

# United States Senate

WASHINGTON, DC 20510

April 7, 2016

The Honorable Jacob Lew  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20500

Dear Secretary Lew:

We write to seek a briefing and an assurance that your agency is investigating any potential involvement of U.S. or U.S.-linked banks, financial services institutions, or other companies or individuals with Mossack Fonseca & Co. (MF), the Panama-based law firm with U.S. offices in Miami and Las Vegas whose leaked internal records appear to reveal that it has helped thousands of clients create shell companies to hide assets, some allegedly to launder money and evade their tax obligations.<sup>1</sup> While we recognize that some of this information may be decades old, we are particularly concerned about whether companies or individuals involved with or utilizing the services of this firm may have facilitated money laundering or terrorist financing with sanctioned persons or entities on Treasury's Specially Designated Nationals (SDN) list, and if so whether they may still be involved in such activity.

The Justice Department is reportedly reviewing this matter to determine whether there may be "high-level, foreign corruption that might have a link to the United States or the U.S. financial system."<sup>2</sup> But, as the primary agency charged with protecting the integrity of the U.S. financial system and enforcing our laws against money laundering and terrorist financing, we strongly urge the Treasury Department to conduct its own inquiry into Mossack Fonseca's activities and its clients.

Investigations by German newspaper *Süddeutsche Zeitung*, the International Consortium of Investigative Journalists, and other news outlets revealed troubling findings about the Mossack Fonseca law firm, which is considered to be "one of the world's top creators of shell companies ... to hide ownership of assets[]"<sup>3</sup> that "worked closely with big banks and big law

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<sup>1</sup> Frederik Obermaier, Bastian Obermayer, Vanessa Wormer, and Wolfgang Jaschensky, "About the Panama Papers," PANAMA PAPERS, available at <http://panamapapers.sueddeutsche.de/articles/56febff0a1bb8d3c3495adf4/>; Luke Harding, "What are the Panama Papers? A Guide to History's Biggest Data Leak," THE GUARDIAN, Apr. 5, 2016, available at <http://www.theguardian.com/news/2016/apr/03/what-you-need-to-know-about-the-panama-papers>; The International Consortium of Investigative Journalists, "Giant Leak of Offshore Financial Records Exposes Global Array of Crime and Corruption," THE PANAMA PAPERS, Apr. 3, 2016, available at <https://panamapapers.icij.org/20160403-panama-papers-global-overview.html>.

<sup>2</sup> Devlin Barrett, Aruna Viswanatha, Matthew Dalton, and Stacy Meichtry, "U.S., France Probe Panama Documents for Potential Evidence of Crime," THE WALL STREET JOURNAL, Apr. 4, 2016, available at <http://www.wsj.com/articles/justice-department-reviewing-panama-documents-for-potential-evidence-of-corruption-1459791029>.

<sup>3</sup> "Giant Leak of Offshore Financial Records Exposes Global Array of Crime and Corruption," *supra* note 1.

firms in places like The Netherlands, Mexico, the United States and Switzerland, helping clients move money or slash their tax bills[.]”<sup>4</sup> According to these reports:

- “[M]ore than 500 banks, their subsidiaries and branches have worked with Mossack Fonseca since the 1970s to help clients manage offshore companies. UBS set up more than 1,100 offshore companies through Mossack Fonseca. HSBC and its affiliates created more than 2,300.”<sup>5</sup> These 500-plus financial institutions, with the assistance of MF, registered more than 15,000 shell companies designed to keep assets secret.<sup>6</sup>
- “Mossack Fonseca worked with more than 14,000 banks, law firms, company incorporators and other middlemen to set up companies, foundations and trusts for customers[.]”<sup>7</sup> Of these 14,000, MF enabled 617 “banks, law firms, accountants, company incorporators and other middlemen” operating in the United States to set up corporate structures to help clients conceal their assets.<sup>8</sup>
- Leaked company files “include at least 33 people and companies blacklisted by the U.S. government because of evidence that they’d been involved in wrongdoing, such as doing business with Mexican drug lords, terrorist organizations like Hezbollah or rogue nations like North Korea and Iran.”<sup>9</sup>

These disturbing revelations and others reveal activity that may threaten our national security and our financial system by undermining U.S. and international laws promoting financial transparency and combating money laundering and terrorist financing. The reported involvement of U.S. or U.S.-linked institutions and individuals in what may have been efforts to enable international money laundering and tax evasion raises important questions about the susceptibility of the U.S. financial system to money laundering, terrorist financing, and other illicit enterprises.

The Treasury Department’s responsibilities include “safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction (WMD) proliferators, money launderers, drug kingpins, and other national security threats.”<sup>10</sup> Specifically, the Treasury Department’s Office of Terrorism and Financial Intelligence (TFI) “bring[s] together, under one roof, an array of capabilities – intelligence, regulation, enforcement, and policy – to confront our adversaries on the financial battlefield.”<sup>11</sup> It has been almost a year since Adam Szubin was nominated by President Obama to head this office, and he

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<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> Rigoberto Carvajal, Mar Cabra, Alvaro Ortiz, and Fernando Blat, “Explore the Panama Papers Key Figures,” THE PANAMA PAPERS, available at <https://panamapapers.icij.org/graphs/>.

<sup>8</sup> *Id.*

<sup>9</sup> “Giant Leak of Offshore Financial Records Exposes Global Array of Crime and Corruption,” *supra* note 1; see also Will Fitzgibbon and Martha M. Hamilton, “Law Firm’s Files Include Dozens of Companies and People Blacklisted by U.S. Authorities,” THE PANAMA PAPERS, available at <https://panamapapers.icij.org/20160404-sanctioned-blacklisted-offshore-clients.html>.

<sup>10</sup> Resource Center: Terrorism and Illicit Finance, Department of the Treasury, available at <https://www.treasury.gov/resource-center/terrorist-illicit-finance/Pages/default.aspx>.

<sup>11</sup> Statement by Adam J. Szubin, Nominee for Under Secretary for Terrorism and Financial Crimes, Before the Senate Committee on Banking, Housing, And Urban Affairs, Sept. 17, 2015, available at <https://www.treasury.gov/press-center/press-releases/Pages/jl0165.aspx>.

is currently serving as Acting Under Secretary for Terrorism and Financial Intelligence. The leak of these important documents underscores the critical role of Mr. Szubin and TFI in combating money laundering and terrorist financing networks, and we hope the Senate confirms him as soon as possible.<sup>12</sup> Last month we voted to advance his nomination out of the Senate Banking Committee, and we are confident in the ability of Mr. Szubin and the office he heads to conduct the relevant inquiries.

We strongly urge the Treasury Department to exercise its full authority to investigate whether any U.S. or U.S.-linked company or person involved with Mossack Fonseca may have facilitated money laundering, terrorist financing, or other illegal activity, including with any U.S.-designated persons. We appreciate your attention to this matter and ask that you provide our staff with a full briefing on these issues no later than May 9, 2016. Please have your staff contact Feras Sleiman on Senator Warren's staff at 202-224-4543 or Colin McGinnis on Senator Brown's staff at 202-224-7391 to schedule an appropriate time for this briefing.

Sincerely,



Elizabeth Warren  
U.S. Senator



Sherrod Brown  
U.S. Senator

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<sup>12</sup> Nomination Hearing, U.S. Senate Committee on Banking, Housing, and Urban Affairs, Sept. 17, 2015, *available at* <http://www.banking.senate.gov/public/index.cfm/hearings?ID=B5E246A9-C64A-410B-80D7-A4B804F892B2>.