaudhrys, Moonis Elahi’s powerful family from the northern Punjab province, have wielded major influence in Pakistani politics since the 1960s. They own large tracts of agricultural land.

In 2010, Transparency International presented evidence in court that officials at Pakistan’s National Insurance Company had used taxpayers’ money to buy land at artificially inflated prices. One of the sellers who allegedly benefited from the corrupt deals was a former defense minister, Habibullah Warraich.

The lead investigator in the NICL case, Zafar Qureshi, said he was surprised when the money trail in the case led to the scion of the Chaudhry clan. Moonis Elahi, who attended Wharton Business School in the United States, is considered the future of the right-wing party Pakistan Muslim League (Q).

Qureshi said he uncovered evidence that one of the main suspects in the land scam had deposited 220 million rupees (\$2.3 million) in local bank accounts that were held in the

name of laborers who used to work at a sugar mill owned by Elahi’s family. The investigative report that Qureshi presented in court alleged that a manager for Moonis Elahi admitted opening the bank accounts and later transferring the money to another account controlled by Elahi.

With the help of British law enforcement, Qureshi also discovered a bank account that Elahi controlled at EFG Private Bank Ltd. in the British Virgin Islands with a balance of more than £1.1 million (\$1.8 million).

Elahi surrendered to police in March 2011. That’s when pressure started to build.

Twice during the investigation, higher ups in the government transferred Qureshi off his job and off the case. Pakistan’s Supreme Court intervened and ordered his reinstatement. He resumed charge of the investigation only to find that three members of his investigative team had been transferred away.

In May 2011, the opposition Pakistan Muslim League (Q), led by the Chaudhrys, formed an alliance with the ruling Pakistan People’s Party, and Chaudhry Pervaiz Elahi, Elahi’s father, joined the government. Many in the opposition and the Pakistani media saw the deal as a political move designed to give the ruling

party needed seats in the national assembly and save Moonis Elahi from the corruption charges.

“Although it sounds flattering that this was all done for me, it’s absolutely not true,” said Moonis Elahi in his email to ICIJ. “We joined the government because there was a lot of pressure from parliamentarians within our party. We took the step to stop them from leaving and joining other parties.”

In July 2011, the Supreme Court accused the Pakistani government of “political interference.” The justices ordered an inquiry into the matter, saying that the corruption probe had been “badly hampered” to the point that “no progress has been made and looted money, which has been taken outside the country, is not likely to come back.” The inquiry corroborated the justices’ earlier findings of political meddling in the case.

Qureshi retired from the FIA in September 2011.

During Elahi’s trial, the investigator who replaced Qureshi said the government had found no evidence against him. The judge who exonerated Elahi in October 2011 said in his ruling that the prosecution had “half-heartedly” pursued the case.

“The entire government stood alongside the accused throughout

the investigation,” Qureshi told ICIJ in a recent interview. He said he received death threats during the probe. Police still stand guard outside his home in a newly developed neighborhood in Lahore.

Pakistan’s interior minister, Rehman Malik, has strenuously denied that the government interfered in Elahi’s prosecution. The cases against the others accused in the alleged land scam are still in progress.

In an email to ICIJ, Elahi said he was innocent and that the FIA’s “purpose was to arrest me and not investigate.” He said during the trial the judge and the prosecutors took long leaves. “I don’t blame the Supreme Court, but some influential people were definitely trying to delay my case.”

Experts say that money siphoned out of Pakistan and stashed in offshore accounts has a direct impact on average Pakistanis who can’t use offshore accounting to get ahead.

“Just imagine, our people are reeling from poverty and unemployment, and our politicians and businessmen have billions of dollars rotting in offshore accounts,” Siddiqui, the economist, said. “This money could have changed the country’s economic dimensions if it had been utilized here.” ■

Top Malaysian Politicians Use Offshore Secrecy

*By Aidila Razak, Kuek Ser Kuang Keng,
Wong Teck Chi and Steven Gan*

Published Online: April 8, 2013

Key members of the Malaysian government, their families, and well-heeled associates are among those owning secretive offshore companies in Singapore and the British Virgin Islands, according to a cache of leaked documents.

THEY INCLUDE former prime minister Mahathir Mohamad's son Mirzan, Federal Territories and Urban Well-Being Minister Raja Nong Chik Zainal Abidin and Michael Chia, the alleged 'bagman' for Sa-

bah Chief Minister Musa Aman.

The files, which were obtained by the ICIJ and examined by Malaysiakini, show more than 1,500 Malaysians owning offshore companies in Singapore — dubbed as the new Switzerland — as well as the British Virgin Islands (BVI), an international tax haven.

The ICIJ list comprises a curious mix of Forbes-listed tycoons, parliamentarians, retired politicians, civil servants and their spouses, members of royal families, famous and infamous businesspeople, underworld kingpins and even former beauty queens.

While some of the offshore companies carry out legitimate transactions, others are likely to be part of the 871.4 billion ringgit (about \$285 billion) estimated by Wash-



Then-Malaysian Prime Minister Mahathir Mohamad (right) with his son Mirzan Mahathir at the 1997 ASEAN summit. Photo: AP

ington-based financial watchdog Global Financial Integrity (GFI) to have been lost through illicit outflows over a 10-year period.

In 2010 alone, GFI reported that close to 200 billion ringgit (about \$65 billion) of dirty money was siphoned out of Malaysia, putting the country second only to Asian economic powerhouse China in global capital flight.

The leaked ICIJ files provide secret records of offshore holdings of people and companies in more than 170 countries and territories.

“The hoard of documents represents the biggest stockpile of inside information about the offshore system ever obtained by a media organisation. The total size of the files, measured in gigabytes, is more than 160 times larger than the leak of US State Department documents by Wikileaks in 2010,” says ICIJ.

Despite the extensive data, this is not the complete list of all offshore companies around the world. Indeed, it is only the tip of the iceberg.

Nevertheless, it allows members of the public, for the very first time, to sneak a peak into the secretive world of anonymous wealth.

The well-being minister

According to the leaked documents, Raja Nong Chik, who is Lembah Pantai Umno chief, is a shareholder and director of RZA International Corporation, a British Virgin Islands entity incorporated on August 21, 2007, through Singapore.

The company is a mirror of Malaysian entity Kumpulan RZA Sdn Bhd, a 1979-founded company dealing in real estate and equities investment.

Raja Nong Chik set up the off-

shore entity with his father, Raja Zainal Abidin Raja Tachik, a number of his sisters and brothers as well as other family members. Most of them are also shareholders and directors of Kumpulan RZA Sdn Bhd.

Prior to his senatorship, Raja Nong Chik was a corporate figure who founded and managed an engineering firm for 20 years.

Contacted by Malaysiakini, the minister confirmed that RZA International was set up by his father, who will turn 96 this year, “for the purpose of holding legitimate offshore investments for the family.”

However, the minister did not elaborate on the offshore investments made by his family through the company. He added that RZA International was de-registered in 2009.

“The company was not used to obscure activities of Kumpulan RZA Sdn Bhd, and neither was it used to circumvent taxes or hide transactions overseas,” Raja Nong Chik said in an email to Malaysiakini.

The former PM’s son

Mirzan Mahathir, the eldest son of Mahathir, is also among those the ICIJ list as director and shareholder of three offshore companies.



Raja Nong Chik



Mirzan Mahathir

Mirzan's major commercial vehicle in Malaysia is Crescent Capital Sdn Bhd, an investment holding and independent strategic and financial advisory firm. He is the company's chairperson and chief executive officer.

A *Forbes*-listed entrepreneur, Mirzan holds a non-executive director position in Philippines-based San Miguel group, which has raised eyebrows in Muslim-majority Malaysia, as beer brewery is a core businesses of San Miguel.

One of Mirzan's offshore entities is called Crescent Energy Ltd, a Labuan offshore company incor-

porated on Dec 16, 2003, originally named Mainline Ltd and with an authorized share capital of 37,000 ringgit (about \$12,000).

Mirzan became a director and main shareholder six days later and the company was renamed Crescent Energy on May 16, 2008.

Another Labuan offshore company, Utara Capital Ltd, in which Mirzan is named as sole shareholder and director, was incorporated on Aug 19, 1997, with an authorized share capital of US\$15,000.

The third company, Al Sadd Investments Pte Ltd. was also a Labuan offshore company. It was established on May 14, 2009, with an authorized share capital of US\$12,000. Mirzan is listed as the sole shareholder and director of Al Sadd Investments.

Malaysiakini has approached Mirzan's office for his comments on these offshore companies, but his aide said he was unable to respond on the matter as he was out of town.

The Sabah 'bagman'

Another prominent personality on the list is Chia Tien Foh, who is better known as Michael Chia — the shadowy business tycoon allegedly linked to Sabah Chief Minister Musa Aman.

Chia, too, has three offshore companies in which he is listed as either director or shareholder. One of them was CTF International Ltd, with 'CTF' seen as the initials of Chia's full name. It was incorporated on April 18, 2006, in the British Virgin Islands.

CTF International gained notoriety when it was named by whistleblower website Sarawak Report of being a conduit in channelling millions of ringgit to a Hong Kong account allegedly linked to Musa.

However, Musa has denied any business ties with Chia.

CTF was de-registered in 2008. The other two offshore companies owned by Chia are Ravenswood Development Ltd and Ark Capital Technologies Ltd.

In addition, Chia's wife Yap Loo Mien and another woman, who is alleged to be his mistress, Yap Siaw Lin, also appear on the list as key shareholders in three separate British Virgin Islands entities.

Loo Mien owned two companies — Perfect Minds Incorporated and



Musa Aman (left) and Chia Tien Foh (right)

StarWater Corporation — while Siaw Lin owned Splendor Success Worldwide Ltd.

Malaysiakini contacted Chia through the address stated in his company registration documents for comments, but there has been no response.

Iron-clad secrecy

According to a former officer with of the Inland Revenue Board (IRB), Malaysians parked their money offshore to enjoy significantly lower or no taxes. When the income is illegal, they are protected by a wall of secrecy.

Such ploys, said the officer who was a tax investigator, may not al-

ways succeed as Malaysia has a double taxation agreement with close to 80 countries that provides for the exchange of information on investigations involving the prevention or detection of tax evasion or fraud.

This includes Singapore, where some of the offshore companies are based.

The island republic has been labelled by Sarawak corporate lawyer Alvin Chong as the “new Switzerland” in a recent video clandestinely filmed by London-based NGO Global Witness.

The retired officer, who worked with the IRB for more than 20 years, added that while the setting up of offshore companies was in itself not illegal such companies

could be used to evade taxes.

“For example, a payment can be made for a seemingly legitimate service, like consultancy for the procurement of submarines, but it is paid to a company set up overseas, where the recipient pays a lower tax.

“Singapore and Hong Kong, with corporate tax rates of about 17 percent compared with Malaysia’s 25 percent, are popular parking lots,” he said, speaking on condition he not be named.

Tax evasion

One of the methods of tax evasion was explained by Chong in the Global Witness video — how to avoid paying capital gains tax on Sarawak’s dodgy land deals.

According to the former tax officer, offshore companies often include many layers of ownership through nominees to camouflage and “water down the link” to the original owner.

As such, he said, the act of setting up offshore companies in tax



Alvin Chong (right)

havens often raised red flags.

“Someone can say that their company is set up in the British Virgin Islands, for example, but the money they use to set up the BVI company, or more importantly, the operations channelled through these tax havens could raise suspicion as being not genuine and invite an IRB probe,” he said.

“If the MACC (Malaysian Anti-Corruption Commission), IRB or the police want information from their Singapore counterparts, for example, the Singaporeans are obliged to give, at least under the

Malaysia-Singapore DTA (double taxation agreement),” he said.

But most tax havens are not signatories to DTA agreements and they operate outside international laws.

Moreover, it is also up to the Malaysian authorities to decide whether to pursue the case and seek the necessary information from their counterparts abroad. ■

This article was also published in Malaysiakini.

Contributor to this story:
Kimberley Porteous

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Looting the Seas

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Billionaires Among Thousands of Indonesians Found in Secret Offshore Documents

By Nicky Hager

Published Online: April 9, 2013

Owners of corporations registered in tax havens include some linked to regime of the late dictator, Suharto.

NINE of Indonesia's 11 richest families have found shelter in tropical tax havens, holding ownership of more than 190 offshore trusts and companies, secret records obtained by the ICIJ show.

The nine families, worth an estimated \$36 billion among them, are at the top of a wealthy class that dominates Indonesia's politics and economy.

Six were closely tied to the late dictator Suharto, who helped a special circle of Indonesians grow rich during his 31-year rule by granting economic fiefdoms to family and friends.

The billionaires are among nearly 2,500 Indonesians found in the files of Singapore-headquartered offshore services provider Portcullis TrustNet, which ICIJ has been analyzing and began reporting on last week.

Although there is no evidence in the files of illegality by any of the nine families, they are part of a wider Indonesian economy riddled with secret offshore companies and resources draining away to offshore bank accounts.

Danang Wirtaus of Indonesian



Names in the offshore records include billionaires linked to former Indonesian dictator Suharto (left) and the son of former president B. J. Habibie (right).

Photo: AP

Corruption Watch said that after Indonesia's 1998 financial crisis many Indonesian tycoons moved to Singapore and Hong Kong. "Offshore companies were essential because they are not Indonesian companies any more," he said.

However he said that for other very rich Indonesians as well, "when ever their companies become bigger and bigger, they can use offshore companies to reduce their tax and increase profits."

On its website, the Indonesian

tax authority says that taxpayers and companies resident in Indonesia are subject to taxation on their worldwide income. This includes in tax havens. It says there are special tax forms to declare transactions occurring in tax havens.

In December 2012 the Washington-based research organization Global Financial Integrity estimated that Indonesia had lost over \$10 billion in "illicit financial outflows," including tax evasion, each year between 2001 and 2010. This placed it

9th out of 150 developing countries for the quantity of money disappearing into offshore tax havens. These outflows of “dirty money” deprive nations of investments in healthcare, education and infrastructure, GFI said in a statement.

However there are also legitimate uses for offshore companies. Service providers like TrustNet allow companies and individuals to do business, diversify their investments and forge alliances across political borders. They also help individuals who live in multiple countries to manage their affairs.

The files analyzed by ICIJ show how wealthy Indonesians have embraced the anonymity offered by the offshore world. The Riady family, for instance, owners of the conglomerate Lippo Group, had at least 11 offshore companies and trusts, records obtained by ICIJ show. But TrustNet cautiously refers to the Lippo companies in internal correspondence as “Client A”. Company records explain that “the client does not want to be seen dealing offshore.” Their agent Gary Phair instructed the TrustNet staff to “delete any reference to ‘C/- [care of] Lippo Group’” from all contact addresses in Client A records.

Phair also asked that his own

name not to be used in issuing invoices: “Please do not mention Gary Phair’s name,” the TrustNet staff wrote. “We are to refer to him in an invoice as either ‘the company representative’ or ‘your representative.’”

The tiny Cook Islands in the South Pacific have been a preferred destination for many Riady family offshore entities, from 1989 until at least 2009, the files indicate.

The Riadys and Lippo were at the center of a foreign political cash scandal during American President Bill Clinton’s 1996 reelection campaign, with the company admitting dozens of violations of U.S. campaign law and the family’s scion, James Riady, pleading guilty to fraud and paying an \$8.6 million fine.

A spokeswoman for Stephen Riady, James’ brother, declined to discuss the family’s offshore entities. She said there was “nothing illegal or improper in protecting the privacy of one’s own information” and no adverse implication should be drawn from the group doing so.

Some Riady (“Lippo”) group companies were publicly listed companies, so information regarding them was publicly available. “Other companies in the group are privately owned, so information concerning these companies is private and will

only be disclosed to the appropriate regulatory authorities, as and when required by law.”

Phair also declined comment, citing “strict obligations of confidentiality to my clients and former clients regarding their business affairs.”

One of Indonesia’s big tobacco families also used the Cook Islands. On May 18, 2005, Philip Morris International completed the purchase of 97 percent of the shares of the Sampoerna tobacco company. It paid the Sampoerna family, Indonesia’s 10th richest, \$2 billion for their minority stake. Two weeks later, on May 31, TrustNet established an offshore trust called Strong Castle Trust in the Cook Islands.

Sulistiani Sampoerna is listed in the TrustNet files as “trust settlor”, possibly indicating it was her money the trust was to hold. She did not respond to a request for comment. Two other Indonesian tobacco billionaires, Susilo Wonowidjojo and Peter Sondakh, also have multiple offshore companies.

Four more of Indonesia’s very richest are known for their role in clearing vast areas of tropical rainforest. Eka Tjipta Widjaja, the Salim family, Sukanto Tanoto and Prajogo Pangestu built their fortunes after they obtained licenses to log and

clear rainforest during the Suharto years.

Between them they have over 140 offshore companies, mostly in the British Virgin Islands.

More recently Widjaja, Tanoto and Pangestu have invested heavily



Eka Tjipta Widjaja

in palm oil plantations. A series of reports earlier this year from the Pulitzer Center on Crisis Reporting described palm oil as one of the most controversial commodities on earth. Palm oil plantations have replaced “swathes of rainforest the size of small countries”.

The documents obtained by ICIJ show that as Suharto’s rule came to an end in 1997-98, the number of new TrustNet companies and trusts set up for Indonesians spiked.

TrustNet’s employee Stephen Breed arranged a trip to Jakarta in late 1997 to speak with at least one important client about the services TrustNet provided. He made an appointment to meet with Marimutu

Sinivasan, chairman of Texmaco, an Indonesian textile and industrial conglomerate.

Sinivasan was a favorite of Suharto, and state banks and government agencies extended some \$2.2 billion in loans to Texmaco, much of it in the dictator's final months in power. TrustNet incorporated a Cook Islands offshore company on April 4, 1997, named the Pipeline Trust Company Limited and transferred its shares to Sinivasan's name on Aug. 13, 1997.

The Pipeline Trust Company used the TrustNet subsidiaries Directcorp and Secorp as its director and secretary. Sinivasan was the sole shareholder. TrustNet later sent Sinivasan a power-of-attorney document on Dec. 11, 1997 that entitled him to open bank accounts and transfer money in and out of the accounts in the name of the company.

Sinivasan could not be reached for comment.

Other members of prominent Indonesia families set up offshore companies using TrustNet at this time. In September 1998 TrustNet set up a secretive offshore company called Pico Trading Limited. No real directors or owners were recorded. Invoice records show dozens of payments — usually tens of

thousands of dollars each — made from Pico Trading's bank account. More than \$30,000 went to someone called "Yanti Rukmana," the same name as Suharto's oldest daughter. But, as the secretive record-keeping intended, there is no way of knowing from the documents if it was actually her.

Suharto was finally forced from power on May 21, 1998, and was replaced by his deputy B.J. Habibie, who promised to increase transparency compared to the Suharto years.

Yet even Habibie's own sons used offshore companies, records reviewed by ICIJ show. His younger son Thareq Kemal Habibie was part of the rush of Indonesians setting up offshores in 1998. He formed two British Virgin Islands companies in the last weeks before Suharto had to resign. A decade later another son, Ilham, personally organized at least seven TrustNet companies to provide an offshore base for enterprises inside Indonesia, including exploration and mining. He did not respond to a request for comment.

Most of Indonesia's 240 million people have barely heard of the offshore world. But for wealthy and powerful Indonesians, it is still a routine part of managing their business and finances. ■

Jailed Property Man Hid Assets Offshore During Divorce

By Duncan Campbell and Craig Shaw

Published Online: April 8, 2013

Ex-wife is suing Scot Young for share of \$610 million fortune that he claims he lost within three months.

JAILED BRITISH property developer Scot Young, an associate of Russian oligarch Boris Berezovsky, constructed a secret network of offshore companies to hold his assets during a multimillion-pound divorce battle, according to the ICIJ's research.

His story graphically demonstrates the way hideaways such as the British Virgin Islands (BVI) can be used by a man bent on cheating the law.

Young, 51, described as a fixer for the super-rich, rose suddenly from working-class origins in Dundee to

occupy a \$21 million Oxfordshire mansion and to throw his money about in spectacular fashion. He once bought his then wife, Michelle, a Range-Rover filled to the roof with couture dresses. For her 40th birthday, he gave her a \$1.5 million necklace.

He is held in Pentonville prison for contempt of court, following bitter seven-year divorce proceedings in which he failed to explain where his fortune had gone. He could be eligible for parole in two weeks. He has not responded to requests for comment.

Michelle Young is suing for a share of the \$610 million fortune that Young reportedly owned in 2005, but which he claims disappeared and became debts of \$43 million within three months. He owes nearly \$1.5 million in mainte-

nance and almost \$2 million in unpaid tax.

Despite declaring bankruptcy in 2010, Young continued to live lavishly. He told the high court that top businessmen were supporting him with gifts and loans.

Mrs Young alleges that associates such as the exiled Berezovsky, who was found hanged at his Ascot mansion last month, helped her ex-husband conceal his assets.

She said: "I find it disgraceful the amount of money that has been allowed to be hidden offshore, and that it is legal to put assets out of reach in cases like mine."

Young was finally jailed in January 2013 for failing to verify his alleged financial losses. Mr Justice Moor told him he had committed a "flagrant and deliberate contempt" over a very long period of time. Back in 2005, as his marriage deteriorated, Young had joined forces with Russian businessman Ruslan Fomichev, formerly Berezovsky's business partner, to invest in a deal to redevelop a \$100 million former paint-factory site in Moscow into shops and offices.

Fomichev sold him a half share in



Scot Young, left, is accused by his ex-wife, Michelle, right, of hiding his \$610m fortune offshore during their bitter seven-year divorce battle.

an offshore Cyprus company, Parasol Participations Ltd, which controlled the planned property speculation. Their secret deal involved 12 obscure companies and trusts in Cyprus, Russia, the BVI and Lichtenstein.

Young subsequently claimed that "Project Moscow" fell apart and that he got no shares.

Mrs Young testified in court that in March 2006 she suddenly received a phone call from Stephen Jones, a London lawyer and owner of offshore specialists Jirehouse Capital. Jones told her that her husband had lost all his money, had attempted suicide and was seeking help at the

Priory clinic. Mrs Young could, however, find no record of his admittance. Jones does not dispute making the call, but says that the contents are “subject to legal professional privilege held by our clients”.

On 28 March 2006, according to documents the Guardian has seen, Young signed a power of attorney giving the lawyer control of “interests held by me in Parasol Participations”. The authority indicates that Young’s interests are to be transferred to Solar Breeze Ltd and five other BVI companies.

A week later, according to documents seen by ICIJ, the lawyer also took control of these BVI companies, at a meeting held in Monaco. The next morning, the companies and shares were shifted even further offshore, to the tiny Caribbean island of Nevis. Jones then established a new Nevis-based trust, the “SY Refinance Foundation”, to “re-structure” Young’s financial affairs.

Young’s estranged wife finally obtained a “global freezing order” from the high court in June 2007, forbidding Young from moving or selling the assets under dispute.

In May 2009, Young was summoned by a judge and ordered to explain how he was managing to live. Mr Justice Charles warned him

of imprisonment if he did not do his “utmost” to give true answers to questions about his finances.

Two days later, the documents record that agents appointed by Young sought to merge the six BVI companies he had set up, containing half shares in the Moscow property .

The instruction to consolidate Young’s share of “Project Moscow” was carried out on 17 August, 2009 . This created a single new company with a different name, Solar Breeze (Consolidated) Limited. The sole share in the new company was issued to Stephen Jones’s company, Jirehouse Fiduciaries Nominees.

In the most recent move in the offshore battle, on 4 July 2012, Jirehouse Fiduciaries Nominees of Nevis took full ownership of Parasol Participations of Cyprus. This means that Jones’s clients, who have included Young, now own all of Parasol Participations and any stake in the potentially valuable Moscow development.

Jones denies fronting for the jailed tycoon. He says: “We only ever acted on behalf of various creditors (and upon the express instructions of those creditors) of Mr and Mrs Young and have never acted for Mr or Mrs Young or represented any of their respective interests.” ■



The Cook Islands: where Baron Rothschild established at least 20 trusts and 10 holding companies to contain his assets. Photo: Alex Shprintsen

Secret Files Reveal Rothschild's Offshore Domain

By Anne Michel and Emily Menkes

Published Online: April 12, 2013

Late guardian of French branch of banking dynasty had a web of at least 20 secrecy-cloaked trusts in the South Pacific.

BARON Elie de Rothschild, the guardian of the French branch of the famed Rothschild banking dynasty, built an offshore empire in the palm-fringed Cook Islands between 1996 and 2003.

Rothschild, a businessman and

arts patron who died in 2007 at the age of 90, constructed a complex network of offshore trusts and front companies, according to secret documents obtained by the ICIJ and reviewed by *Le Monde*.

The complex nature of the financial arrangements in the Pacific islands and their near-total secrecy made it difficult to identify his hand in the offshore entities.

The internal documents reveal at least 20 trusts and 10 holding companies were set up for Rothschild in the Cook Islands, an independent territory in the South Pacific with close ties to New Zealand.

The trusts have typically opaque names, Anon Trust, followed by the Benon Trust (apparently set up by Rothschild's daughter Nelly) and Denon Trust, being notable examples.

All of them are linked in a multi-layered, complicated web. Each of the companies is listed as trustee of one or more of the trusts. None of the documents that ICIJ or *Le Monde* examined lists the beneficiary of any of the trusts, although all but Benon list Rothschild as the settlor, the individual whose assets are put into a trust.

These documents also reveal that several of these trusts contin-

ued after the Baron's death in 2007. The companies have a common shareholder called Mandalor Limited, an equally opaque company based in the Caribbean country of Saint Vincent and the Grenadines.

According to a document, when Portcullis TrustNet set up Agate,



An undated photo of Baron Elie de Rothschild.

Begate, Cegate, Degate, Egate and Fegate Trusts, the appointed lawyer was not willing to disclose Rothschild's identity.

Although PTN normally required the grantor to provide their full personal details and a deed of

indemnity, in this instance PTN arranged for the lawyer to sign “for and on behalf of the grantor.”

The lawyer informed PTN “the grantor is the head of a wealthy and respected European family” whom he had known for several years.

PTN conceded, stating, “In this respect, we must rely entirely on your assurances.”

Despite repeated attempts, Le Monde was unable to speak to Rothschild’s heirs. Only Baron Eric de Rothschild, Elie’s nephew and a prominent Paris banker, agreed to answer questions, making it clear

that their paths had separated in the 1980s when Elie de Rothschild moved to London.

Another source close to the family said Elie de Rothschild developed business activities in Great Britain and the United States in which no other member of the French branch invested. ■

Anne Michel is a reporter covering the banking industry for *Le Monde*.

Contributor to this story:
Kimberley Porteous

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Looting the Seas

This award-winning investigation examines the forces that are rapidly depleting the oceans of fish

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Family of Televangelist Chris Oyakhilome Incorporated Secretive Company in Tax Haven

By Musikilu Mojeed

Published Online: April 10, 2013

Shares of an offshore company were held in trust for the daughters of Nigerian mega-church pastor, associate says.

SECRET DOCUMENTS link family and associates of one of Africa's most popular pastors, Nigerian televangelist the Rev. Chris Oyakhilome, to an offshore company in the British Virgin Islands.

A business associate of the pastor says some directors in the company held shares on behalf of the pastor's daughters, Sharon and Charlyn, who are now teenagers.



One of Africa's most popular pastors:
Chris Oyakhilome.

The company in question is Gmobile Nigeria Limited, an off-shore firm incorporated in 2007 in a Caribbean tax haven, the British Virgin Islands, according to a cache of documents reviewed by *Premium Times* and the ICIJ. The shareholders listed in the documents include Oyakhilome's wife, Anita; another pastor in his organization, Thomas Amenkhienan; a business associate, Aigobomian Inegbedion; and another British Virgin Islands' company, GTMT International Group Limited.

Oyakhilome is founder and president of one of Africa's largest Pentecostal churches, Believers Love-world Inc. (aka Christ Embassy), which claims "hundreds of churches ... affecting millions of people" in all the continents of the world, with a strong presence in the United Kingdom, South Africa, United States, Canada and Nigeria.

He has also set up satellite broadcast channels in the United Kingdom (LoveWorld TV), South Africa (LoveWorld SAT) and Nigeria (LoveWorld Plus). He hosts a TV show, Atmosphere for Miracles, which airs on television networks in Africa, North America, Australia, Asia and Europe, according to his church's website.

His church has a series of business interests, the website says, that include vibrant TV and Internet ministries and a publishing outfit that churns out the popular "Rhapsody of Realities" booklet, which is like a second Bible to members of his church.

He is as controversial as he is entrepreneurial. Critics believe he is excessively flamboyant, dressing most of the time in expensive suits, top-of-the-range shirts and ties and exotic shoes.

Some of his critics have alleged that he has staged miracles, bringing forth impotent men, infertile women and people with AIDS who testified they'd been instantly healed. In the wake of controversy over faith-healing practices by Oyakhilome and other pastors, the Nigerian government banned unverified miracles from television in 2004.

His wife, Anita, is also a pastor in the church. She heads the international division of the ministry and is regularly credited with growing the church's presence around the world.

Until now, there has never been any suggestion that she was involved in financial dealings.

Documents reviewed by ICIJ and

Premium Times show that Anita Oyakhilome held 17, 750 of Gmobile's 50,000 shares, with Amenkhienan owning 1,500 and Inegbedion 750. The fourth shareholder, GTMT International, also a British Virgin Islands' company, owned by South African investors, held 30,000 shares.

The documents show that some of these individuals held shares in trust for two minors. The records don't identify the minors, but Inegbedion confirmed that the minors referred to in the documents were the Oyakhilomes' daughters, quickly adding that there was nothing wrong with that.

"Their parents bought the shares for them because they have rights to own shares," Mr. Inegbedion said. "A day-old child has a right to own shares in companies." He declined to say which of Gmobile directors held shares in trust for the girls.

The Oyakhilomes did not respond to emails sent to their personal and church websites.

Setting Up Gmobile

In 2007 Anita Oyakhilome and her partners retained the services of a Dubai-based company, Covenant Management Consultancy (CML),

to help it register Gmobile Nigeria Limited in the British Virgin Islands (BVI), a Caribbean chain largely controlled by the United Kingdom. On June 26, 2007, CML in turn approached BVI-based Commonwealth Trust Limited (CTL) to complete the task of setting an offshore company.

After some preliminaries — including name checks and consultation with lawyers — CML's Sussha George wrote to CTL's Shonia Mathew on July 3 giving her the go-ahead to incorporate Gmobile. In that same two-paragraph message, George informed CTL "two shareholders of this company are minors." She also asked whether additional documents or procedures were needed for the minors to be owners of the company.

Mathew replied the same day, saying that shares of the company could only be held in trust for the minors.

"Please note if the beneficial owners are minors, then the shares would need to be held in Trust for them until they are of age to act in that capacity," she wrote, adding that "it may be wise to contact an attorney regarding the formalities of the company."

Seven days after Gmobile's in-

corporation, company records show, shares were issued to Anita Oyakhilome, Amenkhienan, Inegbedion and GTMT Limited, a BVI company.

Another curious aspect of the company, which became dormant on May 1, 2009, was the makeup of its board of directors. Its first director was not a human being but another offshore company, Covenant Managers Limited, an offshore firm also set up by Dubai-based Covenant Consultancy Limited in July 2005 to offer nominee services to corporations and individuals incorporating companies in the BVI.

In the offshore world, nominee directors or shareholders serve as stand-ins that allow the real people behind companies to keep their identities hidden.

As first director, Covenant Managers approved the opening of a bank account in the United Arab Emirates or any other place in the world. It is not known in which bank the account was eventually opened nor whether it was used to move funds.

After Covenant Managers officially resigned, GTMT directors were brought on board together with Anita Oyakhilome, Inegbedion and Amenkhienan as directors.

They were Willem Johannes Jacobus Van Der Merwe, Karen Ann Smith and Daniel John William Mills. Reporting by *Premium Times* determined that Van Der Merwe, Smith and Mills were based in South Africa but we could not ascertain how they came to be associated with the Oyakhilome clan.

Inegbedion said the idea of incorporating Gmobile in a tax haven was suggested by the South Africans, who he said argued that BVI was an ideal neutral ground for the business partnership the Oyakhilomes were forging with GTMT to carry out the business of distributing data compression software in Nigeria.

“We were looking for a neutral ground where both parties could feel safe,” Inegbedion said in a telephone interview. “So we had to go to British Virgin Islands. But it was our partners who handled the registration.”

The only South African partner *Premium Times* was able to track down, Karen Ann Smith, declined to comment on the formation and businesses of Gmobile.

“You are on the wrong trip, guy, as I’m not interested in talking about that business,” Mrs. Smith said on telephone. When she was

pressed for details, she said, “You are wasting my time, as I have no interest in speaking to you.”

Fleeting Appearance

Gmobile does not appear to have carried out any business in Nigeria, South Africa or the BVI.

Inegbedion and another individual who identified himself as Danny Mills made a fleeting appearance before journalists in Lagos in October 2007, almost four months after Gmobile was registered in the BVI, to say the firm was unveiling a GMobile product which allows users to maximize data storage and make an array of communications and services possible.

Danny Mills was introduced as the international sales director of Gmobile, while Inegbedion was introduced as chief operating officer of an unknown firm, LW GNet Nigeria.

Apparently, nothing has been heard of that product since that event. Today, Inegbedion introduces himself on his Facebook page as managing director of Paradigm Biz Solution Limited, a company the Nigerian Corporate Affairs Commission also says does not exist in its database.

Remmy Nweke, a well-regarded Lagos-based communications reporter, was among those who covered Gmobile’s press conference at the time. “Well, they came and met the media and said they were rolling out an irresistible product,” Mr. Nweke said via telephone. “But that was the last we heard of them. They simply disappeared.”

Inegbedion said Gmobile was unable to roll out the product because the company’s partners in South Africa failed to deliver after his team, led by Anita Oyakhilome, paid \$1.8 million for a distribution license.

To all appearances, Gmobile was simply a failed business venture. But other companies incorporated in tax havens such as the BVI have become known for involvement with illegal activities, including money laundering and tax evasion.

Taking advantage of the loose laws in several jurisdictions, offshore companies are easy to form in tax havens and owners can remain anonymous while using nominee directors as fronts and deploying the corporations to hide ill-gotten assets, launder funds, dodge litigation or evade taxes.

Diepreye Alamieseyigha, for example, was convicted of stealing

public funds while he was governor of the oil-rich Nigerian state of Bayelsa. The state recovered more than 17 million British pounds from him, including assets he held through Solomon and Peters Limited (a company registered in the BVI) and Santolina Investment Corp. (a company incorporated in the Seychelles). Last month, he received a presidential pardon.

Nigeria's anti-corruption agency, the Economic and Financial Crimes Commission, has also accused another ex-governor, Abubakar Audu, of using two offshore companies in Bermuda (another tax haven) to hide ill-gotten assets. Audu denies the allegations.

Dealing with a questionable firm

The BVI Financial Services Commission found CTL, the offshore services firm that helped the Oyakhilomes to incorporate Gmobile, to be in repeated violation of the BVI's anti-money laundering law between 2003 and 2008.



The BVI offices of offshore services company CTL. Photo: Alex Shprintsen

Thomas Ward, a co-founder of CTL who has worked as a consultant to the firm since it was sold to the new owners in 2009, said the company worked hard to make sure it didn't take on shady clients.

"We believe we chose our clients carefully and we believe they honoured their agreements with us," he said. But at times CTL's staff was "either deceived or previously honest customers changed." ■

Musikilu Mojeed, managing editor at *Premium Times* in Abuja, Nigeria, is currently a Knight Journalism Fellow at Stanford University.



“India’s Richard Branson”: Vijay Mallya, elected politician, billionaire, and linked to an offshore company. Photo: AP

India Says It Will Investigate Offshore Leaks Revelations

By Ritu Sarin

Published Online: April 12, 2013

Politicians, business leaders among prominent figures linked to tax haven activity.

TWO MEMBERS of India’s Parliament, the world’s largest producer of cut roses and other major business owners are among hundreds from the subcontinent linked to offshore companies revealed in files obtained by the ICIJ.

After The Indian Express published the revelations of dealings in countries commonly used as tax havens, Finance Minister P. Chidambaram announced an investigation. “We have taken note of the names,” he said at a press conference, “and inquiries have been put in motion.”

The disclosure also shines new light on characters caught up in two local scandals that have been likened to Watergate and Enron.

The list of offshore owners includes Ravikant Ruia, who in December 2011 was accused of criminal conspiracy by India’s principal anti-corruption enforcement agency, the Central Bureau of Investigation.

The accusation relates to a scam that involved politicians and government officials illegally undercharging telephone companies by billions of dollars for cell phone frequencies.

Time magazine listed the scam at number two on its 2011 “Top 10 Abuses of Power” list, just behind the Watergate scandal that brought down U.S. president Richard Nixon.

Ruia, whose firm is disputing the charges made against him and others, is a member of India’s fourth

richest family. He is vice-chair of Essar Group, a multinational conglomerate that has interests in steel, oil and gas, and power generation, among other things.

The documents obtained by ICIJ show he has three firms in the British Virgin Islands (BVI). His daughter, Smiti, is a shareholder in two of them. One of Ruia’s flagship companies, Essar Power, has further BVI entities that are named in the ICIJ documents.

A company spokesman said that of the eight companies registered in Ruia’s name as well as in the name of Essar Power, five have since been liquidated. Three continue to be operational.

“These companies were started as SPV’s to make investments and are in the knowledge of the authorities concerned,” the spokesman added.

Another owner of BVI companies is Teja Raju Byrraju. He is the eldest son of Ramalinga Raju, the former chairman of Satyam Computers, who was jailed in a fraud case that has been called India’s Enron.

Satyam Computers is one of India’s largest technology outsourcing companies and investigators looking into the fraud found a

maze of about 300 Indian companies related to Ramalinga Raju that were used to siphon off as much as \$1 billion.

Ramalinga Raju spent 32 months in jail for falsifying the accounts of Satyam Computers before he was granted bail in November 2011. The case against him is proceeding and authorities have frozen some of his assets.

The documents obtained by ICIJ appear to show that the son, Teja Raju, registered two BVI companies in 2007, Global Network Overseas and Stapley Universal Limited. Their purpose is unclear. Raju however disputed the accuracy of the documents, saying it “looks like a case of mistaken identity.”

Another prominent Indian on the ICIJ list is Vijay Mallya, an elected member of the upper house of India’s parliament. A flamboyant billionaire and liquor baron, he is known for his lavish lifestyle and is sometimes referred to as India’s Richard Branson.

Mallya is currently struggling to save his debt-ridden Kingfisher Airlines. The airline recently lost its license to fly and Indian tax authorities have served Mallya notices for failing to deposit taxes deducted from his employees’ pay.

The documents obtained by ICIJ show Mallya linked to a company called Venture New Holding Limited that was registered in the BVI in 2006.

A spokesman for Mallya stated: “Dr. Mallya is a non-resident Indian with business activities in different parts of the world. It is common practice to use BVI registered companies in connection with such activities which are not confined to India alone. All disclosures in regard to Dr. Mallya’s wealth have been duly made to Parliament.”

Another member of Parliament that appears to be listed in the ICIJ documents is Vivekanand Gaddam, a member of the ruling Congress Party. Gaddam is also vice-chairman of Visaka Industries, which produces about one quarter of India’s asbestos needs.

Gaddam and his wife Saroja are listed as directors and shareholders of a BVI company called Belrose Universal Limited, which was incorporated in September 2008.

But Gaddam said the documents were wrong and he was not associated with the company. “I do not remember being involved with such a company and have no connection with it,” he said.

Another on the list is textile

and fertilizer tycoon Abhey Kumar Oswal.

The documents appear to show that Oswal registered 11 companies in Samoa and the BVI, beginning in 2006, and that he controlled them through a trust called Rising Wealth Trust, registered in the Cook Islands. Oswal also disputed the accuracy of the documents.

“I have not registered any offshore firms. You must be in the knowledge of business entities of my son, Shael Oswal, who is a Singapore resident and a NRI [non-resident Indian]. My companies or myself have no relation whatsoever with his business or business entities.”

The world’s largest producer of cut roses, Sai Ramakrishna Karuturi, also appears in the documents. He and his wife Anitha appear to have registered six BVI companies in 2007. Reached in Ethiopia he said he did not recall setting up any offshore companies and he did not respond to follow-up calls.

Also on the ICIJ list are two prominent Mumbai-based jewelers, Rashmi Kirtilal Mehta and his son Bhavin Mehta.

Father and son are shown as joint shareholders in a BVI compa-

ny registered in 2004 called Bapaji Incorporated. Neither responded to questions sent to them in Belgium.

By co-incidence, one of their relatives, Praboth Mehta, another prominent business figure in India, was named in 2011 as one of 18 Indians who had bank accounts in the European tax haven of Liechtenstein. Those on the list later faced prosecution in India for tax evasion.

Another name on the Liechtenstein list was the late KM Mammen Mappillai, the founder of India’s leading tire manufacturer, MRF Tyres.

Members of Mappillai’s family and some top managers of MRF Tyres turn up in the ICIJ documents. The documents show a BVI company called Moon Mist Enterprise Limited.

Mappillai’s two sons, MRF chairman Kandathil Mammen and its managing director Arun Mammen, along with Kandathil’s son Rahul Mammen Mappillai, a MRF director, are shown as directors of the BVI firm. The family did not respond to calls for comment. ■

Contributor to this story:
Kimberley Porteous

Bank Owned by Paraguay's Leading Presidential Candidate Linked to Tax Haven

By Marina Walker Guevara and Mabel Rehnfeldt

Published Online: April 15, 2013

Five directors of Banco Amambay created a secret bank in the Cook Islands with no building and no staff.

Top officials of a Paraguayan bank owned by Horacio Manuel Cartes, the country's leading candidate in this month's presidential election, operated a secret financial institution in a tax haven in the South Pacific, files obtained by the ICIJ reveal.

Cartes' father, Ramón Telmo Cartes Lind, and four other executives of Paraguay's Banco Amambay S.A. created Amambay Trust Bank Ltd. in 1995 in the Cook Islands, a tiny chain of atolls and volcanic outcroppings



Paraguayan presidential candidate Horacio Manuel Cartes. Photo: ABC Color.

more than 6,000 miles away from the South American nation.

Horacio Cartes is a successful Paraguayan cigarette maker who is running for president in the country's April 21 elections. Both Horacio Cartes and Banco Amambay have recently been the subject of a money laundering investigation by the U.S. Drug Enforcement Administration and the Bureau of Alcohol, Tobacco, Firearms and Explosives, according to diplomatic cables released by Wikileaks in 2010.

It was not the only time that Banco Amambay and its officials made headlines for alleged money laundering, but the accusations have never resulted in convictions. Just last month the head of Paraguay's anti-money laundering agency said that the bank was being investigated alongside other financial institutions for illegal money transfers abroad. The following day the official recanted his words and said he had misspoken. Amambay denied any involvement in criminal activities.

The Cook Islands bank, Amambay Trust Bank Ltd., appears to have had no building and no staff in the

Cooks but held a banking license that allowed it to perform financial transactions like a normal bank. In its license application, it stated that it intended "to provide banking services to investors that need financing alternatives not available from local banks in Paraguay." That document



The Paraguayan bank owned by Horacio Manuel Cartes, the country's leading candidate in April's presidential election. Photo: ABC Color

is part of a cache of 2.5 million offshore files obtained by ICIJ.

The shareholders of the offshore bank were Ramón Cartes and Guioimar De Gásperi, at the time president and vice president of Banco Amambay.

Ramón Cartes died in 2011. Today his son, Horacio Cartes, is the head of the family business conglomerate, which besides Banco Amambay includes a cigarette factory and sev-

eral agricultural ventures. Cartes is also the president of a popular soccer club (he is on leave now while he campaigns for president).

The Cook Islands bank, which was operational until 2000, is not listed among the more than 20 companies that the Cartes Group says on its website that it has established since 1961.

The president of Banco Amambay, Hugo Portillo, did not respond to detailed questions sent by ICIJ to him, nor did De Gasperi and other current directors of Banco Amambay who had been involved in the Cook Islands bank.

One former director of the offshore entity who no longer works at Banco Amambay, Mariano Roque Alonso, told ICIJ he does not remember the offshore bank or having any connections to it. “We never even considered an operation like that,” he said.

Jorge Raúl Corvalán Mendoza, president of Paraguay’s Central Bank, which oversees financial institutions, said the country’s legislation since the mid-1990s requires banks to get permission from bank regulators before opening subsidiaries, including in offshore destinations.

Corvalán, who became head of the Central Bank in 2008, said he did not know of the existence of Amam-

bay Trust Bank Ltd. in the Cook Islands. “I have no knowledge of what happened in the 1990s,” he said.

Since Ramón Cartes and De Gasperi were listed as the only shareholders in Amambay Trust Bank Ltd. in the Cook Islands, it would appear that it was a separate venture, rather than a formal subsidiary of Banco Amambay.

Operation Heart of Stone

A classified 2010 U.S. diplomatic cable published by Wikileaks said that both Cartes and Banco Amambay were at the center of a U.S. money laundering investigation called Operation Heart of Stone.

According to the cable, Horacio Cartes was the “head” of a money laundering and drug-trafficking organization that operated in the tri-border area of South America, where Paraguay, Argentina and Brazil meet. “Agents have infiltrated Cartes’ money laundering enterprise, an organization believed to launder large quantities of United States currency generated through illegal means, including through the sale of narcotics, from the TBA [tri-border area] to the United States,” read the cable.

In interviews with local media in 2011, Cartes denied wrongdoing and

said he would be happy to see the results of the alleged U.S. investigation. DEA and ATF officials declined to comment about the status of the probe.

The cable also said the alleged criminal enterprise smuggled cigarettes. Cartes' tobacco company was featured in a 2009 ICIJ investigation that revealed that tiny Paraguay has become one of the world's leading suppliers of contraband cigarettes. While his firm, Tabesa, serves a legitimate market in Paraguay, customs officials in Brazil and Argentina asserted that the factory supplies large quantities of cigarettes that end up being smuggled to their countries.

Horacio Cartes did not respond to ICIJ's requests for comment.

The secret bank

In January 1995, a lawyer with the U.S. law firm Coudert Brothers approached the offshore firm Portcullis TrustNet to create a company in the Cook Islands for a group of Paraguayan clients.

In those years, the Cook Islands had started to build a reputation as a competitive offshore jurisdiction, with strong secrecy laws.

The clients were directors of a Paraguayan bank founded just three years

earlier, Banco Amambay S.A. Right that around the time the Cook Islands entity was created, Paraguay was embarking on a massive financial crisis, fueled by widespread corruption, which resulted in a run on deposits and the closure of several banks.

The Paraguayans named their secretive Cook Islands company Amambay Trust Bank Ltd. and applied for a banking license to the Cook Islands Monetary Board.

In simultaneous letters to the Cook Islands Treasury Department and the solicitor general, the TrustNet staff said that the Coudert Brothers lawyers "have indicated to us that they have no reservations about the clients we are dealing with."

Still, local regulations required that Interpol certify that the officials of the bank-to-be were not criminals. The background checks for shareholders Ramón Telmo Cartes and Guiomar De Gásperi and for directors Mariano Roque Alonso, Eduardo Campos Marín and Carlos Eduardo Moscarda took a while but came back clean.

TrustNet approved resolutions stating that the company would not hold regular annual meetings and that the bank would not have an auditor, records show. The address of the new bank was the office of TrustNet on

the main island of the Cook Islands, Rarotonga. With the banking license approved and Cartes and De Gasperi each holding 1 million shares, the bank was ready to operate.

In 1998 a U.S. Department of State official, Jonathan Winer, wrote an article about the threats of tax havens to the global economy. He said the State Department had reviewed a group of offshore entities based in the Cook Islands and found unsavory clients behind them. “The review revealed connections between this village-sized ‘nation-state’, organized crime, Russia, and some of the most notorious financial players in the Asia Pacific region.” Among the Cook Islands bankers, Winer highlighted a notorious Italian family, Brazilian politicians investigated for money laundering as well as “six Paraguayans, several Russian speakers operating out of Cyprus and a number of Indonesian banks.”

Amambay Trust Bank Ltd. was de-registered as a Cook Islands company on May 23, 2000.

The following month, the Organization for Economic Cooperation and Development moved the Cook Islands onto its money laundering blacklist, a dishonor roll for places the OECD considers havens or conduits for dirty money.

OECD’s Financial Action Task

Force on Money Laundering condemned Cook Islands’ laws for “excessive secrecy provisions” that allowed owners of offshore companies and accounts to hide in the shadows. It noted the islands’ government had “no relevant information on approximately 1,200 international companies that it had registered” and that the offshore banks located in the Cooks weren’t required to document the identity of their customers.

The Cook Islands remained on the OECD’s blacklist until 2005.

In the meantime, Paraguay also decided to clean up its connections to tax havens and it banned banks operating in the country from doing business with financial institutions that only existed in paper in far-flung offshore jurisdictions.

In 2004, Brazilian prosecutors charged four directors of Banco Amambay who had also been directors of the Cook Islands bank — Cartes, De Gasperi, Marín and Moscarda — accusing them and others of helping Brazilians evade taxes in 1996. They were all acquitted in 2008 for lack of evidence. ■

Marina Walker Guevara is ICIJ’s deputy director. Mabel Rehnfeldt is an ICIJ member in Paraguay and editor of ABC Digital.



Actor Paul Hogan: accuses his tax adviser of absconding with \$34 million he helped hide in offshore tax havens.

Crocodile Dundee Actor Paul Hogan Chases His Missing Offshore Millions

By Kate McClymont and François Pilet

Published Online: April 14, 2013

Paul Hogan wants his millions back from Switzerland, but his Geneva intermediaries refuse to give him the loot.

CROCODILE DUNDEE star Paul Hogan may have settled his tax case with Australian authorities but he is accusing his once-trusted tax adviser of absconding with \$34 million he helped Hogan hide in offshore tax havens.

There is already an international warrant out for Philip Egglshaw, the man known as the “bowler hat

Englishman”, who is the alleged mastermind behind Australia’s biggest tax evasion scheme.

But now the international fugitive has the Australian actor on his tail, with Hogan’s advisers taking legal action in the US alleging Egglishaw, who set up elaborate corporate structures in tax havens to help his clients evade tax, has stolen the entertainer’s money.

Court documents obtained by Le Matin Dimanche as part of their joint investigation with the International Consortium of Investigative Journalists state that Hogan’s \$34 million “has been lying for almost 20 years in account number 379865 at the Corner Bank in Lausanne” run by the Geneva firm Strachans. But Hogan cannot get his hands on it.

Egglishaw is alleged to have “absconded with or spent all” of Hogan’s millions, according to documents filed in the Californian District court by Hogan’s representative, Schuyler “Sky” Moore, one of Los Angeles’ top entertainment lawyers.

In October last year, Moore emailed Egglishaw’s lawyer in Geneva, Paul Gully-Hart. “The actions of Egglishaw have now crossed the boundary of legality, and he is now engaging in criminal fraud, theft, and breach of fiduciary duty, and you



Online Video: What are offshore tax havens, who uses them, and how do they work? Find out in our explainer.

are now directly aiding and abetting his criminal actions,” Moore said in his email. “The Carthage Trust’s beneficiary [Hogan] is not going to stand idly by in the face of this theft, and he is going to take every step possible in every country possible to hold Egglishaw, Strachans, you, and your firm liable and brought to account.”

Throughout last year, Hogan and his US advisers became increasingly anxious after Egglishaw refused to provide any bank statements or accounts relating to the millions in the Carthage Trust.

An added problem for Hogan is the other signatory to the Carthage account is in jail in Australia.

Philip de Figueiredo, Egglishaw’s partner at Strachans, is serving 2½ years in prison. Last month in the

Queensland Supreme Court, de Figueiredo pleaded guilty to three counts of conspiring to defraud the Australian government of more than \$4 million in tax. His guilty plea related to helping clients avoid paying tax. A string of Strachans' clients such as prominent entrepreneur Glenn Wheatley, Brisbane entrepreneurs Adam Hargraves and Daniel Stoten, have already served time for tax evasion.

De Figueiredo had money laundering charges against him dropped and he has agreed to assist authorities with ongoing investigations. An arrest warrant has been issued for Egglishaw over the same matters. It is believed he is in Switzerland.

Operation Wickenby, a joint investigation by the Australian Crime Commission and the Australian Tax Office, has taken years and cost millions of dollars investigating Egglishaw's and de Figueiredo's Australian clients, including Hogan and his comedy sidekick John "Strop" Cornell.

After years of legal battles, Hogan and Cornell settled with the Tax Office on confidential terms. Its fight with their financial adviser Anthony Stewart continues.

After the Crime Commission and Tax Office began stepping up

their inquiries into Hogan in 2005, Egglishaw set up a new trust for Hogan called the Carthage Trust.

This trust replaced the Quatre Saison Trust which was alleged to have been a vehicle set up by Strachans to enable Hogan to stream revenue from his Crocodile Dundee franchise into offshore accounts and thereby avoid paying tax. Hogan disputes this.

The initial beneficiary of the Carthage Trust was listed as the "British Red Cross" but later documents stated "the sole intended beneficiary of the Carthage Trust is Hogan, and this structure was adopted to maintain his privacy".

Egglishaw used another entity, Grasselle, a British Virgin Islands company, to run the Carthage Trust. Up to \$US37 million was held by Carthage Trust in the Corner Bank in Lausanne.

Late last year, Moore, who is listed as the trustee of Hogan's Carthage Trust, launched action against Egglishaw and Strachans in the US.

In the Californian court filings, Moore stated he believed Egglishaw had absconded with Hogan's millions, or if he had not, he intended to. California District judge Otis D. Wright summed up Moore's case when he said it was "a sordid tale

of wayward fiduciaries and international fraudsters supposedly absconding with millions of dollars in funds from a Swiss bank account”.

But there were two major problems with Moore’s case, Judge Wright said. California was not the correct jurisdiction to bring the action since one defendant, Grassele, was a company in the British Virgin Islands and the other was a British-born Swiss resident.

“Given the dearth of connections ... to California, the ‘long arm of the law’ is simply too short to reach them,” the judge said, dismissing the case in February.

According to *Le Matin Dimanche*, Brian Merryman, Egglishaw and Strachans’ US lawyer, has said Judge Wright’s decision had not been appealed and Moore had not lodged any further complaints.

Hogan’s Australian lawyer Andrew Robinson tried to distance Hogan from the US court proceedings, saying he was “not a party and gave no evidence by way of affidavit or otherwise” in the recent case. “Paul has never denied the existence and operation of overseas structures set up in accordance with competent advice received,” Robinson said.

Hogan’s US lawyer Craig Emanuel told Fairfax Media: “For a variety of ethical reasons, I am not available to comment on your inquiries.”

The Wickenby tax inquiry was kicked off by the 2004 seizure of a computer belonging to Egglishaw, who was in Australia to see some of his clients.

Le Matin Dimanche came across the Hogan court case as part of an inquiry by the ICIJ into the use of tax havens. ■

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Who Uses the Offshore World

*By Marina Walker Guevara, Nicky Hager,
Mar Cabra, Gerard Ryle and Emily Menkes*

Published Online: April 16, 2013

SECRET records obtained by the ICIJ reveal tens of thousands of people in more than 170 countries and territories linked to offshore companies and trusts. Here are some examples from around the world:

Australia

Paul Hogan

Actor

Details: The Crocodile Dundee star is accusing Philip Egglishaw, his once-trusted tax adviser, of disappearing with \$34 million he helped Hogan hide in offshore tax havens. Egglishaw is alleged to have “absconded with or spent all” of Hogan’s millions.

Offshore business: Carthage Trust was set up for Hogan in 2005 by Egglishaw after the Crime Commission and Tax office began stepping

up their inquiries into the actor. Carthage Trust replaced the Quatre Saison Trust which was alleged to have been a vehicle set up by Geneva firm Strachans to enable Hogan to stream revenue from his Crocodile Dundee franchise into offshore accounts and avoid paying tax. Hogan disputes this.

Comment: Hogan’s US lawyer Craig Emanuel told Fairfax Media: “For a variety of ethical reasons, I am not available to comment on your inquiries.”

Azerbaijan

Ilham Aliyev, Mehriban Aliyeva, Arzu Aliyeva and Leyla Aliyeva

Ruling family

Details: Ilham Aliyev is the president of Azerbaijan and Mehriban Aliyeva is his wife. Arzu and Leyla are the couple’s daughters. The Ali-

vey family, beginning with Ilham's father, Heydar Aliyev, has held power in Azerbaijan almost without interruption since the late 1960s.

Offshore business: Ilham Aliyev and Mehriban Aliyeva were directors of Rosamund International Ltd (2003) in the British Virgin Islands. Arzu Aliyeva was a director and shareholder of BVI company Arbor Investments (2008). Leyla Aliyeva was director and shareholder of LaBelleza Holdings Ltd. (2008) and Harvard Management Ltd. (2008) both in the BVI.

Comment: Ilham Aliyev, Mehriban Aliyeva, Arzu Aliyeva and Leyla Aliyeva did not respond to ICIJ's requests for comment.

Belgium

Santosh Kumar Agarwal (Kedia)

Businessman

Details: Santosh Kumar Agarwal was on the board of directors for the Antwerp World Diamond Centre. He has withdrawn from the board, pending the results of a possible investigation.

Offshore business: In 2008, Agarwal created the Platinum Estate Trust in Singapore, acting as the

settlor, protector and a beneficiary of the trust.

Comment: Agarwal declined to comment.

Brazil

Clarice, Leo and Fabio Steinbruch

Businessmen

Details: Members of one of Brazil's richest families, which owns large steel and textile companies and a bank.

Offshore business: Shareholders and directors of Peak Management Inc. (2007) in the British Virgin Islands.

Comment: Leo Steinbruch told ICIJ that "Peak Management exists, is active, it's been declared on its owners' tax forms and has been duly disclosed to the Brazilian Central Bank as a Brazilian investment abroad."

Canada

E.F. Anthony "Tony" Merchant

Trial lawyer

Details: A former politician, he is married to Canadian senator Pana Merchant. He has been involved in a number of high-volume class ac-

tion suits, including a \$1.9 billion settlement with the Canadian government on behalf of native groups over abuse of students in residential schools. Merchant has had repeated battles with the Canadian revenue agency over his tax payments. He has also been disciplined by the Law Society for “conduct unbecoming of a member.”

Offshore business: Beneficiary (1998-2002), settlor and protector of the Merchant (2000) US Inc Trust (incorporated 1998) in the Cook Islands. His wife, Canadian senator Pana Merchant, is a beneficiary of the trust.

Comment: Anthony and Pana Merchant declined to comment.

Colombia

Tomás Uribe Moreno and Jerónimo Alberto Uribe Moreno

Businessmen

Details: Sons of former Colombian president, Alvaro Uribe. During their father’s eight years in office, they were accused of influence-peddling in two high-profile scandals, including in a case in which they acquired land in an area whose value skyrocketed after authorities granted it tax-free status.

They were acquitted in both cases but prosecutors have started investigating new leads related to the land acquisitions.

Offshore business: Shareholders of Asia America Investment Corporation (2008) in the British Virgin Islands.

Comment: A lawyer for Tomás and Jerónimo Uribe Moreno, Jaime Lombana, said the company was created with the purpose of selling Colombian handcrafts abroad but the business never took off. The company was incorporated in the BVI because one of the partners in the venture lived there, said Lombana. The firm, he said, “didn’t produce any income.”

Djibouti

Abdourahman “Charles” Boreh Businessman and politician

Details: One of Djibouti’s most wealthy and powerful businessmen and a 2011 presidential election candidate. He is exiled in Dubai.

Offshore business: Beneficial owner of Net Support Holdings Ltd (2007) in the British Virgin Islands and Value Additions Ltd (2007) in Samoa

Comment: Boreh said he uses his offshore companies to steer his many investments worldwide and to protect his assets from potential political instability.

Fiji

Fred Marafono

Mercenary

Details: Ex-British SAS, he was involved in security work and diamond mining during the Sierra Leone civil war.

Offshore business: Director of Hinterland Mining Brokers Limited (1997-2000) in the Cook Islands.

Comment: Marafono passed away on March 27; earlier attempts to reach him for comment were unsuccessful.

Finland

Itella Oyj

State-owned national postal company

Details: In a 2008 move to expand its operations in Russia, the corporation acquired the leading Russian logistics warehousing service provider for around €200 million (\$310 million). Its parent company was registered in the British Virgin Islands and still exists there.

Offshore business: Shareholder (since 2008) of NLC International Corporation (incorporated 2005) in the British Virgin Islands.

Comment: The director of Itella Logistics in Russia, Vesa Vertanen, said in an interview with Finnish State Television that Itella would dissolve the company in the BVI by the end of 2013 and transfer it to Cyprus. When asked why Itella had not dissolved its company in the BVI, Mr Vertanen said that it was very complicated to dissolve offshore companies and it takes time, a statement that was countered by the Finnish tax authority.

France

Jean-Jacques Augier

Publisher

Details: Campaign treasurer of François Hollande for the 2012 presidential elections. They studied together at the prestigious National School of Management (ENA). He's also chief executive officer of investment holding company Eurane SA, mainly focused on the publishing field.

Offshore business: Shareholder — through Eurane SA — and director of International Bookstores Ltd (2005) in the Cayman Islands.

Comment: Jean-Jacques Augier said he used the company to do a large investment in China in 2005. One of his partners in the offshore firm was Xi Shu, a businessman and a member of the Chinese People's Political Consultative Conference, a political advisory body in China dominated by the Communist Party but with representatives from other parties and organizations.

Baron Elie de Rothschild

Businessman from the Rothschild banking dynasty

Details: The guardian of French branch of banking dynasty built a web of at least 20 secrecy-cloaked trusts in the South Pacific between 1996 and 2003, some of which continued operating after his death in 1997.

Offshore business: Internal documents reveal at least 20 trusts and 10 holding companies were set up for Rothschild in the Cook Islands, with typically opaque names including, fittingly, Anon Trust. The companies have a common shareholder called Mandalor Limited, an equally opaque company based in the Caribbean country of Saint Vincent and the Grenadines.

Comment: Despite repeated attempts, Le Monde was unable to speak to Rothschild's heirs.

Georgia

Bidzina Ivanishvili

Prime Minister Bidzina Ivanishvili

Details: Georgia's richest man, with a net worth estimated by Forbes magazine at more than \$5 billion. Was elected prime minister in October 2012, straight from the business world.

Offshore business: Director of Bosherton Overseas Corp. in the British Virgin Islands (2006). The company is still in existence, according to BVI records.

Comment: "For the reporting period of 2011-2012 Prime Minister Ivanishvili had no interest in the company you have mentioned in your inquiry and therefore there was no obligation to report it in his declaration. The Prime Minister takes these reporting requirements seriously and everything is done according to the law," a spokesman said.

Germany

Gunter Sachs

Millionaire author, photographer, industrialist and ex-husband of Brigitte Bardot

Details: The famous Gunter Sachs is revealed to have had a vast and inscrutable wealth-hiding web, involving nominee directors, shell companies, and law firm trustees, to create multiple layers of secrecy in an already secret world.

Offshore business: Sachs commissioned a private secretary to oversee his business dealings, who travelled to the Cook Islands to create two shell corporations, Triton Ltd. and another company called Tantris Ltd. The companies acted as trustees for five trusts set up between 1994 and 2007 – the Moon Crystal Trust, the Espan Water Trust, the Sequoia Trust, the Triton Trust and the Parkland Oak Trust. Sachs's vast offshore web has been visualized here.

Comment: Before he died, Sachs asserted he was being persecuted and the investigations stemmed from envy. Swiss fiscal law expert Andreas Kolb says the signing lawyers will face legal consequences over the inventory of Sachs's estate,

“if they can be proven to have participated in or incited to tax fraud”.

Greece

Apostolos Vakakis

Businessman

Details: CEO of the retail conglomerate Jumbo SA, one of Greece's largest companies.

Offshore business: Shareholder of Karpathia Ltd. (2007) in the British Virgin Islands. Company transferred to another offshore service provider in 2009.

Comment: “I have declared officially all without exception my transactions that should be announced in public, as provided by relevant Greek legislation. ... One does not use a legal entity in order to hide the identity of the beneficial owner by using shadow names but to be able to complete a transaction in a straightforward manner,” said Vakakis.

India

Ravikant Ruia

Businessman

Details: In December 2011, he was accused of criminal conspiracy by

India's principal anti-corruption enforcement agency, the Central Bureau of Investigation. The accusation relates to a broader investigation of politicians, government officials and telecom executives in India for alleged irregularities in the award of cell phone frequencies to telephone companies. Ruia's firm is disputing the charges made against him and others.

Offshore business: Shareholder in one firm in the British Virgin Islands, Orion Worldwide Universal Corporation (2008). His daughter, Smiti, is a shareholder in two others. One of Ruia's flagship companies, Essar Power, has further BVI entities that are named in the ICIJ documents.

Comment: A company spokesman said that of the eight companies registered in Ruia's name as well as in the name of his flagship business Essar Power, five have since been liquidated. Three continue to be operational. "These companies were started as SPVs [Special Purpose Vehicles] to make investments and are in the knowledge of the authorities concerned," the spokesman added.

Indonesia

Eka Tjipta Widjaja

Businessman

Details: Head of Indonesia's second richest family (2012), owns rainforest-clearing Asia Pulp and Paper and world's second largest palm oil plantations.

Offshore business: Beneficial owner, through his Sinar Mas conglomerate, of various pulp and palm oil British Virgin Islands and Labuan offshore companies.

Comment: Widjaja did not respond to a request for comment.

Italy

Fabio Ghioni

Hacker

Details: Former head of information security at Telecom Italia, arrested in 2007 for leading a unit that illegally obtained data of 4,000 people, including politicians and journalists. In 2012 the Supreme Court of Cassation confirmed his 2010 plea bargain and his sentence of 3 years and 4 months in prison.

Offshore business: Owner of Constant Surge Investments Ltd (2006) in the British Virgin Islands.

Comment: Fabio Ghioni denied being the owner of Constant Surge Investments Ltd. “The BVI? I don’t know where they are located!” he said on the phone. ICIJ verified Ghioni’s connection to the BVI firm through the address he used upon incorporation of the company which is that of his personal residence in Milan. The corporate files also include annotations describing Ghioni’s occupation at the time.

Japan

Marubeni Corp and Tohoku Electric Power Co.

Trading and utility companies

Details: Marubeni Corp., a leading trading house, and utility Tohoku Electric Power Co., used offshore subsidiaries to invest in an overseas energy firm, allowing returns on the investment to be shielded from domestic taxes.

Offshore business: Tohoku Electric established a subsidiary, Tohoku Power Investment Co. (TPIC), in the Netherlands in 2002 to invest 3 billion yen (\$32.6 million) in an independent power producer in Millmerran in Queensland, Australia. The utility funneled the sum

to an investment arm of Marubeni, which was founded in Labuan Island in Malaysia, also a tax haven, through TPIC.

Comment: While refusing to disclose their investment profits, Tohoku Electric confirmed that an agent had been contracted to operate on financial matters, saying “We concluded the contract in compliance with the law, and it was already in place before we made the investment (in Australia). And we have little knowledge of the background of it.” Marubeni Corp declined to comment.

Jordan

Suha, Omar and Aysha Shoman

Widow and children of one of Jordan’s richest families

Details: The family’s father, Khalid Shoman, was — until his death in 2001 — vice-chairman of the Arab Bank Group, one of the main banks in the Arab world, founded by his father. Omar sold their share of the bank for about \$375 million in 2003.

Offshore business: Omar and Aysha are shareholders — jointly or on their own — of 12 companies in the British Virgin Islands, including OS Investments Inc. (2002),

OAKS Inc. (2003), Fisch Investments Inc. (2005) and OS Tech Inc. (2006). Their mother is connected with two of the firms as a shareholder and one as a director. Most entities were transferred to another offshore service provider between 2007 and 2009.

Comment: Omar Shoman didn't reply to requests to comment through his assistant and email. The ICIJ could not locate Aysha Shoman and could not reach Suha Shoman on the phone despite several attempts.

Kazakhstan

Mukhtar Ablyazov

Businessman

Details: Ablyazov stands accused of embezzling up to \$5 billion from a state-owned Kazakhstan bank in what British media describe as the biggest fraud in history.

Offshore business: An individual later named in U.K. court documents as a front man for Mukhtar Ablyazov set up 31 companies in 2006 and 2007 in the British Virgin Islands.

Comment: Ablyazov's attorneys in London did not respond to a request for comment. Ablyazov has

denied the fraud allegations in the past.

Kuwait

Sheik Sabah Jaber Al-Ali Al-Sabah and two relatives

Members of Kuwait's ruling family

Details: Sheik Sabah Jaber Al-Ali Al-Sabah has headed the Kuwaiti Public Ports Authority. He and his brother are sons of Kuwait's former deputy prime minister

Offshore business: He or his relatives are shareholders in two British Virgin Islands companies CIC Realty, Inc and Capital Investment Company Group, Ltd for seven years until 2002

Comment: Sheik Sabah Jaber Al-Ali Al-Sabah did not respond to a request for comment

Malaysia

Mirzan Bin Mahathir

Businessman

Details: Son of Dr. Mahathir Mohamad, the longest-serving prime minister of Malaysia (1981-2003), who modernized the country under an autocratic rule. Mahathir Mohamad was accused of abusing his extensive

political powers to enrich his family and key business associates. Mirzan is a prominent entrepreneur, with directorships in various companies in Malaysia and internationally.

Offshore business: Shareholder and director of Utara Capital Limited (1997), Crescent Energy Limited (2003), and Al Sadd Investments Pte. Ltd. (2009) in Labuan.

Comment: An aide for Mirzan told Malaysiakini and ICIJ that Mirzan could not answer questions because he was out of town.

Raja Nong Chik Zainal Abidin

Federal Territories and Urban Well-Being Minister

Background: Prior to his senatorship, Raja Nong Chik was a corporate figure who founded and managed an engineering firm for 20 years.

Offshore business: Raja Nong Chik is shareholder and director of RZA International Corporation, a British Virgin Islands entity incorporated on Aug 21, 2007, through Singapore. The company is a mirror of Malaysian entity Kumpulan RZA Sdn Bhd, a 1979-founded company dealing in real estate and equities investment. He set up the offshore entity with his father, Raja Zainal

Abidin Raja Tachik, a number of his sisters and brothers as well as other family members. Most of them are also shareholders and directors of Kumpulan RZA Sdn Bhd.

Comment: Contacted by Malaysiakini, the minister confirmed that RZA International was set up by his father, who will turn 96 this year, “for the purpose of holding legitimate offshore investments for the family.” However, the minister did not elaborate on the offshore investments made by his family through the company. He added that RZA International was de-registered in 2009. “The company was not used to obscure activities of Kumpulan RZA Sdn Bhd, and neither was it used to circumvent taxes or hide transactions overseas,” Raja Nong Chik said in an email to Malaysiakini.

Chia Tien Foh (Michael Chia)

Business tycoon

Background: Chia is a prominent Malaysian businessman and the alleged “bagman” for Musa Aman, the chief minister and finance minister of the state of Sabah.

Offshore business: Chia has three offshore companies in which he is listed as either as director or share-

holder. One of them was CTF International Ltd, with “CTF” seen as the initials of Chia’s full name. It was incorporated on April 18, 2006, in the British Virgin Islands. CTF International gained notoriety when it was named by whistleblower website Sarawak Report of being a conduit in channelling millions of ringgit to a Hong Kong account allegedly linked to Musa, who has denied links to Chia. CTF was de-registered in 2008. The other two offshore companies owned by Chia are Ravenswood Development Ltd and Ark Capital Technologies Ltd. In addition, Chia’s wife Yap Loo Mien and another woman, who is alleged to be his mistress, Yap Siaw Lin, also appear on the list as key shareholders in three separate British Virgin Islands entities.

Comment: Malaysiakini contacted Chia through the address stated in his company registration documents for comments, but there has been no response.

Mexico

Dionisio Garza Medina

Businessman

Details: His family co-owns Alfa, a conglomerate with interests in oil, food and telecommunications.

Offshore business: Shareholder of Vercors Private Limited (2005) in Singapore.

Comment: Garza Medina did not respond to a request for comment. A spokesman for Alfa, of which Garza Medina was CEO until 2010, declined to answer questions saying this is a “private matter of Mr. Garza not related to Alfa.”

Mongolia

Bayartsogt Sangajav

Politician

Details: Became his country’s finance minister in September 2008, a position he held until a cabinet reshuffle in August 2012. During those years he attended international meetings and served as a governor of the Asian Development Bank, pushing the case for his poor nation to receive foreign development assistance and investment. He was at the forefront of encouraging foreign mining and other companies to move into Mongolia. He currently serves as deputy speaker of the Mongolian Parliament.

Offshore business: Bayartsogt Sangajav controlled Legend Plus Capital Limited, an offshore company administered from Hong Kong but

incorporated in the British Virgin Islands (2008). The documents show the company was used to open a secret Swiss bank account, controlled by Bayartsogt, just months before he was appointed his country's minister of finance.

Comment: Bayartsogt said the company and the bank account were set up as a syndicate by him and three unnamed business friends to trade in stocks. Both the bank account and the company remain in his name, and he did not declare them to Parliament, something he now describes as a “mistake.” He said he was considering resigning from Parliament over the issue.

Myanmar/Burma

Aye Zaw Win

Son-in-law of Burma's former dictator Ne Win

Details: General Ne Win was a military strongman who ruled Burma during three decades, 1962-1988. His family became wealthy through business activities including forestry and fisheries.

Offshore business: Shareholder of Compass Point Finance Limited (1996) and Sky-Link Communications Ltd. (1997) in the British Vir-

gin Islands. The companies were transferred to another offshore service provider, but the records do not provide a date.

Comment: Aye Zaw Win could not be reached for comment despite multiple attempts.

Pakistan

Moonis Elahi

Legislator

Details: Son of Chaudry Pervez Elahi, who until last month was Pakistan's deputy prime minister. The Chaudry family has had a powerful role in the country's politics for the past five decades. In 2010, Moonis Elahi was accused of receiving illicit payments as part of an alleged land scam. He was later acquitted amidst what Pakistan's Supreme Court said was intense government interference in the investigation.

Offshore business: Shareholder and director of Olive Groves Assets Ltd. (2006) in the British Virgin Islands.

Comment: Moonis Elahi denied that he owns or controls Olive Grove Assets Ltd. He did not answer whether he had owned the firm in the past. ICIJ verified Elahi's connection to

the firm through the address listed for the politician in the corporate records, which is that of the Chaudry family residence in Lahore.

Philippines

Maria Imelda Marcos Manotoc

Politician

Details: Daughter of former Philippines dictator Ferdinand Marcos and at present governor of the province of Ilocos Norte.

Offshore business: Beneficiary and investment advisor to Sintra Trust (2002) in the British Virgin Islands. She was also a financial advisor for a company in which the Sintra Trust was a shareholder, ComCentre Corporation (2002), and a “master client” for the M Trust in Labuan, Malaysia (2007-2009).

Comment: Manotoc did not respond to a request for comment.

Russia

Olga Shuvalova

Wife of Russian Deputy Prime Minister

Detail: Wife of Igor Shuvalov, who has served as first deputy prime minister since 2008.

Offshore business: Shareholder in Severin Enterprises Inc., which was registered in the British Virgin Islands and owned at least two other offshore companies, which in turn owned more companies. The dealings of one of the companies, Sevenkey Ltd., were laid out in a 2011 investigative article in Barron’s, which tied the company to her husband, who has denied wrongdoing.

Comment: Olga Shuvalova did not respond to ICIJ’s requests for comment.

Valery Golubev and Boris Paikin

Gazprom executives

Detail: Golubev is the deputy chair of the management committee of Gazprom, with personal ties to Putin dating back to the 1990s. Paikin is the general director of a Gazprom construction subsidiary called Gazprom Sotsinvest that builds projects such as a \$200 million stadium in St. Petersburg and an Olympic ski resort.

Offshore business: Golubev held half of the shares of Sander International Inc., which was registered in the British Virgin Islands in 2008 and was dissolved later the same year. Paikin also held Sander International shares.

Comment: Golubev and Paikin did not respond to ICIJ's requests for comment.

Saudi Arabia

Hassan Mohammed and Fady Mohammed Jameel

Businessmen

Details: Sons of one of the richest men in Saudi Arabia and executives in Abdul Latif Jameel Group, one of the world's largest Toyota dealers, with operations in the Middle East, UK, Central Asia and China.

Offshore business: Directors (2002-2003) of Costa Azzoura Limited (incorporated in 2002) and directors (2004-2009) of Hillbeck Limited (incorporated in 2004) in the British Virgin Islands. Hassan was also shareholder of Hillbeck Limited (since 2004).

Comment: The Director of Business Development at the Abdul Latif Jameel Group, Farooq Vaid, said the Jameel brothers were not related to the offshore companies as directors or shareholders. He acknowledged knowing about the entities but didn't want to confirm any further details. "These are privately held companies and nobody has the right to know," he told ICIJ.

Internal records show Vaid was shareholder of Costa Azzoura Limited and shareholder and director of Hillbeck Limited. He is also related to five more BVI companies — in one case as shareholder and in the other four cases as director. The Abdul Latif Jameel Group address in Jeddah is mentioned in most of the company records obtained by ICIJ.

Slovenia

Zoltan Varga

Executive Managing Director and Head of Asian Investing for Och-Ziff Capital Management Group LLC

Details: Based in Hong Kong, Varga is a partner at Och-Ziff, one of the largest investment funds in the world.

Offshore business: Internal documents reveal Varga purchased three offshore companies, Bofita Limited, Trend Express Holdings Limited and Garden Town Trading Limited, in November 2007. He also has a yacht called Pershing 50, registered in Gibraltar, another tax haven.

Comment: Varga declined to comment.

South Africa/Zimbabwe

Muller Conrad “Billy” Rautenbach Businessman

Details: Zimbabwean millionaire with close links to the Mugabe regime. The United States blacklisted him saying he has helped organized huge mining projects in Zimbabwe that “benefit a small number of corrupt senior officials.” Rautenbach fled South Africa in 1999 after being accused of fraud. The charges lodged personally against him were dismissed, but a South African company he controlled pleaded guilty to criminal charges and paid a fine of roughly \$4 million.

Offshore business: Shareholder of Artemis Group, LTD. (2006) in the British Virgin Islands.

Comment: Rautenbach denies U.S. authorities’ allegations, contending that they made “significant factual and legal errors” in their blacklisting decision, his attorney, Ian Small Smith, said. Smith said Rautenbach’s BVI company was set up as “special purpose vehicle for investment in Moscow” and that it complied with all disclosure regulations. The company is no longer active.

Spain

Carmen Thyssen-Bornemisza Art collector and philanthropist

Details: Former Miss Spain and widow of a German-Hungarian baron, she’s one of the world’s top art collectors. Her hundreds of works of art ranging from Van Gogh to Goya are exhibited in museums in Madrid, Barcelona and Málaga.

Offshore business: Beneficial owner of Sargasso Trustees Limited (1996-2004) and shareholder of Nautilus Limited (incorporated 1994) in the Cook Islands.

Comment: Carmen Thyssen-Bornemisza’s lawyer acknowledged that she gains tax benefits by holding ownership of her art offshore, but stressed that she uses tax havens primarily because they give her “maximum flexibility” when she moves art from country to country.

Tanzania

Mehbub Yusufali Manji Businessman

Details: The Manji family is one of the richest in Tanzania. It started Quality Group Limited, the country’s major conglomerate with in-

terests ranging from automotive to food processing.

Offshore business: Director and shareholder of Intertrade Commercial Services Inc. (2007-2009) in the British Virgin Islands.

Comment: Yusuf Manji, chairman and CEO of the company, did not reply to ICIJ's emailed request for comment. The contact address in the records is that of the company in Dar-Es-Salaam.

Thailand

Nalinee Taveesin

International trade representative, former government minister

Details: In 2008, Taveesin was designated as one of four “Mugabe regime cronies” by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC). The OFAC statement read, “Nalinee Taveesin has participated in a number of initiatives on corruption and growth challenges in Africa and Southeast Asia while secretly supporting the kleptocratic practices of one of Africa's most corrupt regimes.” This statement became a point of controversy in Thailand when Taveesin was appointed minister for the prime minister's of-

fice in January 2012. She strongly denied the allegations, saying that her relationship with Zimbabwean dictator Robert Mugabe and his wife is “strictly social” and that she is a victim of guilt by association.

Offshore business: Taveesin and her brother Anuraj Mishra in 2008 bought a company called Hall Kingston International Limited that had recently been incorporated in the British Virgin Islands. They appear in the documents as directors and shareholders. The offshore company was acquired shortly after Taveesin's first appointment to a political position, as secretary to the commerce minister in 2008. The company does not appear in her 2012 public statement of assets. Though the company still exists, according to records in the BVI, it is unclear whether it had to be publicly declared.

Comment: Taveesin's secretary Ms. Supavadee responded that “She [Taveesin] strongly affirmed that she had neither known nor heard about this so-called Hall Kingston. The information about her being [a company] shareholder is incorrect.” When asked if it was possible that Taveesin's brother, Anuraj Mishra, was a shareholder of Hall Kingston

International Limited, Supavadee repeated, “She [Taveesin] had no knowledge about the company and none of her family members were involved in the company.”

Adm. Banawit Kengrian

Former Deputy Permanent Secretary of Defense

Background: Kengrian was appointed a member of the National Legislative Council after the military coup in 2006. He resigned as a naval officer in 2007 but was later appointed chairperson of a transportation committee under the National Legislative Council with a mandate to investigate corruption cases within the Ministry of Transportation that had allegedly occurred under the previous government led by Shinawatra.

Offshore business: Kengrian is listed as one of many shareholders in the British Virgin Islands company Vnet Capital International Co., Ltd in 1998. There is no suggestion Kengrian avoided his disclosure responsibilities.

Comment: Kengrian said he had bought a small stake in the company as a personal investment. “I have never gotten involved with compa-

ny management,” he said. “As far as I understand, the company has changed status. It has merged with another company a while ago. I do not really have the details though.”

Potjaman Na Pombejra

Former Thai first lady

Details: Former wife of Thailand’s ousted Prime Minister Thaksin Shinawatra. Potjaman and Shinawatra obtained a high-profile divorce at the Thai consular office in Hong Kong in 2008. Two years later, about \$1.4 billion of Shinawatra’s family assets were seized after he was found guilty by the Supreme Court of corruption and abuse of power to benefit his family’s telecommunication company, Shin Corporation, while he was prime minister.

Offshore business: Potjaman Na Pombejra acquired an offshore company called Premium Select Inc. (2007) in the British Virgin Islands, and soon after she was listed as the sole beneficial owner. The company was set up through the service of UBS AG Singapore.

Comment: Potjaman’s lawyer, Somporn Pongsuwan, did not return several phone calls seeking information on the offshore entity.

Ukraine

Dmytro Firtash

Businessman

Details: Co-owns RosUkrEnergo, a partnership with Gazprom, the Russian natural gas giant. U.S. law enforcement officials and diplomats have linked him to arms and drug trafficking and to reputed Russian mob boss Semion Mogilevich.

Offshore business: Shareholder and director (since 2007) in Group DF Limited (incorporated in 2006) in the British Virgin Islands, which became a holding company for Firtash's interests in energy, chemicals and real estate.

Comment: Firtash could not be reached for comment.

United States

Denise Rich

Songwriter

Details: The ex-wife of the United States' most famous tax fugitive, Marc Rich, who was controversially pardoned by former President Bill Clinton on Clinton's last day in office. She is a Grammy-nominated songwriter, having written chart-topping songs for the likes of Sister

Sledge and Celine Dion. In 2012, Rich resigned her U.S. citizenship.

Offshore business: Settlor and beneficiary of The Dry Trust (1992) and director of DTD Limited (2007), both in the Cook Islands.

Comment: Denise Rich did not respond to a request for comment.

Venezuela

José Eliecer Pinto Gutiérrez

Army General

Details: Top commander in the Amazonas state, overseeing security in the Venezuela-Colombia border.

Offshore business: Shareholder, director and secretary of Romana International Holdings, Ltd. (2003-2006) in the British Virgin Islands.

Comment: Pinto Gutiérrez could not be reached for comment. ICIJ verified his connection to the offshore company through his identity card, a copy of which was included in the offshore files. ■

Methodologies

How ICIJ's Project Team Analyzed the Offshore Files

By Duncan Campbell

Published Online: April 3, 2013

THE International Consortium of Investigative Journalists' exploration of the secretive world of offshore companies and trusts began after a computer hard drive packed with corporate data and personal information and e-mails arrived in the mail.

Gerard Ryle, ICIJ's director, obtained the data trove as a result of his three-year investigation of Australia's Firepower scandal, a case involving offshore havens and corporate fraud.

The offshore information totaled more than 260 gigabytes of useful data. ICIJ's analysis of the hard drive showed that it held about 2.5 million files, including more than 2 million e-mails that help chart the offshore industry over a long period of explosive growth. It is one of the biggest collections of leaked data ever gathered and analyzed by a team of investigative journalists.

The drive contained four large databases plus half a million text, PDF, spreadsheet, image and web files. Analysis by ICIJ's data experts showed that the data originated in 10 offshore jurisdictions, including the British Virgin Islands, the Cook Islands and Singapore. It included details of more than 122,000 offshore companies or trusts, nearly 12,000 intermediaries (agents or "introducers"), and about 130,000 records on the people and agents who run, own, benefit from or hide behind offshore companies.

When ICIJ further analyzed the data using sophisticated matching software, it found that about 40 percent of files and emails were duplicates.

The people identified in ICIJ's analysis of the data are shareholders, directors, secretaries and nominees of companies and trustees,

“settlers” or “protectors” of offshore trusts, as well as power-of-attorney holders who direct the actions of third parties. Many of the structures are designed to conceal the true ownership and control of assets placed offshore. Their identified addresses are spread across over more than 170 countries and territories.

A large number of positions are held by so called “nominee directors,” whose names appear again and again, sometimes in hundreds of companies. Nominee directors are people who, for a fee, lend their names as office holders of companies they know little about. It is a legal device widely utilized in the offshore world — akin to having your motor vehicle registered in the name of a stranger.

The records indicated that company directors and shareholders were often nominee companies, law firms or other types of “corporate persons,” some of which were managed and owned by still other nominees and companies.

ICIJ’s data analysis showed that the people setting up offshore entities lived most often in China, Hong Kong and Taiwan. Another important group of clients comes from Russia and former Soviet republics. This helps explain why the second-

largest source of capital investment flowing into China is the tiny offshore tax haven of the British Virgin Islands. Similarly, a large source of investment flowing into Russia is from Cyprus, a country that also features heavily in the data — and whose financial stability was recently undermined by a crisis precipitated by Cypriot-based banks being bloated by Russian money.

ICIJ’s team of 86 investigative journalists from 46 countries represents one of the biggest cross-border investigative partnerships in journalism history. Unique digital systems supported private document and information sharing, as well as collaborative research. These included a message center hosted in Europe and a U.S.-based secure online search system. Team members also used a secure, private online bulletin board system to share stories and tips.

The project team’s attempts to use encrypted e-mail systems such as PGP (“Pretty Good Privacy”) were abandoned because of complexity and unreliability that slowed down information sharing. Studies have shown that police and government agents — and even terrorists — also struggle to use secure e-mail systems effectively. Other complex cryptographic systems popular with com-

puter hackers were not considered for the same reasons. While many team members had sophisticated computer knowledge and could use such tools well, many more did not.

Tackling the data

Analyzing the high volume of information was the team's first and central challenge. With this much data, relevant information, and good stories, cannot be found just "going and looking." What's needed is to use "free text retrieval" (FTR) software systems.

Modern FTR systems can work with huge volumes of unsorted data, many times larger than even in this landmark investigative project. They pre-index every number, word and name, making it possible for complex queries to be completed in milliseconds. The searches are akin to using advanced features on Google or other internet search engines but are more sophisticated — and, critically, are private and secure.

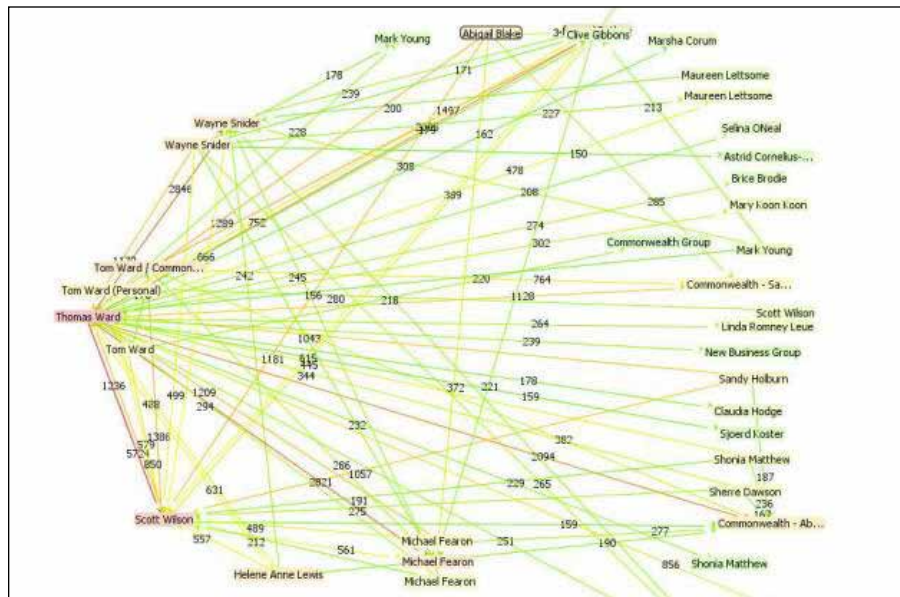
The use of FTR, as well as relevant features such as timelines that tools can extract and display, have been critical to the success of the project. It sounds complicated, but still boils down to asking one of the most important questions that inves-

tigative journalists ask: "Who knew what, when?"

In their modern form, high-end FTR and analysis systems have been sold for more than a decade, in large quantities, to intelligence agencies, law firms and commercial corporations. Journalism is just catching up. Many of the tools are too expensive for most journalism organizations and may be too sophisticated for most to use. Perhaps the best-known intelligence analysis system, i2 Analysts Notebook, has been used by very few journalists or news organizations.

The major software tools used for the Offshore Project were NUIX of Sydney, Australia, and dtSearch of Bethesda, Md. NUIX Pty Ltd provided ICIJ with a limited number of licenses to use its fully featured high-end e-discovery software, free of charge. The listed cost for the NUIX software was higher than a non-profit organization like the ICIJ could afford, if the software had not been donated.

Computer programmers in Germany, the UK and Costa Rica designed sophisticated data mining and cleaning software for ICIJ to support data research. Before it was used, though, manual analysis had established much country-by-country identification of clients and thus



Networking in the offshore world: ICIJ used advanced tools like Nuix to see how offshore providers linked up.

provided an initial look at the scope and range of clients. This painstaking work was done in New Zealand and it proved crucial in early decisions on what countries ICIJ needed reporters to work in.

ICIJ’s online search and retrieval system — named Interdata - was developed and deployed by a British programmer in less than two weeks in December 2012 to support an urgent need to get relevant documents and

files out faster for research by dozens of new journalists who were joining the expanding Offshore Project.

Interdata allowed team members to access and download copies of any of the offshore documents that were relevant to their countries and interests. Journalists using the Interdata system have to date made over 28,000 online searches and downloaded more than 53,000 documents.

Before loading Interdata or using

NUIX or similar analysis tools, the team's data experts had to deal with a major problem affecting tens of thousands of the leaked documents. Computers could not automatically read them because they were photographs or other images that do not contain text.

The solution was large scale re-scanning of unreadable files by optical character recognition (OCR) software that identifies and writes in the names and numbers on top of the images. This brought to the surface dozens of important new documents, including passports, contracts and letters explaining how companies were controlled.

ICIJ's offshore 260-gigabyte data collection is more than 160 times larger in size as measured in gigabytes than the U.S. State Department cables leaked to and published by Wikileaks in 2010. The formats of the data that ICIJ's team worked with were more complex and diffuse than the collected U.S. State Department cables passed to Wikileaks, and needed more levels of analysis.

One specially built program has been prepared to check and match names and addresses, and has spotted thousands of cases where the same person's data has been entered numerous times in different ways for

different companies. Another special program identifies the country associated with each person and company, even when geographic data has not been entered fully or correctly.

Unlike the U.S. cables and war logs released by Wikileaks, the offshore data was not structured or clean. As delivered, it consisted of a large and mainly unsorted collation of company and trust documents and instructions, e-mails, large and small databases and spreadsheets, personal identity documents, accounting information and agents' and companies' internal papers and reports.

As might be expected in any office computer network, many documents and e-mails had been shared and copied many times over. Some of the programs ICIJ used could automatically sift out duplicates, but others could not.

Large databases detailing offshore companies and the people who had set up and operated them were found in the data. Over three months, ICIJ recovered and rebuilt the databases in an effort to run them in their original format. When the database reconstruction was done, there were surprises. The databases had been built to record and check who really lay behind each company and trust, as required by international regula-

tions on money laundering and “due diligence.” ICIJ’s journalists hoped the data as to who was behind a company was a click away.

In fact, database entries for “beneficial owners” were often empty. Often too, the offshore services providers had passed the legal responsibility for holding the information to intermediaries in other countries who had brought the client to the service provider. The lesson was that the empty fields were not an accident; it was the design.

A frustrating but rewarding road

In the rebuilt databases, researchers were excited by occasional electronic flashes. Sometimes, on accessing a company record, an alert screen popped up over the registered data, giving a name and contact details for the person or persons who really owned the company and its assets. A further feature in one database masked a deeper layer of secrecy, identifying thousands of people as hidden stand-ins.

ICIJ’s fundamental lesson from the Offshore Project data has been patience and perseverance. Many members started by feeding in lists of names of politicians, tycoons, sus-

pected or convicted fraudsters and the like, hoping that bank accounts and scam plots would just pop out. It was a frustrating road to follow. The data was not like that.

But persistently following leads through incomplete data and documents yielded some great rewards: not just occasional and unexpected top names, but also many more nuanced and complex schemes for hiding wealth. Some of the schemes spotted, although well known in the offshore trade, have not been described publicly before. Patience was rewarded when this data opened new windows on the offshore world. ■

Duncan Campbell (U.K.), a founding member of ICIJ, is the ICIJ Data Journalism Manager for the Offshore Project and a contributing journalist. Programmers Sebastian Mondial (Germany), Matthew Fowler (UK), Rigoberto Carvajal and Matthew Caruana Galizia (Costa Rica) provided custom software design, programming and data support. The initial manual analysis of the client names was done by ICIJ member Nicky Hager and Barbara Mare (New Zealand). ICIJ member Giannina Segnini oversaw the work in Costa Rica.

Follow-Up

Release of Offshore Records Draws Worldwide Response

By Emily Menkes, Kimberley Porteous and Michael Hudson

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ICIJ'S investigative series on offshore secrecy — which draws from a cache of 2.5 million secret records — has ignited reactions around the globe.

Since the initial release of stories by the ICIJ and its media partners across the world, public officials have issued statements, governments have launched investigations, and politicians and journalists have been debating the implications of the records and the reporting.

Among the latest reactions and responses:

- **The European Commissioner on Taxation Algirdas Šemeta** and **Irish Finance Minister Michael Noonan** sent a letter to all EU Finance Ministers, setting out 7 key

areas for immediate action in improving the fight against tax fraud, evasion and avoidance. Member States were asked to agree on these actions at the ECOFIN in May. The letter credits the offshore leaks investigation with “sharpening the focus” on tax fraud, and says it will ask ICIJ to supply names and details of European citizens from its data.



- **Finance ministers and central bankers at the G20** meeting in Washington said in a communiqué that automatic exchange of tax-relevant bank information should be adopted as the global

standard to overcome international tax evasion. Skeptical European leaders reportedly “became more enthusiastic” after the public outcry over ICIJ’s offshore leaks revelations.

- **Bayartsogt Sangajav, deputy speaker of the Mongolian Parliament**, has reportedly resigned from his post following ICIJ’s revelations about his undeclared offshore company and bank account. In a parliamentary session he was asked to explain his actions. Several MPs called for further disciplinary action, including expelling him from Parliament entirely.
- **Santosh Kumar Agarwal (Kedia)**, a member of the board of directors for the Antwerp World Diamond Centre, has resigned from the organization after his offshore dealings were revealed. “In the interest of the integrity of the Antwerp World Diamond Centre as [an] organization and the industry as a whole, Kedia has taken the initiative to withdraw from the AWDC’s board of directors, awaiting the outcome of a potential investigation,” said a statement released by the company.”
- **French president Francois Hollande** has published the personal financial details of government ministers on the official government website, following the Jerome Cahuzac and Jean-Jacques Augier offshore assets scandals. The list of assets includes details of bank accounts, life insurance, property and other expensive items such as cars, art works and antiques. Various properties in Paris and the south of France have already been itemized by ministers, as well as designer lounge chair (Industrial Renewal Minister Arnaud Montebourg) and a David Beckham t-shirt (Culture Minister Aurelie Filippetti).
- **European Council president Herman Van Rompuy** announced that tax evasion will be discussed at the next European Council in May, saying “we must seize the increased political momentum to address this crucial problem.”
- BVI government officials have announced they are opening a new business headquarters in Hong Kong, with **Orlando Smith, BVI Premier and Finance Minister**, confirmed to officiate the opening. Executive director of

BVI International Finance Centre, Elise Donovan, said the data obtained by the ICIJ was “a small fraction” of the total number of BVI firms. She later added, “We want to reassure clients in Hong Kong and the region that this is an isolated incident. We remain committed to clients’ privacy and confidentiality.”

- The Swiss and U.S. governments are investigating a possible solution to the dispute over wealthy Americans using Swiss banks to hide their money. These talks come at time when Switzerland’s banking sector is under increased pressure to surrender personal information about suspected tax evaders. **Swiss Finance Minister Eveline Widmer-Schlumpf** said all countries should be treated equally in the drive for bank transparency. “We consider it very important that rules must apply to all and are engaging ourselves for a level playing field in multilateral forums,” Widmer-Schlumpf said.
- **German Chancellor Angela Merkel** urged UK’s PM David Cameron to crack down on tax havens during talks in Berlin,

following a public outcry in Germany over the “offshore leaks.” Sources “close to Cameron” claim he was actually the first to raise the issue, spelling out how his government was cracking down on tax avoidance in places such as Jersey and Guernsey.

- **Russian Deputy Prime Minister Igor Shuvalov** is moving his offshore assets back to Russia after ICIJ’s revelations that Shuvalov’s wife Olga Shuvalova was either a shareholder or owner of several secretive offshore entities. The Shuvalovs had a declared income of \$12.7 million in 2011, most of which was earned by Olga.
- Spanish political party Unión Progreso y Democracia submitted **written questions to the Spanish Congress** today in the wake of French president François Hollande’s announcement that French banks had to declare their tax haven subsidiaries. The questions read: Is the government going to present in the European institutions any initiative to eradicate the tax havens within the Member States? and Is the government going to force banks to disclose the subsidiaries they

have in tax havens and what are their activities?

- **French president François Hollande** called for “eradication” of the world’s tax havens and told French banks they must declare all of their subsidiaries. He also announced the creation of a special prosecutor to pursue cases of corruption and tax fraud. French government ministers have been ordered to declare their assets publicly within days.
- **Luxembourg’s Prime Minister Jean-Claude Juncker** announced his country plans to lift bank secrecy rules for European Union citizens who have savings based in the country, ending decades of bank secrecy in Luxembourg. “We are following a global movement,” Juncker told parliament in a state-of-the-nation address. The new transparency regime would begin in January 2015. Austria is now the only EU country not sharing data about bank depositors. In a recent interview, **Austrian Vice Chancellor and Finance Minister Spindelegger Fekter** said: “How much money someone has in the bank is a matter between the bank and the customer and is no one else’s business.”
- **Algirdas Semeta, European Union Tax Commissioner** stated in a recent interview that it is time to move “quicker and harder” against tax evasion. He said the “growing willingness to act” increases the likelihood of a more coordinated EU stance against tax havens.
- **Europe’s five biggest economic powers** — Britain, France, Germany, Italy and Spain — announced they would begin regularly exchanging banking and tax information as a way of identifying tax dodgers and other financial wrongdoers.
- Meanwhile, the **British Virgin Islands (BVI) authorities** are not fans of the ICIJ investigation. The BVI premier and Finance Minister Orlando Smith told the South China Morning Post that “BVI authorities are actively investigating how this private information has been illicitly obtained and used to attack the BVI financial services industry, which operates compliantly within international guidelines and the law.”
- Athens’ **district attorney Panayota Fakou** has started a preliminary probe to find out if Greeks

who own offshore companies unearthed by the ICIJ investigation have evaded taxes or laundered money. According to the Greek newspaper *Ta Nea*, prosecutors will send information requests to British Virgin Islands' financial authorities asking them to turn over records of 107 entities connected to Greek citizens.

- An investigation by Finnish State Television and ICIJ exposing the offshore connections of state-owned postal company Itella has been received with surprise by the **Finnish Finance Minister, Jutta Urpilainen**. The minister said that “state owned companies should be an example for other companies. That is why it is especially unacceptable that Itella owns a company in a tax haven.” Urpilainen said the Finnish government should adopt clear rules on the use of offshore jurisdictions by state-owned corporations and called tax havens “one of the biggest threats to the Finnish welfare state.”
- **Canada’s national revenue minister Gail Shea** says the government may pursue the Canadian Broadcasting Corporation in

court to force it to share the offshore leaks records.

- **Quebec Premier Pauline Marois** has declared that neither she, nor any other elected officials in her government have dealings in the offshore world. Marois also supported the handover of internal documents to Canadian authorities, stating the Quebec government would not hesitate to use “all legal means” to ensure this.
- **French budget minister Bernard Cazeneuve** joins the clamor from governments around the globe in urging ICIJ and its media partners to release the offshore tax haven files to them, to “aid justice and help them do their job.” *Le Monde’s* response: “It is up to the justice system to establish responsibilities at a time when the law might have been broken ... It is up to the press to enlighten the reader...”
- **Austrian Chancellor Werner Faymann** says he is ready to make concessions on banking secrecy, to bring the nation in step with Switzerland and Luxembourg. “Austria should participate in talks on banking secrecy,” Aus-

trian Chancellor Werner Faymann declared to Die Presse.

- The **European Commissioner for Taxation, Algirdas Šemeta**, called for an automatic exchange of information between countries and a “tough common stance.” “Recent developments, fuelled by the outcome of the Offshore Leaks, confirms the urgency for more and better action against tax evasion Now it is time to put words into action.” He said he was “very pleased” to see many of the Member States reviewing where they stand on the issues and “intensifying their political will to act.”
- The Swiss government has distinguished itself from other world governments by publicly stating it does not want access to the offshore leaks records. **Finance minister Eveline Widmer-Schlumpf** said Switzerland has worked hard in recent years to curb fraud and tax evasion and that much of the activity pointed to in the leaked documents can be perfectly legal. She says the Swiss government does not want access to the data as “it was acquired illegally and Bern wants no part of that”.
- The **Philippine Presidential Commission on Good Government** probe into the disclosure that **Maria Imelda Marcos Manotoc**, the eldest daughter of the late dictator Ferdinand Marcos, was a beneficiary of a secret offshore trust in the British Virgin Islands, will release its report within two weeks. “We are duty bound to investigate and, depending upon informed preliminary findings, decide whether to pursue the matter,” said Andres Bautista, the chairman of the Presidential Commission on Good Government, tasked with recovering the Marcos family’s alleged ill-gotten wealth.
- The president of the **Association of German Banks** denied that his group’s members had helped customers engage in tax evasion. “First in line are the individuals and the organizations that invest their money in tax oases,” Andreas Schmitz said.”
- The **Berne internal revenue service** authorities announced they will re-open the Gunter Sachs case after ICIJ’s revelations about the former Mr. Brigitte Bardot’s intricate offshore scheme.

- In Canada, a Liberal senator urged his caucus colleague, **Senator Pana Merchant**, to answer questions in the wake of CBC News and ICIJ reports that she has been listed as beneficiary of an offshore trust created by her husband, a well-known class-action attorney. “We’re all innocent until proven guilty in this country, but I want to hear her explanation,” Senator Percy Downe told CBC News in an interview.
- In the Philippines, two lawmakers dismissed a report by an ICIJ media partner, the Philippine Center for Investigative Journalism (PCIJ), that they had offshore holdings. **Senator Manuel Villar** said his offshore entity was a “1-dollar shell company” that he wasn’t required to report, because he hadn’t made any real investment in it. Villar said that he hadn’t conducted business with the British Virgin Islands company “because I decided to concentrate in the Philippines.” Congressman Joseph Victor ‘JV’ G. Ejercito suggested the story about him was politically motivated. “To the best of my knowledge, I have truthfully and accurately declared all my assets, liabilities, and net worth” on required disclosures forms for public officials, he said in a statement.
- **Germany’s Economics Minister Philipp Rösler** urged the media to pass the data on to the government, stressing that tax evasion was a “criminal act.”
- **Luxembourg’s Finance Minister Luc Frieden** says he is open to greater transparency of its banks in order to cooperate further with foreign tax authorities.
- The **Indian Finance Minister P. Chidambaram** said an inquiry had been initiated by the authorities against individuals whose names figured in the global media report. “Yes. We have taken note of the names and inquiries have been put in motion in respect of the names that have been exposed,” he told a press conference.
- The **Mongolian Deputy Speaker, Bayartsogt Sangajav**, admitted to an “ethics failure” over his undeclared million-dollar Swiss bank account. He told a press conference: “It is true that there is 1,658 Euros or 2.9 million

MNT in a Swiss bank account. I opened the account to trade in international stocks with three other acquaintances in 2008. My failure of responsibility is that I did not include the company in my declaration of income. I have admitted my ethic failure and I am ready to take responsibility.”

- Philippine government officials said they will investigate evidence that **Maria Imelda Marcos Manotoc**, a provincial governor and daughter of the late dictator Ferdinand Marcos, was the beneficiary of a secret BVI offshore trust.
- **George Mavraganis, the Deputy Finance Minister of Greece** announced that the Greek government is moving to address offshore-driven tax dodging. Greek members of parliament asked Mavraganis what he planned to do about the 103 offshore companies that ICIJ found hadn't been registered with Greece's tax authorities.
- **George Sourlas from Greece's Ministry of Justice** said the revenue loss caused by offshore was huge. “By the actions of offshore companies in Greece, the rev-

enue loss to the Greek government is in the order of 40% or more of the debt of our country,” Sourlas said. “The offshore companies cast a shadow at this time of great crisis, when some get rich and many get poor.”

- In France, **President Francois Hollande** denied knowledge of the offshore accounts held by his 2012 campaign manager, Jean-Jacques Augier, asserting that it's up to the tax administration to monitor Augier's private activities. Reports about Augier's offshore dealings by *Le Monde*, the BBC and other ICIJ partners came in the wake of news about tax fraud charges against Hollande's ex-budget Minister, Jerome Cahuzac.
- The office of **Azerbaijani President Ilham Aliyev** asserted there was nothing unusual about the information in the leak – which showed that his two daughters were shareholders of three offshore companies. The statement said the President's daughters “are grown up and have the right to do business.” A spokesperson for Azersun – a holding company controlled by Hasan Gozal, a

corporate mogul who was listed as the director of the daughters' companies – said the report was biased and based on inaccurate information. “I regret that authority of Press Council doesn't go beyond Azerbaijan and there is no such institution worldwide to fight racketeer journalists,” the spokesman said.

- **Ex-Colombian President Álvaro Uribe Vélez** publicly defended his sons' involvement in offshore business. Uribe stated that his sons Tomás and Jerónimo are entrepreneurs and “have participated in business dealings since they were children” and “they are not tax evaders.”
- In the UK, **David Cameron** is facing renewed pressure to take action over Britain's entanglements within the offshore world. Lord Oakeshott, a senior Liberal Democrat said that the secrecy haven of the British Virgin Islands “stains the face of Britain.” Oakeshott and others are questioning whether Cameron will raise the issue in June of at the G8 summit of wealth nations. “How can David Cameron keep a straight face calling for the G8 to make big

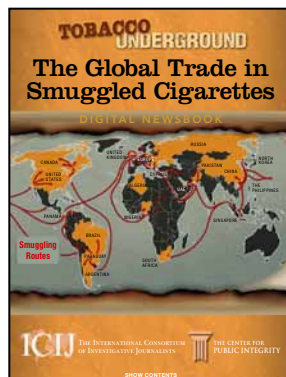
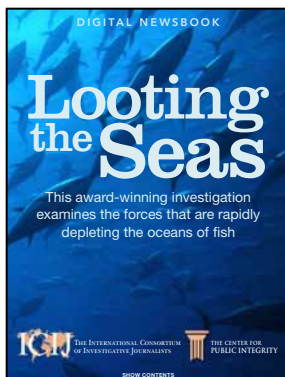
business pay tax when we let the BVI use British law and British protection to suck in billions in dirty money?” Oakeshott asked.

- **German Finance Minister Wolfgang Schäuble** stated on public radio that he was “pleased” with the ICIJ reports. He went on to say, “I think that such things as have been made known will increase the pressure internationally, and we will be able to increase the cooperation with those who have been more reticent”, a sentiment reflected in Germany's previous lobbying to stamp out tax avoidance.
- **Canadian Federal Revenue Minister Gail Shea** called the released of offshore banking information as “good news” for Canadians and bad news for tax evaders. Ms. Shea urged ICIJ or anyone else with information on tax cheats to come forward.
- **Pascal Saint-Amans, director of the Organization of Economic Cooperation and Development**, said: “Secrecy is no longer acceptable. We need to get rid of it. If the rules make it possible, then we'll change the rules.” ■

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