

## Meet the Man Who Sniffs Out Hidden Riches

By Robert Cribb, May 8, 2016

You're a newly-elected leader of a Caribbean nation trying to figure out whether your national treasury was plundered by bribery and corruption from a previous regime. Your first call may be to Bob Lindquist.

The former Torontonians is considered one of the fathers of forensic accounting — some say he was actually first to coin the phrase in the 1970s — who has worked for government officials in Trinidad, Antigua, Grenada and St. Lucia following the money.

He has traced Nazi-looted art in Switzerland and pieced together the hidden assets of millionaires looking to dodge big divorce settlement payouts to their ex-wives. So he knows a few things about the economics — and the psychology — of moving wealth into places where it is hard to find.

“We're talking about dishonesty and that doesn't bother these people,” says Lindquist who is now based in Virginia. “Once you cross the bridge of, ‘Yes I can be dishonest,’ ...people can easily explain it away. People do it because it's human nature.”

An unprecedented global investigation into offshore tax havens, involving more than 350 journalists around the world led by the International Consortium of Investigative Journalists, has analyzed 11.5 million secret records belonging to a Panamanian law firm that specializes in setting up shell companies in offshore havens.

The Mossack Fonseca database leak shows heads of state, criminals and celebrities using secret hideaways in tax havens including 12 current and former world leaders, 128 politicians and public officials around the world, drug traffickers, billionaires and sports stars.

The Toronto Star, which with the CBC is the only media with access the records, also found 350 Canadians who have held accounts with Mossack Fonseca, ranging from a former Newfoundland cabinet minister who invested in an offshore condo development that went sour to businessmen facing allegations of financial misdeeds.

In most cases these foreign accounts and companies are perfectly legal — part of a vast industry in tax avoidance that is facilitated by financial planners, lawyers and international treaties.

“There's no problem parking your money outside the country,” says Lindquist. “The key issue is if you've obeyed the laws of your jurisdiction and have you declared them.” He says the decision to set up offshore accounts or companies to illegally evade taxes by failing to report them often starts innocently enough.

Your financial advisor tells you moving some assets abroad is an option, with the understanding that you may have to pay taxes on interest earned. Your tax preparer is someone entirely different who likely has no knowledge of your offshore assets, he says. “That's all very carefully scripted,” he says. “You're wealthy. Chances are, you're going to

find someone who is going to help you.” Once you cross into the legal grey, you live with it, he says. It lingers on the fringe of your consciousness as an untold lie.

Eventually, new problems emerge that you may not have considered.

You now have to go visit your money. And you can’t be too open about where and why you’re going for fear of raising questions. “You have this money sitting out there. How are you going to access it? Can you really spend it the way you want? If you buy a new Ferrari or a new home, that could raise questions...Chances are you’ve not thought it all the way through.”

Likely, there are other human nature imperatives working against your sworn secrecy. You’re wealthy. And the wealthy tend to want to compete, says Lindquist.

“Who is the richest? Who has the biggest house, the nicest car? They all want it known. The downfall of many of these people who hide money offshore is that they like to show it off occasionally...Very few people are content to park it away and are content to continue living their lifestyle.”

And there are unavoidable disclosures that crack the secrecy shield enough for people like Lindquist to get inside.

“The greatest issue is avoiding a family breakup (or) a friend who becomes aware of your offshore activities,” he says. “What that leads to is causing the other party to want to settle and one of the conditions is that there is no disclosure to the government of the offshore activities...Secrecy is what it’s all about.” Then, there’s the inevitability of death.

“The failure for many of these people is that they never plan exist strategy,” says Lindquist. “If you’re going to die, how do you ensure the money goes to your family? You have to tell your family or your lawyer. There will be a terrible penalty to pay bringing those assets back into the country.”

The issue of offshore tax evasion has become a matter of growing debate internationally. Estimates suggest \$190 billion a year is diverted from government tax coffers including between \$6- and \$7.8-billion in Canada.

The tools for plugging that massive hole have remained elusive. No organization or global body has the authority over the actions of tax haven nations such as the British Virgin Islands, Seychelles or Panama. Organizations such as the International Monetary Fund, the World Bank, the United Nations and the OECD need to act globally, says Lindquist. And that’s a bad bet.

“Are they going to take on the wealthy? That has always been a question that I’ve held,” says Lindquist.

“It will never end. These (offshore tax haven) governments can do what they want to do. These are laws of the lands. There are no mechanisms in place for that kind of policing authority. When people come to power, especially in these smaller countries, they inevitably feel they have a right of ownership.”