

Prosecutors across the world open probes on 'Panama Papers'

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Reuters

Governments across the world began investigating possible financial wrongdoing by the rich and powerful yesterday after a leak of four decades of documents from a Panamanian law firm that specialised in setting up offshore companies.

The 'Panama Papers' revealed financial arrangements of politicians and public figures including friends of Russian President Vladimir Putin, relatives of the prime ministers of Britain, Iceland and Pakistan, and the president of Ukraine.

While holding money in offshore companies is not illegal, journalists who received the leaked documents said they could provide evidence of wealth hidden for tax evasion, money laundering, sanctions busting, drug deals or other crimes.

The law firm, Mossack Fonseca, which says it has set up more than 240,000 offshore companies for clients around the globe, denied any wrongdoing and called itself the victim of a campaign against privacy. Mossack Fonseca, in a statement posted on its website yesterday, said media reports had "misrepresented the nature of our work."

"We routinely resign from client engagements when ongoing due diligence and updates to sanctions lists reveal that a beneficial owner of a company for which we provide services is compromised," it said.

The law firm added that "excluding the professional fees we earn, we do not take possession or custody of clients' money, or have anything to do with any of the direct financial aspects" of their business operations.

Leading figures responded to the leaks with denials as prosecutors and regulators began a review of the reports from the investigation by the US-based International Consortium of Investigative Journalists (ICIJ).

The US Department of Justice would determine whether there was evidence of corruption and other violations of US law, a spokesman said. A White House spokesperson said that "in spite of the lack of transparency that exists in many of these transactions," there were US experts who could find out whether they violated sanctions and laws.

Banks under spotlight

Financial prosecutors in France announced the opening of a preliminary investigation for aggravated tax fraud.

Germany would also "pick up the ball" in the case, a Finance Ministry spokesperson said yesterday. Financial market watchdog Bafin is looking into the matter, said a source close to the regulator, which reports to the ministry.

Australia, Austria, Sweden and the Netherlands were among other countries that said they had begun investigating the allegations based on more than 11.5 million documents. Banks came under the spotlight over allegations they helped clients hide their wealth offshore.

In Argentina, political opposition parties demanded an explanation from center-right President Mauricio Macri because he served as a director of an offshore company in the Bahamas related to his wealthy father's business in the past.

In a short television interview, Macri denied any wrongdoing and said the company his father founded was legal.

In Brazil, where a corruption crisis threatens President Dilma Rousseff's administration, the *O Estado de S Paulo* newspaper said politicians from seven parties were named as Mossack Fonseca clients. They did not include politicians from Rousseff's Workers' Party.

The documents, covering a period from 1977 until last December, were leaked to more than 100 news organisations around the world in cooperation with the ICIJ.

"I think the leak will prove to be probably the biggest blow the offshore world has ever taken because of the extent of the documents," ICIJ director Gerard Ryle said.

The Kremlin said the documents contained "nothing concrete and nothing new", while a spokesperson for British Prime Minister David Cameron (*pix above*) said his late father's reported links to an offshore company were a "private matter."

Pakistan denied any wrongdoing by the family of Prime Minister Nawaz Sharif after his daughter and son were linked to offshore companies.

Ukrainian President Petro Poroshenko (*pix*) defended his commitment to transparency after lawmakers called for an investigation into allegations in the documents that he had used an offshore firm to avoid tax.

Poroshenko purportedly moved his confectionery business, Roshen, to the British Virgin Islands in August 2014 as fighting between Ukraine and pro-Russian separatists peaked.

"I believe I might be the first top official in Ukraine who treats declaring of assets, paying taxes, conflict of interest issues seriously," Poroshenko tweeted.

Secret offshore deals

Iceland's prime minister, Sigmundur Gunnlaugsson, faced calls for his resignation after ICIJ said he and his wife were connected with a secretive company in an offshore haven. His political opposition filed a no-confidence motion.

"I certainly won't (resign) because what we've seen is the fact that, well, my wife has always paid her taxes. We've also seen that she has avoided any conflict of interest by investing in Icelandic companies at the same time that I'm in politics," he told *Reuters TV*.

Britain's *Guardian* newspaper said the documents showed a network of secret offshore deals and loans worth US\$2 billion (about RM7.8 billion) led to associates of Putin,

including concert cellist Sergei Roldugin, a childhood friend of the president. *Reuters* could not confirm those details.

Putin's spokesperson dismissed the reports as "Putinophobia".

The British government asked for a copy of the leaked data, which could be embarrassing for Cameron, who has spoken out against tax evasion and tax avoidance.

His late father, Ian Cameron, a wealthy stockbroker, is mentioned in the files, alongside some members of his Conservative Party, former Conservative lawmakers and party donors, British media said.

The Australian Tax Office said it was investigating more than 800 wealthy Mossack Fonseca clients and had linked more than 120 of them to an associate offshore service provider located in Hong Kong, which it did not name.

"We regret any misuse of companies that we incorporate or the services we provide and take steps to uncover or stop such use," the law firm's statement said.

Media reports said the leaked data pointed to a link between a member of global soccer body Fifa's ethics committee and a Uruguayan soccer official arrested last year as part of a US probe into corruption in the sport. Mossack Fonseca said it had "no connection or involvement with these matters in any way".

The British-based Tax Justice Network said too many offshore lawyers, accountants and bankers saw it as their role to shield their clients from financial regulations.

Director John Christensen said in a statement that the law firm operated with "extreme secrecy and discretion" for their clients, "which was attractive to many clients engaged in tax evasion, fraud, hiding conflicts of interest, and other white collar crimes".

The Paris-based Organisation for Economic Cooperation and Development (OECD), which has pushed for more transparency on taxes, said Panama "must put its house in order".

OECD said it had warned G20 finance ministers before the leaks that Panama was backtracking on a commitment to share information on accounts with other governments.

"The consequences of Panama's failure to meet the international tax transparency standards are now out there in full public view," OECD secretary-general Angel Gurría said in a statement.

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