

September 13, 2021

The International Consortium of Investigative Journalists Washington, D.C. United States

# **Attention: Brenda Medina**

#### Dear Ms. Medina,

Thank you for contacting us and providing us with the opportunity to address your concerns. We would like to emphasize our willingness to cooperate to the extent that we are permitted to do so by the law, as has always been our practice.

We refer to your letter dated September 7, 2021, where you make reference to an investigation that you are conducting into the work of Alemán, Cordero, Galindo & Lee (Alcogal), specifically in relation to our international corporate services. As you will see below, Alcogal is an established law firm with a solid trajectory.

#### I. <u>Firm Background</u>

Alcogal was established in 1985 and is one of Panama's leading law firms. It is widely recognized as a top-tier firm in most of its main areas of practice, ranging from telecommunications, port activities, software production, transportation, energy, construction, manufacturing, banking, mergers and acquisitions, labor, litigation, arbitration, and international corporate services. The corporate services offered by Alcogal is but one aspect of our broad range of legal services. In respect of those specific activities, Alcogal adheres to all legal requirements in the provision of company formation and corporate services, in full compliance with all applicable requirements in every jurisdiction in which we operate.



Alcogal has received the award for Panama Law Firm of the Year from *Chambers and Partners* on several occasions (2011, 2013, 2015, 2017, and 2018). It has also been continuously recognized as a Top Tier Law Firm by several of the most prestigious international legal publications that specialize in these rankings, such as *Legal 500* and the *International Financial Law Review (IFLR)* - Panama Law Firm of the Year (2014, 2015, 2017, and 2021) and Most Innovative Law Firm for Capital Markets (2019).

# II. International Corporate Services

Our international corporate services include company formation services and registered agent services in Panama, BVI, Seychelles, Belize and Bahamas, and the preparation of corporate documentation in relation to the companies formed. We also provide trust services through our licensed and regulated trust companies in Panama, BVI and Belize. We do not provide financial advisory services of any kind nor do we manage funds in connection with our company formation services. More importantly, we do not provide any type of tax advice in relation to our international corporate services.

We only provide legal services and legal advice in the Republic of Panama. We only provide general tax advice in very specific cases that involve companies that operate and pay taxes in Panama, usually in conjunction with the major accounting and worldwide tax advisory firms located in Panama. We advise our clients to seek tax advice regarding the management of their company operations and assets in the respective jurisdictions which apply to them.

We have a robust compliance department, comprised of around 20 professionals with high-level education, that receive ongoing training in compliance according to the highest industry levels. We understand that compliance is one of the main pillars of the provision of our international corporate services and have devoted considerable time and resources into developing the infrastructure to make our processes comply with the laws and the highest standards in this area. Our due diligence policies follow the standards set by the laws in the jurisdictions we operate in, as well as recommendations by international organizations such as the Financial Action Task Force (FATF).



All of the companies of the Alcogal group which engage in corporate services are fully regulated by competent authorities in the jurisdictions where they operate, and have satisfactorily passed all inspections and evaluations in this regard for over 30 years. Furthermore, Alcogal duly complies with all laws in the jurisdictions in which it operates, and it has always been our policy to fully cooperate with competent authorities upon their request.

#### III. Questions

We have thoroughly investigated the questions in your letter. While we are willing to cooperate with responses to your letter, we are quite concerned at the amount of inaccurate and outdated information contained in your questions. In some cases, the information that you provided is simply incorrect. Some of the persons you refer to have never been clients of Alcogal or had a direct professional relationship with Alcogal. In some cases, the companies or entities that you refer to were not set up by Alcogal. In other cases, you seem to imply that we have not classified certain individuals as PEPs, where in fact we have, or that we have not "disclosed" their status, when in fact the law requires us to perform an enhanced due diligence on PEPs, which we do, and not a disclosure. In some cases, you refer to due diligence requirements of current times or applicable to other industries (such as banking), to cases that occurred prior to the enactment of current due diligence and KYC laws within our industry.

It is also important to note that **prior to the adoption of current due diligence laws** in each of the jurisdictions that we operate, which now require beneficial owner information to be kept directly by registered agents, the laws then in effect permitted registered agents to rely on the due diligence information obtained from beneficial owners by intermediary clients (banks, trust companies, corporate service providers, law and accounting firms that are regulated in their respective jurisdictions). Alcogal built professional relationships with major financial institutions and professional service providers around the world, who in turn would offer their direct clients international company services through Alcogal. We entered into Written Terms of Business Agreements with these regulated intermediary clients, under which these professional service providers and financial institutions,



had the responsibility of identifying the beneficial owner of the respective company and were obligated to provide us with this information upon our request.

To cover just a few examples of the inaccuracies, outdated due diligence standards and legal requirements, or unfounded compliance concerns contained in your questions (which we have selected given that doing so would not result in a breach of our legal duties), please note the following:

- a. The high-profile individual mentioned in question 4 of the Alcogal clients section has never been our client, and, in accordance with our records, was not the beneficial owner of the companies mentioned in your question. We resigned from the companies that were subject to an investigation from the authorities and collaborated fully with the authorities.
- b. Neither of the high-profile individuals mentioned in question 8 of the Alcogal clients section were ever our clients. The owner of the company in our records transferred its ownership, and the new owner appointed another Registered Agent.
- c. The trusts you refer to in question 9 of the clients section were not set up by us. We have no visibility of the earnings or investment proceeds regarding the trusts, since we did not set them up or manage them.
- d. Kidman Assets Management Ltd. was not incorporated by Alcogal.
- e. In question 27 of your Alcogal clients section, the full quote of Mr. Aleman's email, which you failed to reproduce in its entirety, reads as follows: "Please let me know in due course how you want to proceed with this. If I were in your position, I would not continue to represent this client given the risks involved, but it's obviously up to you to make the final decision. In case you decide to continue to represent him, please let us know who we should appoint as the new Registered Agent. For us it's simply too risky to continue to provide this service under the present circumstances." This is the type of interaction with our professional clients that shows unequivocally the full commitment that we have with regards to the application of the highest compliance standards.
- f. Alcogal was established in 1985, therefore we did not exist in the 1970s and could not possibly have had a relationship with any service provider prior to 1985.



- g. Alcogal did not tip off clients, owners, or managers in connection with any investigations related to question 5 of the additional questions, nor has Alcogal ever been involved in allegations or investigations in this regard in any way, nor was anyone from Alcogal involved, investigated, or prosecuted for "tipping off."
- h. We carried out a thorough investigation before purchasing the wealth and estate planning department of the financial institution in question 7 of the Alcogal clients section, one of the most prestigious banks in Switzerland, and found no reason not to proceed with the transaction. To the best of our knowledge, said financial institution has exceptional due diligence requirements, so there was no concern whatsoever on the part of Alcogal. This acquisition was reviewed and approved by the Swiss Financial Authorities, since it involved a regulated entity by the Swiss Financial Market Supervisory Authority (FINMA).
- j. With respect to question 9 of the introductory questions, our legal maritime services involve the registration of vessels in Panama's maritime registry. This involves mostly container ships which are part of the international merchant fleet, registered under the Panamanian flag, which provide cargo transportation for the world economy, that must comply not only with Panamanian maritime law, but also the laws of other jurisdictions in which they operate. This is unrelated to company formation.

In many of the other cases that you mention, answering your questions, or rectifying or clarifying your statements, to the best of our ability, could result in a violation of laws, and our ethical duties to our clients. The law expressly prohibits us from publicly disclosing beneficial ownership or shareholder information, or confirming whether or not a SAR has been filed, other than to the competent authorities.

# Comments related to Due Diligence

Currently, we do not incorporate companies, trusts or foundations to a client who does not reveal the beneficial owner's identity. As previously stated, new due diligence regulations require that we keep this information on record. We comply with each jurisdiction's KYC requirements, which include information regarding the beneficial owner of each company, trust or foundation. Our internal



policies are constantly reviewed and updated to comply with changes in the law in every jurisdiction we work in, as well as best practice standards within the industry. Most importantly, we are in good standing with each of our regulators.

Alcogal conducts a formal risk assessment on each of its clients based on a risk matrix, which includes a series of questions (based on industry standards and the law) that are geared towards rating the risk of that particular client and/or product. With the information uploaded, the matrix rates the client and this is how the risk is assigned. The competent authorities evaluate the effectiveness of the risk matrix of their service providers, including Alcogal, in each jurisdiction. The risk assessments assigned by the matrix are reviewed by the Compliance Officer and are updated based on the rating calculated (i.e. reviews and updates are conducted based on risk rating, meaning that higher risk clients are reviewed more frequently and with a stricter standard than lower risk clients). Alcogal performs enhanced due diligence on a client who is determined to be a high-risk customer, regardless of the nature of the relationship or service.

# Comments related to SARs

SARs, or Suspicious Activity Reports are prepared and filed in compliance with local legislation. If we find, are informed by any source, or become aware by any means, of negative information involving a company or client, including suspicions of criminal activities, their involvement in a criminal investigation, or the existence of a conviction, we proceed with the appropriate course of action, ranging from obtaining disclaimers to resigning as Registered Agents and/or filing SARs, as applicable on a case-by-case basis.

# Special Rules regarding PEPs

As a general rule, being classified as a Political Exposed Person (PEP) does not automatically disqualify a person from consideration to be a client of any service provider in any industry, and Alcogal is not an exception. However, we follow a strict evaluation process for all cases. The first requirement is that the individual must be referred to Alcogal by a reputable professional entity.



The prospective client is then investigated in various search engines and databases and a report is prepared by our compliance department with any findings. If there is negative information related to the prospective client, they are disqualified from consideration. If, however, our investigations do not reveal negative information, then the relationship may be considered. Enhanced due diligence, which refers to the additional documents or information we require from a prospective client that is considered a PEP or another kind of high-risk individual, is then conducted. PEP prospective clients must be directly approved by both the Compliance Officer of the jurisdiction involved and by a partner.

As mentioned previously, reviews and updates are conducted based on risk rating, meaning that high-risk clients, such as PEPs are reviewed more frequently and with a stricter standard than low-risk clients.

The due diligence process for PEP clients required by law does not establish a procedure nor a requirement to report PEPs to any authority simply because they are classified as a PEP.

#### Comments on resignation as Registered Agents

In more than 30 years of operation, we have never been admonished or fined for failing to resign as registered agents by any governmental, administrative, or judicial authority. The decision to resign follows a risk-based approach. In some cases, our compliance department requires clients to provide more information in order to make an assessment of the risk. We resign in cases where we suspect that the client is involved in money laundering, terrorism financing or other illicit activities, or where we fail to secure the full cooperation of the client in terms of requests for additional information, or if we are unable to carry out the required customer due diligence or, as the case may be, enhanced customer due diligence requirements, in respect to the ultimate beneficial owner.



While we respect and support the right of journalists to carry out investigations that expose activities which negatively affect societies around the world, we expect and trust that you do so responsibly and accurately. Our partners have for many years publicly advocated to raise local standards in order to comply with the guidelines of the OECD and FATF, including TV appearances and multiple op-ed articles in national newspapers, as the one written by one of our senior partners in La Prensa on April 5, 2016. (https://www.prensa.com/impresa/opinion/negocios-intereses-Jaime-Aleman-Healy\_0\_4453804629.html).

Organizing corporations is an essential part of doing business. This activity is legal in all of the countries in which we operate. There are many licit and legitimate uses for such companies, contrary to the arguments made by some that the use of a corporation engaged in international activities automatically constitutes an illicit activity. It is also important to keep in mind that the corporate provider does not engage in an illegal activity simply because it incorporates a company. It is equally important to note that corporate providers are not legally responsible for the activities of the companies which they incorporate. While no corporate service provider or financial institution is infallible, we have always acted according to the law, and have cooperated in all respects with competent authorities.

We are professional and law-abiding attorneys who with hard work and professionalism built a successful law practice, as well as a reputable company formation business with offices in many parts of the world. Not only have we never been indicted and much less convicted of any illicit activities, but the results of the regulatory inspections that we are regularly subject to are the best evidence of the thoroughness of our compliance work.

We would be most grateful if you could acknowledge receipt of this letter.

Sincerely,

# Alemán, Cordero, Galindo & Lee