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Taxman wants Royal Bank's Panama Papers client list

Minister of National Revenue seeks to compel RBC to provide information on clients with links to Panamanian law firm at heart of global offshore tax-haven scandal.



Royal Bank of Canada has advised the minister that it does not oppose the application, according to the government's notice of motion. (RICHARD LAUTENS / TORONTO STAR) | [ORDER THIS PHOTO](#)

By **ROBERT CRIBB** Foreign
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The Royal Bank of Canada should be ordered to reveal the identities of clients with “relationships or connections” to the Panamanian law firm at the centre of a global offshore tax haven scandal, according to a federal court application by the Minister of National Revenue.

The striking request filed in court on May 4 seeks an order under the Income Tax Act compelling RBC, the country's largest bank, to provide the sensitive client information in response to revelations published by the Toronto Star and the CBC/Radio-Canada last month in the [Panama Papers](#) investigation.

“The Minister seeks to verify that clients of RBC with relationships or connections to entities that were created or established by Mossack Fonseca or to whom Mossack Fonseca provided services have complied with their duties and obligations under the (Income Tax Act),” the application reads.

The government's application includes an affidavit from Rachid Fizazi, a senior technical operations officer specializing in “aggressive tax planning” with the CRA. The affidavit relies heavily on Toronto Star and CBC media reports detailing the Mossack Fonseca files associated with RBC.

“To the best of my knowledge, the CRA does not know the identity of the RBC Clients disclosed in the Panama Papers whose RBC files are related, connected or attached to Mossack Fonseca,” he wrote.

RBC has advised the minister that it does not oppose the application, according to the government's notice of motion.

"We respect the confidentiality of our clients within the bounds of the law, and we co-operate with all of our regulators," said RBC spokesperson Catherine Hudon in a written response.

"What is surprising is there is no opposition," said tax lawyer Joseph Markson. "Clearly RBC has decided that this isn't a fishing expedition ... Resistance would be futile."

In the aftermath of the Panama Papers revelations, RBC officials said they were investigating the historical links between their bank and the Panamanian offshore company registrar.

Since last month, further research into the massive database by the Star and CBC/Radio-Canada has verified a total of 429 offshore corporations registered by RBC and its international affiliates through Mossack Fonseca.

RBC did business with the Panamanian law firm via a network of 22 international subsidiaries and affiliates based in Hong Kong, the Bahamas, the Isle of Man, Switzerland, the Cayman Islands and elsewhere, the Panama Papers data shows.

Most of the offshore corporations were registered by RBC's affiliate based on the British Channel Island of Jersey, which is connected to 322 companies.

No shareholder information is listed for 218 of the companies RBC registered and a further 76 list the bank or one of its affiliates as the only shareholder. Only three companies registered by RBC or RBC affiliates have a shareholder with a Canadian address.

Many of the companies are now defunct, the leaked database shows; only 45 of them are still active.

When the story first broke naming RBC's links to the Panama Papers last month, company CEO David McKay committed to investigating the findings.

"We just happen to have a couple hundred files, going back 40 years, that are attached to this legal firm," he said. "You can imagine how difficult it is to go back in your files 40 years."

A review of the data shows that while most of the companies were formed before 2000, nearly 150 were created since then, most recently in September 2014.

Mossack Fonseca has been on the CRA's radar screen for some time, said spokesperson David Walters.

"Based on our own sources of information, we had already initiated 40 audits related to Mossack Fonseca prior to the Panama Papers release. Through more recent efforts, the CRA now has tens of thousands of records from multiple sources," he wrote in an email to the CBC.

The court filing goes further, requesting vast and detailed client information, reaching from Jan. 1, 1976, to Apr. 30, 2016.

For individuals, it includes names, phone numbers and addresses, passport data and, where not available, similar information for nominee directors, agents, attorneys and notaries for those individuals.

For corporations, partnerships and trusts, the application seeks similar information for directors and officers as well as shareholders as well as trustees, nominees and agents.

The application also seeks information on RBC's own due diligence measures, including "due diligence reports, documents, verifications, and checks performed by RBC with respect to beneficial ownership."

"The data are sought for purposes of verifying compliance of the RBC clients with their duties and obligations under the (Income Tax Act)," according to the court filing. "It is the experience of the CRA that Canadian taxpayers who hold, directly or indirectly or beneficially, property through an offshore entity or who may carry on business through an offshore entity, may not comply with their duties and obligations under the (Income Tax Act) and may not properly report."

Dale Barrett, managing lawyer for Barrett Tax Law in Toronto, said the CRA's application is justified.

"If I ran the agency, this is something I would definitely be doing. It's their responsibility to the country to figure out where taxes have been evaded and to chase those dollars down," he said. "They're connecting the dots, following the bread crumbs. They have to find out who is not complying and they want to assess as many penalties as possible. . . . I suspect a lot of people will be penalized and prosecuted."

Since the Panama Papers story broke last month, Barrett says he has had a number of calls from clients raising concerns about their own offshore wealth.

"I have existing clients who have come forward and said, 'You might see my name tangled up in the Panama Papers.' It has people nervous. They've been hiding for a long time, many of these people. There have been many years in which interest has been accruing and they've failed to report. And the longer it goes on, the higher the chances of prosecution."

RBC in the Panama Papers

429 companies registered by RBC or Royal Bank of Canada affiliates through Mossack Fonseca

22 in the Bahamas

287 in the British Virgin Islands

115 in Panama

4 in Niue

1 in the Seychelles

The oldest of the offshore companies was registered in 1979.

125 were set up in the 1980s

156 in the 1990s

134 in the 2000s

13 since Jan. 1, 2010

The most recent one was set up in September 2014.

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