

## Pandora Papers Expose Secretive Offshore Economy; Increased Caution Advised

A leak of nearly 12 million documents and files that exposes secretive money movements and shadowy dealings of world leaders, politicians, and oligarchs hit the news cycle this week. The Pandora Papers are a massive trove of [documents obtained](#) by the International Consortium of Investigative Journalists that expose the financial dealings of the world's elite, including political leaders, royalty, and prominent political donors. The leaks include more than 6,000,000 documents, nearly 3,000,000 images, and more than a million emails, as well as hundreds of thousands of spreadsheets and other information.

Although the use of offshore entities to reduce tax burdens is not illegal, and numerous legitimate reasons prompt individuals and companies to hold assets in different countries, using complex networks of secret entities in foreign jurisdictions provides a method for illicit and corrupt actors to conceal misappropriated assets and criminal proceeds.

The revelations in the Pandora Papers are not new, and the spotlight on celebrities, royals, and high-level politicians—while sensational—does not contain any surprises other than the actors involved. The disclosures do, however, underscore our previous assessments about so-called [gatekeepers](#)—attorneys, real estate agents, accountants, art and antiques dealers, and corporate service providers—who help build complex networks of corporate structures that help obscure financial flows and open the door for illicit actors to access the US financial system.

President Biden this year [established](#) the fight against corruption and kleptocracy as core national security issue, and we expect that the US government will work to implement regulations that will increase due diligence obligations for gatekeepers and professional enablers of secret financial activities. Congress, inspired by the Pandora Papers, is planning to introduce the bipartisan [ENABLERS Act](#) this week to obligate gatekeepers to perform due diligence research to ensure their clients are not involved in hiding misappropriated assets or trying to hide dirty money.

Professionals in the legal, accounting, real estate, arts and antiquities, and other relevant sectors should engage with compliance, anti-money laundering, and policy experts to restructure and enhance their due diligence efforts and perform in-depth research into potential clients and business partners in anticipation of regulatory reforms. FiveBy recommends monitoring not just media reports, but also engagements with foreign partners and allies and government announcements regarding possible regulatory changes. At the same time, these professions should proactively engage with regional, linguistic, and cultural experts who are familiar with foreign policy and can provide comprehensive insight into jurisdictions that may present a risk for kleptocracy and corruption, politically exposed persons, and other red flags. FiveBy's expert analysts can also provide research into ultimate beneficial ownership using foreign databases and key records in risky jurisdictions, free trade zones, jurisdictions with lax secrecy laws, and known illicit financial hubs.

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