

II. STATEMENT OF THE FACTS, 14.0.2, THE FISCAL BACKGROUND OF THE EVENTS

Since the establishment of the companies (SCE) in Denmark in 1974/75, the Danish authorities have been somewhat uncooperative and indeed brought many factitious hindering and obstacles for the companies, furthermore by some obsession, either by lack of knowledge or with specific motives harassed the companies and their customers.

The Danish capital market have prior to the entry into the EEC, been rather a closed-shop. Due to capital restriction, Danish investors could not invest abroad, nor could foreign-owned financial companies, such as banks, operate in Denmark. The local financial market has been rather unsophisticated and restricted to investments in Mortgage Credit Associations "mortgage-credit bonds" and Government bonds. As to the transaction on the Copenhagen Stock Exchange, nearly all dealings and quotation related to activity, has been restricted to the bond market. The investment market was isolated from the international market and generally controlled.

The Danish authorities has more or less been aware of where investors put their money, new regulation was introduced in order that the investor had to provide his personal registration number (CPR) when dealing in equities and bonds, such registration should be forwarded to the Revenue.

For many years the Danish Government has had a considerable deficit of income, which has been financed by the issuing of bonds to local investors. This has led to increasing concern about the marketing of these bonds, and the authorities have indeed tried to restrict the attractiveness of other investments in order to sell more bonds.

SCE came in direct conflict with most of the above mentioned. Firstly the companies activities were based on the international market and the dealing on the international exchanges, secondly because the companies were not operating as bankers or registered stockbrokers, SCE did not have to ask its customers for CPR-registration. Due to the membership of the EEC, the Danish authorities could not restrict the companies operation or prevent Danish investors to invest in commodities, such as precious metals.

Four authorities were active against SCE and indeed conspired, possibly with different motives.

(1) The Danish National Bank (Nationalbanken), which was concerned with the possible outflow of capital from Denmark, which in effect was difficult to control since there were no rules or regulations which could prevent investments in commodities.

(2) The Danish Revenue (Skattevæsen), which was concerned as to possibly the investment with so-called "black money" (Investments which were not recorded and subject to taxation). This could be accepted if it was only relative small amounts, however in view of the substantial investments in 1979/80, this became a larger "problem" as such. In addition to this, since there was no precedence or effective rule, certain conditions was not evident.

(3) The Customs and Excise, which was responsible for the value added taxation on goods. When SCE was small, the Customs and Excise agreed to permit that the value added tax (MOMS) could be refunded, when the customers sold their goods. As to the deferred deliveries of the goods, and thereby in most cases - no import, purchase tax on import was not possible. No doubt these matters did concern the Customs and Excise.

(4) The Ministry of Trade is directly in charge for a number of government agencies and institutions, which all have various interests which may conflict with the activities of SCE. The fact remains that this Ministry was very negative towards SCE and its activities. It was without any doubt, the motives of these institutions which lead to the events, on the 31st January 1980, when SCE was closed down, in front of the television cameras, and its directors arrested, accused of alleged tax evasion. However before this event took place, many other means had been tried by the Danish authorities through the preceding five years, but the authorities had not succeeded in closing the companies or restraining their activities, in fact due to the economy and international events, more and more activity was created by SCE.

The Danish authorities were responsible for the following acts prior to the 31st January 1980:

1. Preventing the companies to increase their capital despite their under capitalization.
2. Inciting customers of SCE, who did not themselves consider that they had any serious grievance with the companies.

3. Creating false rumours about the companies and change the real facts, providing misinformation and more e.g. re-editing an article in a financial magazine.
4. Blackmailing the companies into providing information, as to its customers, by the use of threats.
5. Creating deliberate fictitious charges against the companies, in order to tie up executive time and staff. An excessive amount of information and documentation was requested by the authorities.
6. Forcing payment of taxation on estimated profitability, which could not be evident in view of the audited accounts.
7. Putting pressure on clients of the companies, by threatening the clients with various investigations, unless they collaborated.
8. Paying the companies abnormally frequent control visits and thereby putting undue pressure on their staff.
9. Delaying the processing of applications etc.
10. Arranging agent provocateurs.

All the above mentioned acts, can be proven, however there are many other negative means which have been used against the companies, their customers and owner, which has not been mentioned, due to documentation and proof. SCE had several employees which had extensive background in banking and stock brokering in Denmark, even held major executive positions in the banking field, all these employees has complained, as to the considerable amount of work connected to the authorities' harassment of the companies during the years.

In order to provide a clear and concise view of the events which led up to the arrest of SCE's owner and director and the closure of the companies, one must look at the relevant details and documentation.