

REPRISK CASE STUDY

Appleby

Paradise Papers Tax Avoidance Scandal

What happened?

In October 2017, Appleby Global Group Services (Appleby), a Bermuda-based legal firm, admitted that the company's computer systems had been hacked in various locations. The news sparked concern among many corporations and high-net-worth individuals who had allegedly used Appleby and its corporate services provider Estera Group to create offshore entities for tax avoidance purposes and illegal activities, such as money laundering. The hackers leaked the data to reporters working for the German daily, *Süddeutsche Zeitung*, which subsequently shared it with the International Consortium of Investigative Journalists (ICIJ).

On November 5, 2017, ICIJ released 6.8 million Appleby documents, which included loan agreements, financial statements, e-mails, trust deeds, and other paperwork spanning nearly 50 years. The leak was dubbed the Paradise Papers due to the idyllic locations of some of the tax havens used by the company.

The documents named well-known multinationals and high-profile individuals, who had used Appleby's services to hide their wealth in shell companies located in tax havens around the world.

During November and December 2017, detailed scrutiny of the files revealed that Appleby had provided services for more than 120 politicians around the world, members of royal families, controversial clients from Iran, Iraq, Russia, and Libya, and "questionable" clients who were linked to corruption.

Case Study Timeline

2017

May

Appleby pays CAD 12.7 million (USD 9.9 million) to settle a Canadian tax avoidance lawsuit.

October

Appleby admits that its computers have been hacked.

November 5

ICIJ releases 6.8 million Appleby documents – the leak is dubbed the Paradise Papers.

November – December

Released data reveals details of well-known multinationals and high-profile individuals who have used Appleby's services to avoid paying tax.

2018

January

Appleby is criticized for failing to conduct due diligence on FBME Bank, an institution banned from the US financial system since 2017.

In January 2018, Appleby faced further problems when it was criticized by the NGO Global Witness for failing to conduct due diligence on FBME Bank, a Tanzania-based bank that has been banned from the US financial system since 2017. Allegedly, Appleby acted as the register agent for FBME Bank's now-dissolved holding company in the Cayman Islands between 2004 and 2015. In July 2014, the US Financial Crimes Enforcement Network accused

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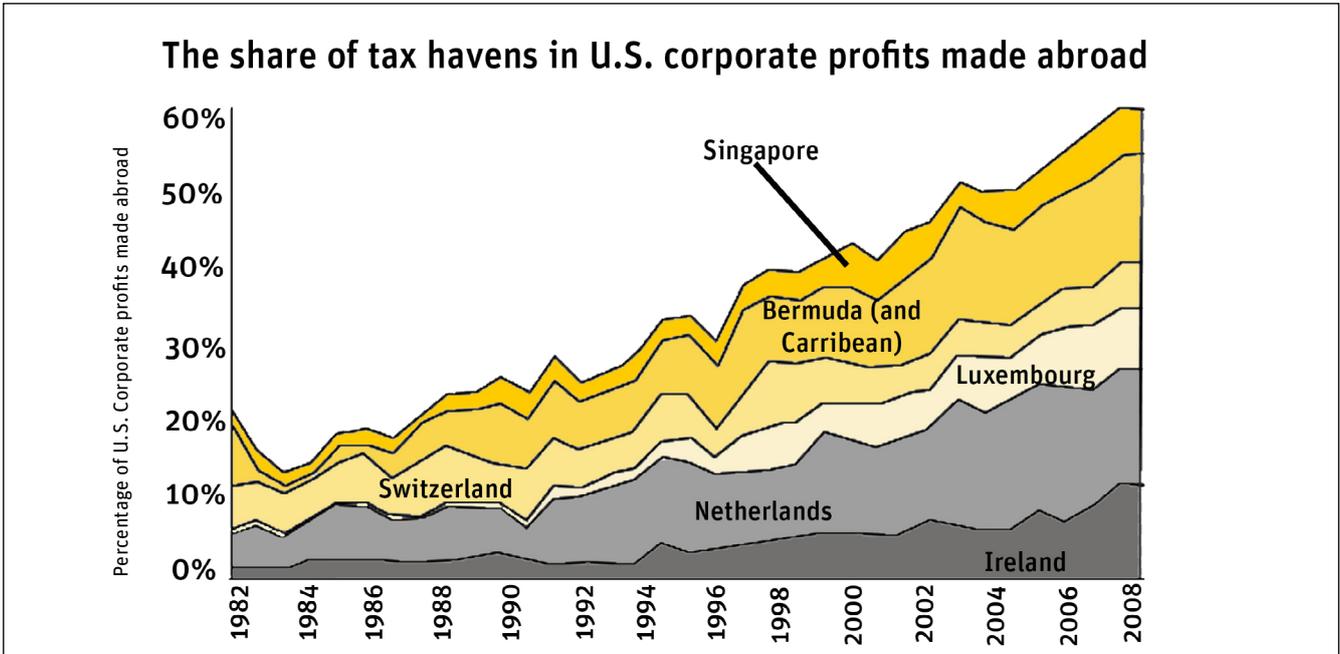


Figure 1: This figure (graph adapted) charts the share of income on U.S. direct investment abroad made in the main tax havens. In 2016, total income on U.S. direct investment abroad was about \$450bn. 16% came from the Netherlands, 8% from Luxembourg, etc. This was source from the author’s computations using balance of payments data. Source: [ICI](#).

FBME Bank of facilitating money laundering and international organized crime, as well as financing terrorism and the development of a chemical weapons program in Syria.

Was it foreseeable?

As early as January 2017, RepRisk analyzed a report by The Greens/European Free Alliance Group in the European Parliament that identified Appleby as one of 140 international intermediaries to have created and managed offshore businesses allegedly used by corporate clients for potentially illegal activities such as money laundering and tax avoidance.

In May 2017, RepRisk’s data shows that Appleby paid CAD 12.7 million (USD 9.9 million) to settle a Canadian lawsuit connected to an alleged tax avoidance scheme.

Consequences for Appleby

At the time of writing, ongoing scrutiny of the Paradise Papers continues to expose more companies and high-profile individuals.

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Company Description

Appleby Global Group Services (Appleby) is an offshore legal service provider also operating in the British Virgin Islands, the Cayman Islands, Guernsey, Hong Kong, the Isle of Man, Jersey, Mauritius, Seychelles, Shanghai, and the UK.