

Addressing queries on Citadel and the Panama Papers

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In light of recent disclosures in the Panama Papers, the [Citadel Group](#) would like to outline the extent of its dealings with [Mossack Fonseca](#) and other external service providers and the services they have provided to our clients in the past.



Hilary Dudley

If any Citadel client is named in the Panama Papers, we can assure you that the services provided to our clients have, to our knowledge, always been regulatory and tax compliant. Citadel will not compromise on governance standards. As Jan Berry, CEO, Phatshoane Henney Attorneys has commented, it is concerning that law-abiding and transparent clients have been placed in a situation where their privacy has been breached, and we share this concern.

Multi-generational estate planning structures

The facts are as follows: [PraxisIFM](#) and [United Ventures Limited](#), working under legal advice from Phatshoane Henney Attorneys, are the service providers for some Citadel clients' offshore structures, which are used as multi-generational estate planning structures. They establish and administer the structures for the benefit of our clients.

The offshore structure set up for clients consist in part of a British Virgin Islands (BVI) company. The choice of the BVI as a jurisdiction is essentially based on the existence of a strong legal system under English law and cost effectiveness.

Phatshoane Henney Attorneys have advised us that PraxisIFM and United Ventures Limited have in the past used the services of Mossack Fonseca to establish the BVI companies which form part of the structure. Once the company is incorporated, Mossack Fonseca is no longer involved. We have also been advised that Mossack Fonseca is only one of two key providers of this service in the BVI.

Most appropriate mechanism

Phatshoane Henney Attorneys advises clients investing significant amounts abroad to refrain from doing so in their own name as this avoids onerous administrative burdens and fees, particularly in the event of death. In terms of exchange control regulations, South African resident individuals may invest offshore in or through a non-resident company.

However, South African trusts – which would be the obvious and most cost effective choice – may not invest abroad. In

addition, exchange control regulations also prohibit the pooling of foreign investments, so a non-resident company within which each family member can hold his/her own shares is deemed the most appropriate mechanism to provide for a family's estate planning across the generations.

All investment conform to exchange control regulations

Phatshoane Henney Attorneys confirms that all clients' investments in foreign companies comply with exchange control regulations, which also require tax clearance certificates on behalf of tax payers. Clients are therefore fully compliant from a tax perspective, with all applicable taxes being paid, both in South Africa and in other tax regimes.

Clients' shareholdings in companies formed as part of these structures are recorded in the shareholders' register and are transparent and correspond with the clients' records with SARS. Full and complete know your client (KYC) records are maintained for every client, in accordance with the Financial Intelligence Centre Act.

Credentials checked

In spite of the allegations against Mossack Fonseca, Phatshoane Henney Attorneys has always found the firm to be professional, regulatory compliant and cost effective. Mossack Fonseca was engaged in an administrative capacity, after their credentials and reputation were verified with and confirmed by various major financial institutions using them as one of the largest providers of company incorporation services both offshore and onshore, including jurisdictions such as the UK and US.

ICIJ disclaimer

We wish to draw attention to the statement on the ICIJ Offshore Leaks which must be read prior to accessing the database: "There are legitimate uses for offshore companies and trusts. We do not intend to suggest or imply that any persons, companies or other entities included in the ICIJ Offshore Leaks Database have broken the law or otherwise acted improperly. Many people and entities have the same or similar names. We suggest you confirm the identities of any individuals or entities located in the database based on addresses or other identifiable information."

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