

## Massive data leak exposes offshore financial secrets

Hundreds of Canadians named in tax-haven records shared exclusively in Canada with CBC News

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They sought the utmost secrecy in offshore tax havens. But now some of the world's wealthiest citizens are having their undisclosed financial records laid bare.

An unprecedented leak of documents is revealing the closely guarded investment information of more than 100,000 people around the world, including hundreds of Canadians.



MAP: Where Canada's offshore account-holders live

In what is believed to be one of the largest ever leaks of financial data, the Washington, D.C.-based International Consortium of Investigative Journalists has received nearly 30 years of data entries, emails and other confidential details from 10 offshore havens around the world.

CBC News has partnered with the ICIJ over the last seven months to gain exclusive Canadian access to the information. Thirty-seven media outlets in 35 other countries are also involved.

"This secret world has finally been revealed," said lawyer and international tax expert Art Cockfield, a professor at Queen's University in Kingston, Ont.

MAP Tax haven data leak reverberates around globe

"I find it absolutely fascinating to get a look at this data dump. I think this is the very first time where people like myself, and maybe even government officials, have had access to this information."

The files contain information on over 120,000 offshore entities — including shell corporations and legal structures known as trusts — involving people in over 170 countries. The leak amounts to 260 gigabytes of data, or 162 times larger than the U.S. State Department cables published by WikiLeaks in 2010.

"What we found as we started digging in the records is a pretty extensive collection of dodgy characters: Wall Street fraudsters, Ponzi schemers, figures connected to

organized crime, to arms dealing, money launderers," said Michael Hudson, a senior editor at the ICIJ, who worked with a team for months to sort through the information.  
News tips

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"We just found a lot of folks involved in questionable or outright illegal activities."

There was also plenty of information related to legal offshore dealings. Offshore investments aren't illicit as long as they are not used to evade taxes or launder money.

As reported by CBC News yesterday, the files show that a Canadian senator and her husband, one of the country's most prominent class-action lawyers, were beneficiaries of a confidential offshore account in the Cook Islands that was used to make investments via Bermuda.

The leaked data also contains revelations about:

Elite Russian scammers who stole \$230 million from the country's treasury in a deadly heist that sparked a diplomatic row with the U.S.

The fraudster hit with the second-biggest fine in history from Ontario's stock-market regulator.

Top German, French and Swiss banks that set up thousands of secretive companies in offshore havens for such clients as Thai and Pakistani politicians.

In many cases, the leaked documents expose insider details of how agents would incorporate companies in Caribbean and South Pacific micro-states on behalf of wealthy clients, then assign front people called "nominees" to serve, on paper, as directors and shareholders for the corporations — disguising the companies' true owners.

Often the companies were set up through intermediary law and accounting firms, as well, adding a further layer of anonymity for investors.

"These people have no idea whatsoever about the activities of the companies that they are apparently responsible for. Now, this is a complete travesty," said John Christensen, director of the Tax Justice Network, an international coalition that campaigns against offshore finance.

"But it is actually crucial to this process of not revealing who the real person is behind the company."

Sometimes these methods were used by figures with known links to organized crime, arms dealers and ex-mercenaries. In other instances, documents reveal tax dodgers funnelling money offshore, beyond the eyes and arms of their nation's treasury.  
Canadians at top

Many of the leaked records consist of emails between employees and customers of specialty firms that set up and administer tens of thousands of offshore companies.

One of those firms — Commonwealth Trust Ltd., based in the British Virgin Islands in the Caribbean — was founded and, until 2009, run by a Toronto native, Tom Ward. The company's senior ranks included a number of other Canadians. It mainly sets up corporations in the BVI for the wealthy, charging around \$2,000 a year per account for its services.



MAP Canada's offshore account-holders

Another agency, Portcullis TrustNet, has offices on tropical islands around the globe, including in the Cook Islands near New Zealand, as well as the BVI, the Caymans, Mauritius, Samoa, Singapore and Hong Kong. A former senior manager at the company is a Canadian lawyer.

Not all the firms' leaked emails are strictly business. There's also hundreds of intra-office missives about cricket, after-work drinking plans and the latest internet memes.

"I am getting some very funny looks as I sit here crying with laughter at that one," a TrustNet employee messages a co-worker after watching a YouTube video that was sent around.

Another colleague describes a recent Monday evening trip to the bar in an email to her mom: "What started out as being just one drink ended up being 3 double bourbons and hello?! Can I just get drunk?! Haha."

Up to \$32 trillion stashed offshore

Offshore tax havens have existed for at least 100 years. While there's no firm definition, the International Monetary Fund says most of what it officially calls "offshore financial centres" are distinguished by:

- A banking sector that primarily serves non-residents.
- Low to no taxation on foreign firms and people.
- Tight financial secrecy.

By those terms, there are up to 80 tax havens in the world, including such countries as Panama, Liechtenstein and Switzerland but also tiny island territories like Jersey, Malaysia's Labuan, the Isle of Man and the Turks and Caicos.

#### Publishing decision

CBC Editor Jennifer McGuire explains why CBC News isn't publishing all 450 Canadian names.

Worldwide, the Tax Justice Network estimates that between \$21 trillion and \$32 trillion of private wealth is held offshore, out of reach of national treasuries (a more conservative estimate by the Boston Consulting Group puts the figure at \$8 trillion). The international organization says that translates to up to \$280 billion a year in lost taxes — twice what the world's richest countries spend combined on foreign aid.

Canada's share of that, assuming it's the same as the country's proportion of global GDP, would be about \$7 billion, or a quarter of the federal government's projected 2012 budget deficit.

Countries have discussed ways to stem the tax drain to offshore havens for years, but so far have been unable, or unwilling, to fully plug the leak.

In last month's federal budget, Finance Minister Jim Flaherty promised to set up a system for tipsters to report offshore tax cheats. Informants would get 15 per cent of the recouped tax in cases where the Canada Revenue Agency recovers more than \$100,000. The government estimates it could recover hundreds of million in revenue. But the Tories also cut \$47 million a year from the budget of the Canada Revenue Agency.

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