

# Vigilante Vixens Charter



## **The Panama Papers**

Company Name: Mossack Fonseca & Co.

Founded: 1977

Founder: Jürgen Mossack and Ramón Fonseca

Headquarters: Panama City, Panama

## **Vigilante Vixens**

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## **Company Profile & History**

Jurgen Mossack and Ramón Fonseca, both of German and Panamanian descent, established the firm with the goal of providing offshore legal and financial services to clients worldwide. The company offered services that were, for the most part, lawful while operating inside Panama's legal and regulatory parameters. Mossack Fonseca was frequently consulted by clients for justifiable goals such as global corporate development, estate planning, and privacy protection. They were recognized for its dedication to the privacy and confidentiality of its clients. Additionally, they upheld stringent corporate and banking secrecy policies, making it challenging for outside parties to track ownership and financial activity. Based on Jason Fernando's article from Investopedia says that (2020), "the firm employed about 600 people, providing its clients with various legal solutions and trust services" (Fernando, 2020). They gained a reputation for being knowledgeable about offshore financial arrangements. This includes setting up and maintaining foundations, trusts, and offshore businesses on behalf of customers looking to reduce taxes, improve financial privacy, and safeguard assets.

Mossack Fonseca did not just exist in Panama, Switzerland, the British Virgin Islands, and the United Kingdom were just a few of the nations where it had offices and affiliates. The company was able to provide services to customers from several countries because of its global network until the major incident. The 2016 incident, which exposed widespread use of the company's services for money laundering, tax evasion, and criminal activities, had a major negative impact on the firm's operations and reputation. The company eventually had to close as a result of legal issues, international penalties, and reputational harm.

## **Services**

Some of their most favorite services among their customers for what they offered was based on establishing and overseeing offshore businesses in a number of nations. This involved offering administrative and legal assistance for the creation of holding structures and shell businesses. The company provided asset management services to its clients, such as estate planning, asset protection, and the establishment of trusts and foundations. Mossack Fonseca assisted people, businesses, and organizations navigating intricate international tax laws and regulations by offering legal and financial guidance. The company took great satisfaction in protecting the privacy and secrecy of its clients, which served as a major selling point for people and companies looking for discreet financial services. Additionally, Mossack Fonseca was able to provide services in a number of jurisdictions thanks to its extensive worldwide network of offices and linked businesses.

## **Summary of Events**

Mossack Fonseca, a Panamanian legal business with a focus on offshore financial services, was established. It became one of the biggest producers of offshore shell firms globally over time. This was before the events that lead to their closure by a vast collection of Mossack Fonseca documents that was given to the German publication *Süddeutsche Zeitung* by an unidentified source in the beginning of 2016. Information on thousands of offshore businesses and their owners was contained in these documents, sometimes referred to as the Panama Papers. The data was shared by *Süddeutsche Zeitung* with the International Consortium of Investigative Journalists (ICIJ), which resulted in a global collaboration of journalists never seen before. They worked together to sort through the records in order to find and expose individuals engaged in money laundering and offshore tax evasion.

Based on their investigation, numerous world leaders, politicians, celebrities, and businesspeople, such as Vladimir Putin of Russia, Sepp Blatter of FIFA, and Iceland's prime minister, Sigmundur Davíð Gunnlaugsson, had hidden their wealth and assets behind offshore companies, according to the Panama Papers. Few nations launched probes and experienced political unrest as a result of the leak. A public outcry forced Iceland's prime minister to resign, and many nations opened investigations into the people involved. While some were exposed for unethical but not necessarily criminal financial actions, many others suffered legal repercussions. Governments and law enforcement organizations kept looking into and prosecuting people and organizations engaged in offshore tax evasion and money laundering activities in the years that followed the release of the Panama Papers.

In response to the scandal, a number of nations strengthened their financial laws and passed new ones in an effort to stop tax evasion and money laundering through shell corporations and offshore accounts. The public understanding of offshore banking activities and their effects has been significantly impacted by the Panama Papers. It sparked conversations on the morality of tax evasion and the requirement for increased financial openness. Other comparable leaks, including the Paradise Papers, surfaced after the Panama Papers and revealed further cases of offshore financial secrecy and tax evasion.

In general, the global society was awakened to the widespread usage of offshore tax havens by the Panama Papers leak, which also prompted more scrutiny and reform initiatives in the fields of international finance and taxes.

As John Doe mentioned in the leaked documents:

I was motivated by “massive, pervasive corruption” and the failure of governments worldwide to tackle the problem: “For fifty years, executive, legislative, and judicial

branches around the globe have utterly failed to address the metastasizing tax havens spotting Earth's surface." As a result, "income inequality is one of the defining issues of our time.... The collective impact of these failures has been a complete erosion of ethical standards, ultimately leading to a novel system we still call Capitalism, but which is tantamount to economic slavery" (Trautman, 2017).

### **Behavior of the Why: Using OffShore Accounts**

The Pro of having an offshore account is privacy (which offers higher financial privacy vs traditional banking, countries with banking secrecy laws, little to no regulation), asset protection (protections from lawsuits, legal threats), tax benefits (known as "tax havens", lower tax rates, manage economic stability) and exposure (financial exposure across economies "don't leave your eggs in one basket", international market asset). However, the Cons from having an offshore account is the cost (not cheap to maintain an offshore account (higher fees than traditional banking), reputational risks (IRS surveillance, Negative connotation of tax avoidance, money laundering, illegal activities) and economic impact (security during financial instability). Clearly, those who use offshore are usually expatriate workers or digital nomads, global investors, hedge or investment funds, high-net-worth individuals, international or multinational businesses and individuals seeking financial privacy.

### **Behavior of Why: WhistleBlower**

Based on the behavior of the WhistleBlower with the conviction and consequences, John Doe said, "making the decision to compile the data available to me at Mossack Fonseca took days and felt like looking down the barrel of a loaded gun, but ultimately I had to do it," the whistleblower said. However, the German government violated its agreement soon after, and from my vantage point put my safety at risk," they said. "Once the German federal police had the

data, I was essentially left on my own to defend myself with no protection of any sort. I felt this was unwise as the threat to my safety did not diminish at all, and if anything increased.” These made people worried about the consequences of such actions.

### **Behavior of Social Media using the Spanish-language Twitter research**

The methodology of this research involved studying Spanish-language Twitter reaction to the news where 113,000 + Spanish language Tweets in the subsequent fourteen days. And the researched patterns were the social position encouraged social actors to speak in certain ways. Increased levels of corruption in the speaker’s country was associated with expression of outrage. Speaking patterns were learned as participants became more embedded in the social media machine. Over time, participants become more machine-like in that their outrage was removed from the repertoire of responses. The length constraints of Twitter produced responses that were either emotive or reasoned.

### **Response**

Mossack Fonseca, at the core of the controversy, responded to the accusations and the consequences after the release of the Panama Papers data. They disputed any wrongdoing, saying it was never formally investigated in connection with any criminal allegations. The following can be used to summarize their response:

1. **Denial of Wrongdoing:** At first, Mossack Fonseca denied any wrongdoing, claiming the company had always functioned legally and had not taken part in any illicit activity. They asserted that all they were doing was offering customers looking for lawful offshore structures for asset protection and privacy legal assistance.

**2. Journalists and Hackers Are to Blame:** The company described the disclosure as a privacy and computer system violation. They said that the journalists working on the probe and the hackers who caused the data theft had broken laws protecting privacy and secrecy.

**3. Cooperation Commitment:** Mossack Fonseca stated that he would be happy to assist with any regulatory bodies and inquiries into the claims. They said that they would cooperate with inquiries in order to preserve their good name and reputation.

**4. Media Reporting Criticism:** The company expressed disapproval of how the media covered the Panama Papers, claiming that the records that were released were mishandled or misrepresented. They contended that the incident was sensationalized by the media, which unjustly damaged their reputation.

**5. Modifications to Business Procedures:** Mossack Fonseca declared modifications to its business procedures, which included strengthening the processes for due diligence to confirm the identities and objectives of customers. Additionally, they stated that they would stop serving individuals that posed a significant danger, but detractors viewed this with mistrust.

In the wake of the Panama Papers incident, Mossack Fonseca faced serious legal and reputational repercussions despite their response. 2018 saw the firm close its doors as a result of the fallout from the scandal, court cases, and clientele loss. The offshore banking sector was significantly impacted by the Panama Papers, which resulted in stricter regulations and heightened scrutiny.

## **Cost**

Based on the ICIJ and their list of countries involved, more than \$1.24 billion have been recovered by governments worldwide as a result of the 2016 Panama Papers investigation. This money was obtained through court cases, penalties, and overdue taxes. An example from this list,

they shared that “after we reported the \$1.2 billion figure, our partners in Italy L’Espresso revealed more than \$33.7 million was now in the Italian authority’s bank thanks to the Panama Papers”.(I., & I, 2023). However, in their list it shows countries that are reported to have \$0 listed in their reports due to not many states being open to share their money recovered as part of the reported list. Many countries decide not to disclose the total amount of money collected and one of them is Japan, where the Asahi Shimbun revealed in 2017 that the Japanese tax authority has amassed almost 3 billion yen in revenue. Some of the countries reported in their bank are Argentina with \$92 millions, France with \$135 millions, Spain with \$164 millions, and more other countries. The documents revealed a structure that allowed dishonest offshore businesses to conceal crime, corruption, and misconduct. Causing more public relations costs and multiple other lawsuits, loss of trust, negative publicity, personal and professional reputations to the uninvolved employees, regulatory scrutiny, loss of clients, operational costs in facing legal challenges and income, and many other expenses.

For Mossack Fonseca & Co., the Panama Papers scandal resulted in significant financial and reputational losses. The company's reputation suffered significant harm, which resulted in a decline in clientele, legal proceedings, and ultimately the company's demise. Further ramifications of the crisis for the offshore financial sector included heightened regulatory oversight and public awareness of problems with tax evasion and financial transparency.

### **Lessons Learned**

Vigilante Vixen has learned that there were many security vulnerabilities from their technical, behavioral, law, and human resources aspects. Despite us not being directly involved in offshore financial services or the legal profession, technology roles have a considerable amount of opportunity to review this case and implement security regulations. We have learned



through this process that data security and privacy, ethical considerations, transparency and accountability, regulatory compliance, education and awareness, global collaboration and the ethics of using technology in a workplace is vital for the privacy of employees, employers and customers. However, the importance of protecting data from insider threats in a firm without awareness in the same landscape will always increase risks, including data leaks. All of these categories have been exposed in the lack of adequate cybersecurity measures and the importance of safeguarding data where information is increasingly digital and vulnerable to breaches.

Our conclusion for this case is that Mossack Fonseca & Co. did not have an incident response plan to mitigate any type of risks associated with data breaches. Any security measures in a law firm that pride themselves in privacy for their customers has lacked privacy, protection, security measures, ethics and even education towards IT compliances. There is a need of conducting assessments to identify the root causes, data recovery, forensic analysis, vulnerability assessment, legal compliance, incident response, evaluations and continuous post-incident review.

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