

# PROLOGUE

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‘Ping.’

My wife, our children and I have been at my parents’ for three days, and for the past two days everyone’s been ill. Everyone except me. It’s ten o’clock in the evening, and having stroked the last patient and handed out the last cup of tea, I sit down at the dining table, open my laptop and put down my smartphone next to it.

Then there’s a ‘ping’. A new message.

[john doe]:Hello.

This is John doe.

Interested in data? I’m happy to share.\*

‘John Doe’ has been in use in Great Britain for centuries and is also common in Canada and the United States. People whose true identity must be protected in court are called ‘John Doe’, as are unidentified corpses. ‘John Doe’ has also long been used as a name for bands, TV series and various products.

\* In order to protect our source, parts of the indented, sans serif exchanges that would endanger our informant have been abbreviated in this book or else reproduced with minor alterations that do not distort their meaning.

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So ‘John Doe’ is a cover, another term for ‘Joe Bloggs’. But this ‘Joe Bloggs’ is obviously offering secret data.

Investigative journalists are genetically programmed to prick up their ears at this kind of offer. Secret data is always good news. At the *Süddeutsche Zeitung* we’ve published lots of articles based on leaked data in the past three years. Offshore Secrets was about tax secrecy in the Caribbean, the HSBC Files tackled secret Swiss bank accounts and the Luxembourg Tax Files revealed Luxembourg’s dodgy tax schemes. The mechanism is always the same – a large volume of secret data flows out and ends up in the hands of journalists. If the volume of secrets is large enough, it is, statistically speaking, almost bound to contain some good stories.

Also, journalists often spend weeks, sometimes even months, chasing a specific source. So if a potential source comes to you, you need to react fast. Or at the very least you need to react: there’s almost nothing more annoying than finding a story in the *Spiegel* or the *Zeit* that you were offered first.

[Obermayer]: Hello. We’re very interested, of course.

You can immediately tell the worst sources – bad sources, or at any rate crazy or confused ones – from their emails. Crazy people do sometimes have good stories, but it’s the exception rather than the rule.

The advantage with data is that it’s not self-important or verbose. It doesn’t have a mission and it isn’t looking to deceive you. It’s simply there, and you can check it. Every good dataset can be collated with reality and that’s exactly what you must do as a journalist before you start to write. At some stage you also have to consider very carefully which part of the data you’re going to exploit.

And for several reasons, legal as well as journalistic, we cannot post thousands of documents online, like the coordinators of the whistle-blowing website WikiLeaks. In Germany we have quite harsh laws on

leaked information. We have to review and check every single page, and we would have to black out a lot...

[Obermayer]: How would we get the data?

[john doe]: I would like to assist but there are a couple of conditions. You need to understand how dangerous and sensitive some of this information is. My life is in danger, if my identity is revealed. I've spent the past several weeks considering how to handle this. We will only chat over encrypted channels. No meeting, ever. The choice of stories is obviously up to you.

I can live with those conditions. Journalists obviously prefer to get to know their source to be able to gauge what they're like and understand their motives, but for the informants it's often better to remain in the shadows. Whistle-blowers aren't particularly well protected, even in Germany, and each person who knows an informant's identity is a potential risk – even, or perhaps especially, if that person is a journalist.

However, the source communicates clearly and concisely, and I can do the same. This someone has obviously got something they want to get rid of, and they want to give it to me.

[Obermayer]: So how to proceed?

I send the person my contact details for further encrypted communications. In the subsequent exchanges we agree on how the transfer will take place, and I'm told that I can expect to receive a first sample soon via an encrypted channel.

The source doesn't ask for money – a good sign. A few months earlier someone had got in touch with me claiming to have records of secret foreign bank accounts belonging to a German political party and supposedly containing \$26 million. Our conversation went back and forth for a week, poor-quality photos of bank

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documents were sent, absurd telephone calls ensued and then, over the phone, the person suddenly demanded cash.

The fact is that the *Süddeutsche Zeitung* never pays for information, not only because we don't have the money, but primarily on principle. This also reduces people's temptation to fob us off with fake documents. We just have to be able to stomach reading stories we were forced to pass up in other newspapers. However, the story of the secret party account appeared neither in the *Spiegel* nor in *Stern*: if they were ever offered the documents, our colleagues must also have judged them to be fakes.

'Ping.'

The sample has arrived: a big bunch of documents, most of them PDFs. I open the files on my computer and analyse them, one by one. There are companies' articles of incorporation, contracts and extracts from databases. It takes me a while to grasp the links between them, but after a quick Internet search I understand the context. The location is Argentina. A public prosecutor, José María Campagnoli, suspects that shady business people have helped the Kirchners – i.e. the then president Cristina Kirchner and her late husband Néstor – to smuggle around \$65 million out of the country. This theft was allegedly conducted via a labyrinthine system of 123 shell companies, all of them set up, predominantly in the US tax haven of Nevada, by a Panamanian law firm called Mossack Fonseca. Nevertheless, none of the accusations have as yet been proved and Cristina Kirchner disputes the accuracy of the allegations.

What makes the case topical is that there is a litigation case pending in the United States. Directed by its founder Paul Singer, the investment fund NML had bought millions of dollars' worth of Argentinian government debt – and then the country went bankrupt. Most creditors agreed to debt relief, but not NML. The fund is filing lawsuits around the world for the seizure of Argentinian state assets. It has even had an Argentinian warship impounded off the coast of Africa. Warships are valuable and can be sold off.

The goal of the current lawsuit in Nevada, USA, is to force the disclosure of this network of shell companies. NML wants Mossack Fonseca to surrender all documents pertaining to the 123 shell companies. I have some of those files in front of me on my screen right now, documents that NML has been chasing in vain for years. One thing jumps out at me: the payments run into millions of dollars.

The papers show the transfer of \$6 million into a Deutsche Bank account in Hamburg. The accompanying contract raises further questions: it's a commission on a gambling deal.

Two other files name the real owners of two of the firms whose documents NML is seeking to obtain. Access to these two files would constitute a huge leap forward in their case.

The interesting thing is that all the documents appear to originate from the same law firm. I'm familiar with Mossack Fonseca, but only ever as an impenetrable wall, a black hole. Every time our research has led us to this law firm, it has spelled the end of the investigation. Mossack Fonseca is one of the largest providers of anonymous shell companies and is not exactly famed for being fussy about its clientele; quite the opposite, in fact.

In plain English: while many of its clients are doing nothing illegal, some of the world's biggest scumbags have used Mossack Fonseca's anonymous offshore companies to disguise their business dealings. During the Offshore Secrets and HSBC Files investigations we came across convicted drug kingpins and suspected traders of blood diamonds who had used companies established by Mossack Fonseca for camouflage purposes. Search the Internet for Mossack Fonseca's clients and you will also find accomplices of Gaddafi, Assad and Mugabe allegedly working hand in glove with the Panamanian law firm.

Please note that I say *allegedly*, as Mossack Fonseca denies any association with these people and its client list is confidential. So far, at least.

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[Obermayer]: The material seems to be good.  
Can I see more?

But 'John Doe' doesn't answer. Has he or she had second thoughts?  
Or are they merely considering their next move?

[Obermayer]: Is all about the argentine case?

When I still haven't received an answer twenty minutes later, I close my laptop, put my smartphone away and go to bed.

The next morning (with the sickbay still as full as ever) there's an answer. And a lot more besides.

[John doe]: I am sending a few more documents. Some have to do with Russia. Another part of a PDF is specially intended for you Germans. Look for Hans Joachim. . . There's a lot more from where that came from.

I'm desperate to look through the documents straight away, but – and this is very tough – I first have to go to the pharmacy and shop for bread, fruit and tea. I'm the only one in a fit state to leave the house. The positive effect of this epidemic is that no one wants me to take them to the woods, play football or go for a walk. By late afternoon every bed in the house has a sleeping patient in it and I can return to my computer.

The new documents also seem to come exclusively from the files of the Panamanian law firm Mossack Fonseca. The company clearly has a serious problem.

A leak.

First I study a document many hundreds of pages long that whoever-it-is has named 'Records'. Several hundred pages of bank transfers, but one sticks out: on 19 November 2013 a sum of almost \$500 million in gold was paid into the account of a man called Hans-Joachim K. at Société Générale Bahamas.<sup>1</sup>

\$500 million. Half a billion. A vast sum of money.

I've never heard of Hans-Joachim K., but a Google search reveals him to be a little-known Siemens manager in Germany who used to be CEO in Colombia and Mexico. This might be a lead. For many years Siemens ran slush funds in South America to reward people who helped its business to flourish. I find dozens of articles, including some in the international press.

One thing baffles me, though. This jaw-dropping sum was transferred into the Siemens man's account in autumn 2013, yet the company's Latin American slush funds had been uncovered way back in 2007/8. There were lawsuits, some of which continue to this day.

This is strange, to put it mildly. You don't just suddenly come by \$500 million, so where's this money from? A bookkeeping error?

Before I can become absorbed in further details, I hear the kids calling me. They want more salted snacks and toast. I give in and snap the laptop shut. That \$500 million isn't going anywhere.

I spend the afternoon reading stories, making tea and filling hot water bottles. It's late in the evening before I get a chance to take a good look at the new material. At first glance it seems to be predominantly about shell companies, most of which appear to be linked to the same secret owner, a certain Sergei Roldugin. Many of the documents are contracts involving sums running into many millions. \$8 million here, \$30 million there; \$200 million, then \$850 million; all share deals or loans. Yet the name Roldugin doesn't ring any bells.

So I do a search, and what I find sets my spine tingling. Sergei Roldugin is 'Vladimir Putin's best friend', or at least that's how *Newsweek* describes him. There is good evidence for this: Roldugin is godfather to Maria, the Russian president's eldest daughter.

The godfather's offshore dealings would be interesting enough on their own, but then I read something that completely bemuses

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me. Sergei Roldugin, a man who handles zillions of US dollars according to the documents, is neither an investor nor an oligarch: he's an artist, a famous cellist and the former director of the St Petersburg Conservatory. I find an interview Roldugin gave to the *New York Times* in September 2014, in which he explicitly states that he is not a businessman and doesn't have millions.

If the documents are authentic, about which I now have little doubt, either he lied – or it isn't his money. Whose is it then? Is Roldugin merely a straw man? And if so, for whom?

For Vladimir Putin?

If it is Putin's money lying in these companies, even a fraction of it, the story would make headlines around the world.

Whoever leaked these papers to me also spotted Roldugin's name, and he or she is worried. Probably with good reason.

[Obermayer]: Who are you?

[John doe]: I'm no one. Just a concerned citizen.

This is a clear reference to the whistle-blower Edward Snowden, who called himself 'Citizen Four' when he made contact with the journalist and filmmaker Laura Poitras. Snowden has been trapped in Moscow since fleeing from Hong Kong.

[Obermayer]: Why are you doing this?

[John doe]: I want you to report on the material and to make these crimes public. This story could rival the Snowden documents in importance but you're publishing in German. You need to partner with the *New York Times* or a similar caliber English paper.

The *Süddeutsche Zeitung* isn't what you'd call a natural partner for the *New York Times*, but we have already worked with the *Guardian*, the *Washington Post* and the BBC on investigations such as Offshore



Secrets and the Luxembourg Tax Files. I explain this to ‘John Doe’ and he or she seems satisfied.

[john doe]: We should discuss what is the best way for me to send you a large amount of material. Any ideas?

Honestly? I have no idea. I’ve never had an anonymous source asking to hand over material to me by the gigabyte. I can also hear my son crying upstairs.

[Obermayer]: I will have to think about it. How much data are we talking about?

[john doe]: More than anything you have ever seen.

It turns out not only to be more than anything I’ve ever seen; it’s bigger than any leak that *any* journalist has ever seen. It will also mark the beginning of the largest international investigative journalism project of all time. Ultimately, around 400 journalists from over eighty countries will be investigating stories originating from this data. Stories that report on the secret offshore companies of dozens of heads of state and dictators; stories explaining how billions are earned from arms, drug and blood-diamond trafficking and other illegal business; and stories that bring home to readers the scale of tax evasion by the wealthy and super-rich of this world.

And all those stories begin with Mossack Fonseca on that first night.

# 1

## START

The Russian president's best friend. Businessmen close to the Argentinian president and her late husband and predecessor as head of state. A mysterious German with \$500 million? There are worse starting points for an investigation.

Within days of our first contact, it is clear from a discussion with my head of department Hans Leyendecker that this topic will be handled by the same team that has already led a number of similar investigations, meaning the two of us: the 'Brothers Obermay/ier' as some of our colleagues have called us ever since our editor-in-chief Kurt Kister coined the phrase at a conference.

Otherwise, we try to keep the circle of those in the know as tight as possible for now. Who knows if the files are genuine, if they're verifiable and whether they'll ever produce a good story?

Our plan is to analyse the data closely and then consider how and when we publish our findings. So we read up on Putin's business interests (by this time we've seen his best friend's name linked to three offshore companies), gather material about the NML hedge fund's lawsuits against Argentina and carry out research into our mysterious ex-Siemens executive and the \$500 million in gold. The only problem is that we keep getting distracted by new firms and possible new stories. That's because the material has been growing constantly since the night of my first contact with

'John Doe', and we repeatedly find new names worth investigating: South American government ministers, German aristocrats, US bankers. Very soon we have over 50 gigabytes of data and several thousand digital folders stored on various USB sticks. Each folder bears a number associated with a particular offshore company. These folders obviously contain files that Mossack Fonseca drew up for the respective firm: certificates, passport copies, lists of shareholders and trustees, invoices, emails. A clear, practical system – for them, and for us.

There are thousands of shell companies. Thousands of people who obviously have a compelling reason for camouflaging their business dealings. Thousands of potential articles. The unique selling point of offshore companies is that they provide anonymity. A nondescript name is presented to the outside world and no one knows who is really behind it.

There are of course many reasons for using an offshore company and of course owning one is not in itself a criminal offence. But the fact is that people often have recourse to an anonymous offshore company because they want to hide something – from the taxman, their ex-wife, their former business partner or the prying eyes of the public. That 'something' might be property, bank accounts, paintings, investments, shares or other kinds of securities.

Experience shows that it is usually individuals whose business depends on anonymity who favour the anonymity that shell companies provide. These include gunrunners, people traffickers, drug smugglers and other criminals, as well as investors who do not wish to reveal their true identities and their true intentions, senior politicians who'd like to spirit their wealth abroad (perhaps because they have accumulated it dishonestly) and companies looking to funnel bribes. The list could go on and on.

We are now sitting studying secret data that could potentially bring hundreds of these cases to light, sifting through computer

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folders no journalist has ever had access to before. We could easily spend weeks floating around in it, not only because we're always looking for the next big story to break, but also because there's no such thing as a trivial detail: with every company we examine and every email conversation we read, we learn more about how the Mossack Fonseca law firm operates. There is an incredibly strong temptation to drill down into these secret dealings and thus into the entire mechanism, from the initiation of business to the opening of the account and on to its closure. It's almost an addiction, and if we didn't both have families we would probably spend every evening on our laptops, clicking and clicking away. Yet even while keeping halfway regular working hours, it takes us only a few weeks to grasp the basic business model.

This is usually how it works. Contact is made with Mossfon (the common abbreviation for Mossack Fonseca) via an intermediary – for example a bank, a lawyer or an asset manager. These are Mossack Fonseca's actual 'clients': they order the product, they handle communications and they pay the bills. The product is mainly an off-the-peg offshore company. Mossfon offers firms in some twenty jurisdictions, most frequently in the British Virgin Islands and Panama, but also in the Bahamas, Bermuda, Samoa, Uruguay, Hong Kong, the US tax havens of Nevada, Wyoming and Delaware and, more recently, Florida and the Netherlands. The newest name is that of the emirate of Ras Al-Khaimah in the United Arab Emirates. The companies are sold from nearly fifty offices worldwide or from Mossfon's headquarters in the centre of Panama City, on the top floors of a squat building whose glass façade reflects the emblem of the city, the Revolution Tower.

Mossack Fonseca isn't the only provider of shell companies headquartered in Panama. Other major players are also based there (although there are hardly any official figures regarding this secretive industry), for instance the law firm Morgan y Morgan, probably Mossfon's great competitor. It is no coincidence that offshore

providers have clustered together in this small Latin American state of all places, squeezed between Costa Rica and Colombia at the point where the Americas meet.

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Panama has always been an extremely dependent country. Having long been a poor province of Colombia, the country gained its independence in 1903 partly because American bankers and industrialists managed to persuade the then US president Theodore Roosevelt to support Panamanian separatists. US lobbies hoped to make money from the Panama Canal, which was under construction at the time. Roosevelt sent troops to occupy parts of the newly independent state and make it clear to Colombia that it could kiss goodbye to its former province. A nation was created by the grace of the United States and the US flag did indeed fly over the Panama Canal Zone, where big business was to be done. Thousands of American soldiers protected the sovereignty that the Panamanian government granted to the USA in 1903 and which was only returned to Panama in 1999.

The lucrative business with shell companies is based on a law that came into force on 26 February 1927. This law – Law 32 – guarantees the secrecy of estates, money transfers and, most importantly, company owners, and offers so-called ‘*sociedades anónimas*’ exemption from taxation. This name sounds more mysterious than it actually is, because an ‘anonymous society’ is actually nothing more than a public limited company. The secrecy afforded by Law 32 has changed very little to this day, with the exception of the odd – largely cosmetic – reform driven by efforts to have Panama deleted from a number of black and grey lists of countries that abet money laundering and tax evasion. The favourable environment for the offshore industry has remained more or less unaffected over the years, and the state also benefits, for example from

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corporation tax from law firms, their employees' income tax payments, and fees for setting up companies.

Another reason this business is so attractive is because it is as simple as it is lucrative. A standard shell company costs the seller next to nothing and the formalities are quickly dispatched. The buyer has his company in a click of the fingers for only a few hundred US dollars, and can dispose of it again quickly and easily once it has served its purpose. Also, no one will ever find out to whom it belonged, which is ideal for dodgy dealings.

Ideal for Siemens too, we discover. While reading up on Putin, we simultaneously sniff out the trail of Hans-Joachim K., the German with the curious \$500 million in an account in the Bahamas. First, we do some research without the data, simply because we don't have the right software with which to conduct a systematic search of the 50 gigabytes of information. We find K.'s name in an indictment against a past Siemens board. It becomes clear from reading this that K. had for many years run slush funds containing money siphoned off from official Siemens channels so as to be more quickly and easily available, for instance to pay so-called advisers. Hans-Joachim K. names one of these bribery firms, supposedly called Casa Grande. We come across its full name in the transcript of a police interrogation: Casa Grande Development. This is also the title under which it was entered into Panama's public database of companies, with Mossack Fonseca listed as its 'registered agent'. Yet the database gives no indication of any connection to Siemens or even K. himself. The company's directors are given as three women who have almost certainly never done a day's work for Siemens in their entire lives: Francis Perez, Diva de Donada and Leticia Montoya.<sup>1</sup>

This is the mechanism for offshore companies: the firms that sell them – offshore providers like Mossack Fonseca – make sure that there's a protective screen around the real owners. In this case Mossack Fonseca appoints three directors. We would call Francis

Perez, Diva de Donada and Leticia Montoya ‘straw men’ – if they weren’t women, that is. They work for Mossack Fonseca. Their job is to sign the documents placed before them. They sign if the real ‘beneficial’ owner wishes to open an account in the name of his or her shell company (as in the case of Casa Grande Development for Siemens) or if the real owner would like to buy something in the company’s name – a flat, a house or a yacht, say. However, they also sign contracts, loans for millions of dollars and other papers. This means that these directors – known in the jargon as ‘nominees’ or ‘nominee directors’ – act as the company’s official representatives, and the real owner hides behind this façade.<sup>2</sup>

The real owners (or, if they are more cautious, their lawyers) are generally given a power of attorney by the nominee directors to access the bank account or the safe. In most cases, however, no one but the bank, the nominee directors and Mossack Fonseca knows about this power of attorney. It is this secret yet (when seen in isolation) completely legal arrangement that confirms the company’s true purpose – to stay shut away from the prying eyes of inquisitive public prosecutors, tax officials and fraud investigators.

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In one of the Excel files that we find in the data we come across Casa Grande Development’s folder number, and we actually have this folder. This is a complete stroke of luck: the Excel file lists over 200,000 active and expunged Mossack Fonseca companies, but we currently only have the documents of a few thousand.

In the folder we find a power of attorney for one of Hans-Joachim K.’s former colleagues at Siemens. This ex-colleague is named as the real owner of the company, but neither he, K. nor Siemens was ever mentioned when Casa Grande Development was handing out millions from the slush funds, entering into contracts or conducting business. The nominee directors signed,

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and from the outside it was impossible to tell who was really controlling matters. The company was an ideal vehicle for kick-starting the business of Siemens's South American division anonymously and circumventing both the law and internal oversight.

Even if someone had discovered who owned Casa Grande Development's shares, they would not have been able to prove any link to Siemens. That is because only so-called bearer shares were issued at first. There is usually no record of who owns these shares. It's very simple: the person who holds all of a company's bearer shares – physically, that is, as pieces of paper – owns the company. This is an open invitation to indulge in the kind of dealings where you don't want to leave any traces behind. Money on the table, bearer shares the other way, transaction complete; the company has a new owner.

If there is a need for even more stringent anonymity, then Mossack Fonseca can provide not only nominee directors but also 'nominee shareholders'. These are individuals or shell companies that hold shares virtually, on trust. Should Mossack Fonseca be forced to name one or more of a company's shareholders, for example during an investigation, this does not mean that they are the ultimate owners, not in the slightest. The real owners can hide behind this second protective screen.

The company has become a completely impenetrable entity. Tax investigators and the police, creditors and defrauded business partners, even spouses and children have no way of proving that the company with the peculiar made-up name belongs to any tangible human being. From the outside at least, it is a black box.

Not from the inside, though. Inside, in the computer folders we mine day after day (and often night after night), lie thousands of internal email exchanges between Mossack Fonseca employees. These messages are a seam of gold running through this mountain of data, repeatedly turning up vital nuggets of information about the true owners.



Unfortunately, this is not much help in Hans-Joachim K.'s case. We still have no idea of how, and if, he came by the \$500 million. So far, we know only that he left Siemens in 2009 at the latest.

We'll have frequent cause to return to this case, though. Every time new data arrives we look for new Siemens shell companies and for K. It's like an incurable fever – we just have to solve this puzzle.