The last time the International Consortium of Investigative Journalists made a splash in the financial media was in April of last year year when it disclosed a trove of secret documents revealing a massive treasury of offshore wealth parked away from taxation-happy host governments. The context was clear: in the aftermath of the Cyprus deposit confiscation, public opinion had to turn against those who were exploiting offshore tax loophole in order to avoid a panic that the same "bail in" could happen to the common man.

Needless to say, the circumstances surrounding the release then were rather curious: one day thousands of files - revealing the names behind covert companies used by people from American doctors to Russian executives and international arms dealers - just happened to turn up at a source's house.

Well, the ICIJ is back in the spotlight once again, this time revealing "nearly 22,000 tax haven clients from Hong Kong and mainland China. Among them are some of China's most powerful men and women — including at least 15 of China's richest, members of the National People's Congress and executives from state-owned companies entangled in corruption scandals."

Once again, the source of this treasure trove of data is secret, although we feel the recent Bloomberg cover up (and suspension and termination of Michael Forsyth) regarding a certain investigation into Chinese tycoons' connections with Communist party leaders may have something to do with it. All ICIJ says on the matter is that "In November, a mainland Chinese news organization that was working with ICIJ to analyze the offshore data withdrew from the reporting partnership, explaining that authorities had warned it not to publish anything about the material. **ICIJ is keeping the identity of the news outlet confidential to protect journalists from government retaliation.**" But where the data comes from is largely irrelevant.

What is relevant is that once again the two largest Swiss banks are about to be embroiled in yet another money laundering scandal, this time involving the parking of wealth belonging to China's aristocracy - including its princelings - in various Caribbean, and mostly British Virgin Island, tax havens.

From the ICJC's findings:

PricewaterhouseCoopers, UBS and other Western banks and accounting firms play a key role as middlemen in helping Chinese clients set up trusts and companies in the British Virgin Islands, Samoa and other offshore centers usually associated with hidden wealth, the records show. For instance, Swiss financial giant Credit Suisse helped Wen Jiabao's son create his BVI company while his father was leading the country.

The files come from two offshore firms — Singapore-based Portcullis TrustNet and BVI-based Commonwealth Trust Limited — that help clients create offshore companies, trusts and bank accounts. They are part of a cache of 2.5 million leaked files that ICIJ has sifted through with help from more than 50 reporting partners in Europe, North America, Asia and other regions.

Since last April, ICIJ's stories have triggered official inquiries, high-profile resignations and policy changes around the world.

Until now, the details on China and Hong Kong had not been disclosed. What is notable, if not unexpected, is just how pervasive the parking of offshore capital has been, and confirms that it is not inflow of money that the PBOC has to be afraid of when its internationalizes the Yuan, it is the outflow that will be far more worrisome.

The data illustrates the outsized dependency of the world's second largest economy on tiny islands thousands of miles away. As the country has moved from an insular communist system to a socialist/capitalist hybrid, China has become a leading market for offshore havens that peddle secrecy, tax shelters and streamlined international deal making.

Every corner of China's economy, from oil to green energy and from mining to arms trading, appears in the ICIJ data.
But the biggest stunner is the sheer size of the wealth transfer:
according to ICIJ estimate, up to $4 trillion in "untraced assets" may have left China since 2000.

Chinese officials aren't required to disclose their assets publicly and until now citizens have remained largely in the dark about the parallel economy that can allow the powerful and well-connected to avoid taxes and keep their dealings secret. By some estimates, between $1 trillion and $4 trillion in untraced assets have left the country since 2000.

And while the parking of capital abroad is not illegal, it does contribute to concerns about vast corruption in China, which is also why the current Politburo has been scrambling to cut down on superficial among China's higher echelons. At least optically... And certainly not going to the very top, where it appears the bulk of the corruption resides as the initial data dump discloses.

To be sure, this is just the start of peeling away the layers of China's offshore wealth: the ICIJ provides this teaser: "Along with the China and Hong Kong names, ICIJ’s files also include the names of roughly 16,000 offshore clients from Taiwan. ICIJ will continue to publish stories with its partners in the next few days and will release the Greater China names on its Offshore Leaks Database on Jan. 23."

In the meantime, the ICIJ has disclosed select key individuals that suddenly may have a lot of explaining to do, considering China's very theatrical crackdown on corruption and all that.

The key players, whose life is about to get a whole lot more difficult, are without doubt China's princelings.

China's Politburo Standing Committee is the all-powerful group of seven (formerly nine) men who run the Communist Party and the country. The records obtained by ICIJ show that relatives of at least five current or former members of this small circle have incorporated companies in the Cook Islands or British Virgin Islands.
China’s “red nobility” — elites tied by blood or marriage to the current leadership or Party elders — are also popularly known as “princelings.” Ordinary Chinese have grown increasingly angry over their vast wealth and what many see as the hypocrisy of officials who tout “people-first” ideals but look the other way while their families peddle power and influence for personal gain.

The leaked offshore records include details of a BVI company 50 percent owned by President Xi’s brother-in-law Deng Jiagui. The husband of Xi’s older sister, Deng is a multimillionaire real estate developer and an investor in metals used in cell phones and other electronics. The records show the other half of Excellence Effort Property Development was owned by yet another BVI company belonging to Li Wa and Li Xiaoping, property tycoons who made news in July by winning a $2 billion bid to purchase commercial real estate in Shenzhen.

Since taking over as the Communist Party's top official in 2012, Xi has sought to burnish his image with an aggressive anti-graft campaign, promising to go after official corruption involving both low-level "flies" and high-level "tigers." Yet he has crushed a grassroots movement that called for government officials to publicly declare their assets. Wen Jiabao, who stepped down as premier in 2013 after a decade-long tenure, also styled himself as a reformer, cultivating an image of grandfatherly concern for China's poor.

The ICIJ offshore files reveal that Wen's son Wen Yunsong set up a BVI-registered company, Trend Gold Consultants, with help from the Hong Kong office of Credit Suisse in 2006. Wen Yunsong was the lone director and shareholder of the firm, which appears to have been dissolved in 2008.

Bare-bones company structures are often created to open bank accounts in the offshore firm's name, helping obscure the relationship to the real account owner. It isn't immediately clear from the documents what Trend Gold Consultants was used for. A U.S.-educated venture capitalist, Wen Yunsong co-founded a China-focused private equity firm and in 2012 became chairman of China's Satellite Communications Co., a state-owned firm that aspires to be Asia's largest satellite operator.

ICIJ made repeated attempts to reach Wen Yunsong and other individuals named in this story. Only a few responded. Wen was among those who did not. Citing confidentiality rules, a Credit Suisse spokesman said the bank is "unable to comment on this matter."

The ICIJ files also shed light on the BVI's previously unreported role in a burgeoning scandal involving Wen Jiabao's daughter, Wen Ruchun, also known as Lily Chang. The New York Times has reported that JPMorgan Chase & Co. paid a firm that she ran, Fullmark Consultants, $1.8 million in consulting fees. U.S. securities regulators are investigating the relationship as part of a probe into the bank's alleged use of princelings to increase its influence in China.

Fullmark Consultants appears to have been set up in a manner that obscured Wen Ruchun's relationship to the firm, the ICIJ files indicate. Her name does not show up in any of the incorporation documents in the ICIJ data, though a 'Lily Chang' is CC'd in one August, 2009 email correspondence about the company. Her husband Liu Chunhang, a former Morgan Stanley finance guru, created Fullmark Consultants in the BVI in 2004 and was the sole director and shareholder of the firm until 2006, the same year he took a government job at the agency that regulates China's banking industry.

Liu transferred control of the company, the ICIJ files show, to a Wen family friend, Zhang Yuhong, a wealthy businesswoman and colleague of Wen Jiabao's brother. The Times reported that Zhang also helped control other Wen family assets including diamond and jewelry ventures.

The ICIJ files show that offshore provider Portcullis TrustNet billed UBS AG for a certificate of good standing for Fullmark Consultants in October 2005, indicating a business relationship between Fullmark and the Swiss bank. In response to ICIJ's questions, UBS issued a statement saying its "know-your-client" policies as well as procedures to deal with politically-sensitive clients are among "the strictest in the industry." Liu and Zhang did not respond to ICIJ's requests for comment.

A 2007 U.S. Department of State cable passed along a source's tip that Premier Wen was "disgusted with his family's activities," and that "Wen's wife and children all have a reputation as people who can 'get things done' for the right price." The cable, part of the Wikileaks document dump, reported that Wen's kin "did not necessarily take bribes, [but] they are amenable to receiving exorbitant 'consulting fees.' "

The records also include incorporations by relatives of Deng Xiaoping, former Premier Li Peng, and former President Hu Jintao.

China experts say that the growing wealth and business interests of the princelings, including offshore holdings, are a dangerous liability for the ruling Communist Party but that people in leadership positions are too involved to stop it.

"**What's the point of running the Communist Party if you can't get a couple billion for your family**?" said Steve Dickinson, a China-based American lawyer who has investigated fraud cases involving BVI companies. "The issue is enormous and has tremendous significance for China, and the fact that everybody dances around it and doesn't want to talk about it is understandable but scandalous."