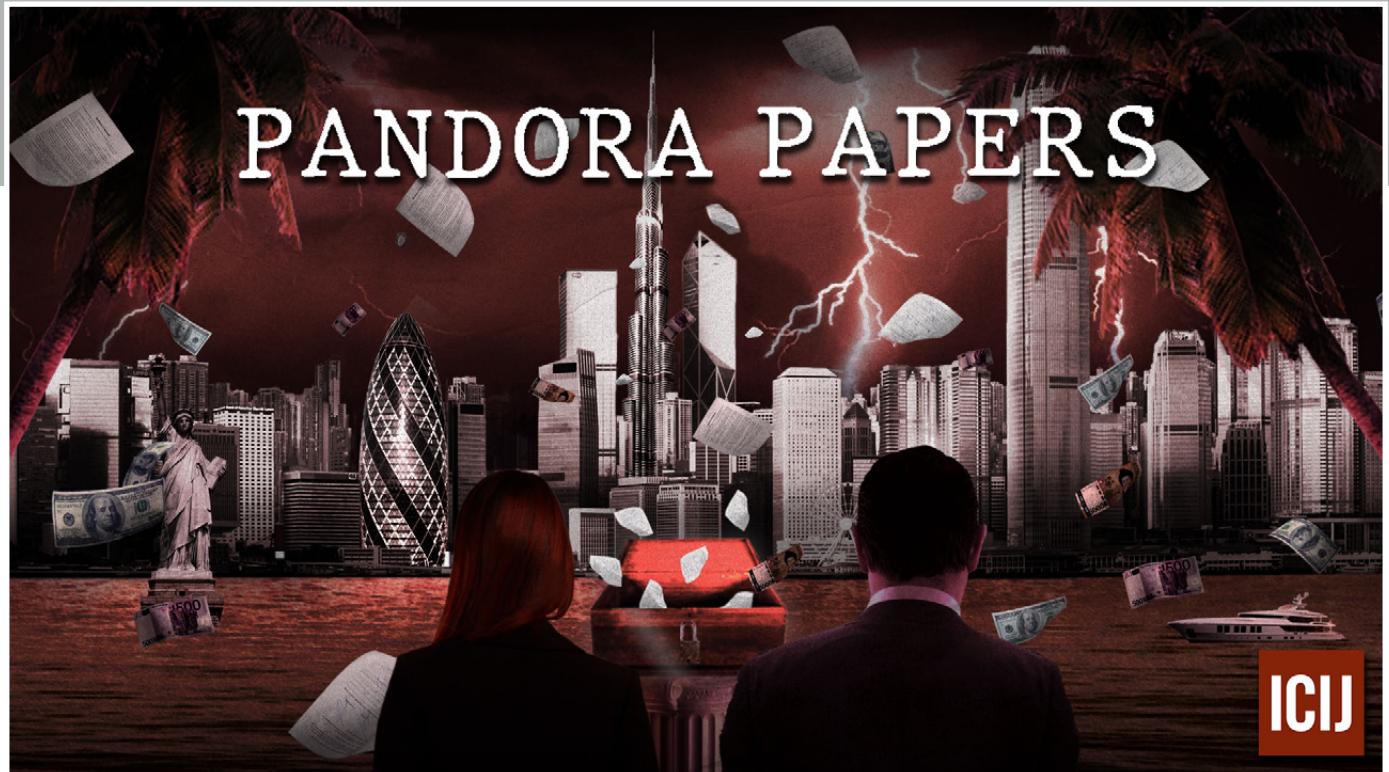




The Center for Media
and Democracy in Israel



Shomrim's Coverage of the
Pandora Papers Investigation



The Pandora Papers is a leak of almost 12 million documents that reveal hidden wealth, tax avoidance and money laundering by the global elite. The data was obtained by the International Consortium of Investigative Journalists (ICIJ), which shared the financial underworld records with more than 140 media organizations. **Shomrim was the only news organization to lead the investigation in Israel.** This second journalistic collaboration with ICIJ follows the FinCen Files investigation, which offered insight into a secret world of international banking touching regions across the globe, Israel included.



Shomrim is the only Israeli news organization that has been accepted to ICIJ and consequently, the only media partner in Israel to gain access to the files. Unravelling the content was not a simple task. **Shomrim**

Journalists Uri Blau and Daniel Dolev, led by Shomrim Editor Eyal Abrahami, spent more than six months researching and analyzing the data and uncovering the faces behind the anonymous offshore shell companies.

Shomrim Led the Pandora Papers Investigation in Israel

The international deadline for the exposé was set for Sunday, September 3rd at 12:30 (New York local time). As the countdown began, Shomrim prepared for releasing the stories to all media outlets in Israel - print media, broadcast news and the Internet, inviting them to republish our work. The collaboration was exceptional and produced national resonance. **All media players - major and niche - across the political spectrum, engaged with Shomrim's findings** after signing our terms and conditions and accepting the press embargo. Although none received exclusivity, almost all – including the national leading news organizations, **gave full credit to Shomrim**. This is an unprecedented and unparalleled achievement which is attributed to great journalism and our non-partisan and non-profit driven coverage. No other news organization in the country could have immersed in such an in-depth, time-consuming and costly investigation, with more powerful stories still to come. The Pandora Papers investigation is testimony of Shomrim's capacity for fine investigative reporting capable of making sense of data, digging and providing context and details to an informed citizenry. We can pursue meaningful, data-driven investigations that deliver what the local media landscape needs and serve the public with impactful storytelling.

Within hours of publication, Shomrim's investigations hit headlines and set the public agenda in Israel. The stories were released in three waves: the first revealing the offshore connections of Barkat, Ramon and Steinmetz; the second featuring Milchan's offshore fortune; and the third uncovering the names of Israeli billionaires with offshore assets – Teddy Sagi, Idan and Eyal Ofer, Moshe Hogeg and Eitan Stibbe.

Tax avoidance and evasion is a subject of genuine

public interest, raising important legal, societal, fiscal and moral issues. Broadcast channels devoted items to tax havens, financial engineering and money laundering, and the legal albeit ethically problematic tax avoidance of political players, public officials and billionaires, who are threading the legal needle with offshore activity and abusing the system's opacity while depriving Israel tax revenue, which could be used to finance programs for the greater good.

In the days following the release, the Pandora Papers continued to receive wide coverage. The report was quoted more than 70 times in different media outlets. There were follow-ups in the radio and news podcasts (The Marker, N12). Shomrim also saw a dramatic increase in reader engagement both in its social media platforms and newsletter registrations.

At this time, public officials from all across the political spectrum are leading debates in the Israeli Parliament about new legislative proposals to increase transparency and regulation to combat tax evasion and financial crime, and are demanding investigations to determine if there is evidence of criminal conduct. The Pandora Papers are a wake-up call to policy makers.

Key Findings from the Pandora Papers Investigation in Israel

Shomrim's inspection of the documents contained in the leak reveal the widespread use of tax havens by Israeli citizens. Of the 90 countries implicated in the report, Israel appears high in the dubious list and is ranked in the 16th place. The word "Israel" appears more than 40,000 times and the phrase "Israeli passport" also records thousands of hits. Among the high-profile Israelis mentioned are Likud MK and former Jerusalem Mayor Nir Barkat, former Labor Party Justice Minister Haim Ramon, and the Steinmetz family. The initial findings released paint a sordid picture of the people involved.



The Pandora Papers - Main headline in Calcalist

The Pandora Papers investigation is the world's largest-ever journalistic collaboration led by the ICIJ. The colossal scope of data was too large for any single news organization to review effectively, and the sources of the leaked documents were headquartered around the world. **Shomrim** journalists also assisted in the investigations of other journalists, scouring documents and analyzing key findings.

Nir Barkat's Blind Trust in His Brother - Senior MK and aspiring leader of the Likud Party, Nir Barkat, has holdings in the eToro company, which is registered in the British Virgin Islands, although its headquarters and the majority of its employees are located in Israel. Last year, the company reported a profit of 100 million dollars (before interest, taxes, depreciation and amortization) that were exempt from corporation tax in the BVI. If registered in Israel, over the years, the company would have paid the government tax in the extent of 23% to 26% of its gains. eToro is expected to earn 700 million dollars by 2025.

Barkat, while serving as Jerusalem's Mayor, claimed that his wealth was under a blind trust. Yet the leaked data shows that much of his wealth was still under his name until 2019, although he began his public service career in 2008. After Barkat was elected to the Knesset in 2019, he transferred the same shares to his brother Eli Barkat, regardless of the Knesset's Ethics Committee's guidelines, which prohibit a member of parliament from selling or leasing his shares to a family member. In the case of a trusteeship, the MK

must use a public trust company. Barkat could have asked the Ethics Committee for an exemption, but a Shomrim investigation found that no such request was made and that the Committee, which was in session for most of 2020, did not issue any exemption. Barkat's conduct raises questions about the due diligence that is expected from public figures with regards to trusts they have established.

Haim Ramon and the 50 Million Euro Debt

Former Justice Minister Ramon took ownership of an Austrian company owned by casino magnate, Martin Schlaff. The Bigova Bay company set up in 2006 to establish a tourism project in Montenegro accumulated debts in the amount of 50 million euros due to loans. Although the project stagnated for 13 years, Schlaff sold it to a Cypriot company, owned by Ramon. Additionally, the company owned land earmarked for the project, however the value of the property remains elusive. As part of Ramon's attempts to convince the Austrian authorities to reduce the company's debt, the land was appraised at a value of 14.4 million euros. In contrast, when the company filed its reports with the authorities in Montenegro, it valued the land at 50 million euros. Moreover, the documents reveal that Ramon and Schlaff signed a contract enabling

Pandora Papers in Ha'aretz



סמכיכי פנדורה

העסקה המשוננה של רמון ושלאף - ולאן עברו מנויות ניר ברקת: חשיפות מההזלפה הכלכלית הנדולית מעולם

дол"ו 12 מיליון מסמכים מ-14 חברות המספקות שירותים במקלטי מס ■ בין היותר נחשף כי במקביל לחיקיות, משופחת שטיינמץ הישראלית התענינה בהעברת מיליארדי יורו לאוי קוק

the latter to buy the company back and that over the years, Schlaff continued to transfer millions to the company.

The economic logic of the deal is hard to crack. According to the Shomrim investigation, the land in Montenegro was originally used as security for loans, yet at some point, when Schlaff had a controlling interest in the project, part of the loan was also guaranteed on a temporary basis by a private fund controlled by the Austrian billionaire. An examination of the documents does not clarify whether this security was ever annulled.



Pandora Papers in Ha'aretz

The Steinmetz Family's Billion Euros Transfer from

Lichtenstein - Businessman Benny Steinmetz is facing a series of investigations, indictments and convictions in several countries, including Switzerland, Romania, the USA and Guinea. While these investigations were taking place, a representative of the Steinmetz family requested to transfer two trust funds totaling around one billion euros from Lichtenstein to the Cook Islands due to the increased scrutiny of bank transfers in Lichtenstein. The documents do not conclusively state whether the funds were eventually relocated.

The Settlers and Land Ownership in East Jerusalem

- The Settlers NGOs, which specialize in Judaizing East Jerusalem, have made extensive use of offshore companies to conceal property acquisitions. Shomrim's investigation found that at least five such companies in the British Virgin Islands were dissolved after the NGO in question failed to pay its fees in the tax haven for years. According to the local Business Companies Act, any property not disposed of prior to a company's dissolution is deemed to be owned by the government. Moreover, dissolved companies can apply for restoration even years after the dissolution. Indeed, The Settlers NGOs applied for restoration and in some cases were granted approval. It is not known which companies were

brought back to life and whether, on paper, the Virgin Islands' government is still the owner of highly sensitive properties in East Jerusalem.

During the time that the companies were dissolved, there were legal hearings in Israel regarding the ownership of several assets (e.g., the Greek Patriarch). The dissolved status of these companies was not reported to the court.

Israeli Investment Scammers Involved in Fraudulent International Trading of Binary Options

- Although the binary options industry was outlawed by the Israeli Knesset in 2017 for being irredeemable fraudulent, Israel's online trading industry remains a lucrative business. Israeli scammers have established binary options trading platforms covered by a dense forest of shell companies registered to offshore locales that keep the identities of owners and beneficiaries secret. The papers reveal the names of Israelis who are currently the target of investigations by police and financial authorities in the USA and Europe. Others have been convicted of massive fraud.

Milchan's Offshore Fortune and Netanyahu's Trial –

Hollywood film producer and key witness in former prime minister Benjamin Netanyahu's corruption trail, held at least part of his assets and his art collection in offshore companies in the Virgin Islands. The extent of Milchan's massive offshore holdings could shed new light on one element of Case 1000 against Netanyahu, dubbed "The Expensive Gifts Affair". According to the indictment, in the summer of 2013, Milchan asked Yair Lapid, then Finance Minister, to extend by 20 years tax breaks for new immigrants and returning expatriate Israelis, which according to Amendment 168 - also known as Milchan Law – gives a 10-year tax exemption. Lapid refused after asking for a professional opinion from the Treasury on the law. Milchan then approached Netanyahu who raised the issue with Lapid during two formal meetings and expressed support of the extension. The police recommended to indict Netanyahu on bribery charges due to the fact that he asked Lapid to support amending the law in order to benefit Milchan, who provided Netanyahu and his wife gifts.

In addition to these key takeaways from the Pandora Papers, there were other findings in the box implicating Israel, which Shomrim has made public.



ברקע: ההדיפה הכלכלית הגדולה אי-פעם

אורן בלאו, דניאל דולב, שומרות | 19:32



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