

Panama Papers Update

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1. Mossack & Fonseca Law Firm Founders Arrested

On 2/10/17 [The Guardian reported](#) that Juergen Mossack & Ramon Fonseca, founders of Panamanian law firm Mossack Fonseca were arrested and jailed following Panama probe into creating companies linked to Brazil corruption in the bribery case of Brazilian Company Odebrecht. The case is part of the sprawling Brazilian Lava Jato corruption scandal.

The Panama Papers consist of millions of Mossack Fonseca documents (leaked 4/16) that showed how the rich and powerful used offshore companies to avoid taxes. The new twist in this case is that bribery and apparent money laundering are now included in addition to tax crimes. Authorities in the US, Switzerland, Brazil, Ecuador, Peru, Colombia and Panama have joined forces for over 1 year to pursue these criminal claims which now have lead to arrests of two internationally prominent lawyers at the center of the scandal.

Kenia Porcell, Panama Attorney General, said she had information that Mossack Fonseca "allegedly was a criminal organization that is dedicated to hiding money and assets from suspicious origins."

The monies at issue apparently come from bribes circulated via corporate entities, which were then returned "washed" or "bleached" to Panama.

This is the first major arrest of lawyers involved in tax evasion, bribes and money laundering since the Panama Papers exploded in April 2016.

In December 2016, Odebrecht (Brazil's largest construction company) pleaded guilty to having paid \$788m in bribes to government officials throughout Latin America to secure public works contracts (the bribes earned them \$3.8B in illegal profits; they have agreed to pay \$3.5B in penalties to US, Switzerland and Brazil to resolve charges, which was the largest fine ever in a foreign corruption case).

Their plea was entered in US Federal Court since Odebrecht entities used the US banking system and have shares/debts traded on US securities exchanges. The US Dept. of Justice found evidence of a special department of their company specifically dedicated to paying bribes, often using shell companies and tax havens (Andorra, Cayman Islands) to avoid detection. US prosecutors charged Odebrecht under the Foreign Corrupt Practices Act.

The fallout has been explosive. The scandal has widened and now includes investigations in Colombia, Mexico, Peru, Panama, the Dominican Republic, Venezuela, Chile, Argentina, Guatemala, Ecuador and Africa (Angola).

Accusations now include massive bribes paid to major politicians:

1. In Peru an arrest order was issued for former President Alejandro Toledo for accepting a \$20m bribe (he was Peru's President from 2001-2006) a former World Bank economist,

Stanford University graduate, and is now their visiting Professor). Toledo has been charged with influence peddling and money laundering receiving \$20m in bribes in exchange for favoring Odebrecht in bidding to build the Interoceanic Highway connecting Brazil to Peru.

Others implicated in Peru include: the wife of ex-President Ollanta Humala being investigated in connection with a \$3m donation that she received for her husband's presidential campaign. Other Peruvian politicians implicated include: 5 officials in the administration of ex-President Alan Garcia, who were arrested in connection with the awarding of the contract to build a light-rail system in Lima.

2. In Colombia, a witness, former Senator Otto Bula was arrested January 14, 2017 (charged with conspiracy in connection with a scheme to favor Odebrecht's bid to build a highway connecting Bogota, Colombia's capital to the Caribbean). As a witness, he testified that President Juan Manuel Santos received a nearly \$1m contribution (ironically Santos received the Nobel Peace Prize in 2016 for crafting a peace agreement with his country's largest rebel group).

On January 12, 2017 (two days before Bula's arrest) authorities detained former Transportation Vice Minister Gabriel Garcia Morales on charges that he received \$6.5m in 2000-2010 to award a road project to Odebrecht.

3. In Brazil, the scandal has contributed to an economic recession and political upheaval. The Odebrecht scandal started in 2014 as a money laundering investigation in Brazil known as the “Car Wash” because bribes were being funneled through a gas station.

Brazil politicians have been charged with taking bribes to help the company secure contracts with state oil company Petrobras. Former President Inacio Luis da Silva faces corruption charges in connection with Odebrecht bribes. His successor, Dilma Rousseff was not charged with accepting bribes but was impeached last fall partly because the public blamed her for not being more vigilant about halting corruption.

In the words of Martin Santivanez, a political scientist at San Ignacio de Loyola University in Lima: “Clearly this is a kind of moral catastrophe. People thought to have been of high moral standing are falling one by one for their connections to the huge corrupt network of Odebrecht and other Brazilian companies”.

2. Street Protests in Panama

On 2/19/17 thousands of Panamians protested in the streets carrying signs “No More Governments of Thieves and the Corrupt”. They were demonstrating over the most recent scandal emerging from the Panama Papers the Brazilian firm, Odebrecht who paid \$788m in bribes to win construction contracts in 12 countries (including \$59m in bribes in Panama). Odebrecht has agreed to [pay the largest fine ever](#) (\$3.5b) to the US Dept. of Justice.

Panama has requested Interpol issue “wanted alerts” for the sons of the former Panama President, Ricardo Martinelli, who was President during 2010-2014 when the \$59m in bribes were paid in Panama. In Panama, prosecutors raided the offices of Mossack Fonseca, the law firm at the center of the scandal, seeking evidence of their links to Odebrecht.

In the words of one of the street protestors: “The goal of the protests is to demand that all those corrupt in all the parties and businessmen are investigated so they return the money and go to jail”.

