

PRESS RELEASE: TAX JUSTICE NETWORK

THE ENABLERS OF FINANCIAL SECRECY KNOW WHAT THEY ARE DOING

For immediate release

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Law firms like Mossack Fonseca know exactly what they are doing when they set up secret offshore companies. Lawyers operate in a privileged environment. Although they have a duty of confidentiality to their clients, that duty does not override their obligation to uphold the law. This means performing adequate due diligence on their clients and informing the relevant authorities when they come across suspicious activity.

However, far too many offshore lawyers, accountants and bankers see it as their role to shield their clients from financial regulations designed to prevent money laundering, tax evasion and corruption.

The Tax Justice Network has for many years highlighted the role Panama has played in the global offshore industry. Our Financial Secrecy Index, the benchmark for assessing the secrecy of financial centres, assigns Panama with one of the highest secrecy scores in the world.

The kind of financial secrecy practised by Panama is designed specifically to avoid global regulations requiring the disclosure of assets. In many cases this secrecy is established for the sole purpose of hiding criminal or corrupt transactions.

For years we have called on governments around the world to implement the policies required to stamp out tax evasion, corruption and criminality, yet we have seen little progress. We note that today's latest leak from the ICIJ highlights yet again how financial secrecy permeates the global political and business elite; many of whom are responsible for designing the rules on the global economy.

What is needed now is a commitment to end financial secrecy, tax havens and the offshore financial system. We are unaware of any legitimate reason as to why individuals need to incorporate companies in secrecy jurisdictions. It is now time for that practice to end.

Commenting specifically on today's allegations,

John Christensen, Director of the Tax Justice Network said:

“Mossack Fonseca has been one of the giants of the offshore world for decades. They had a reputation for extreme secrecy and discretion on their clients' behalf, which needless to say was attractive to many clients engaged in tax evasion, fraud, hiding conflicts of interest, and other white collar crimes.

It is important to recognise that offshore law firms like Mossack Fonseca do not operate in isolation; they rely on intermediaries, often other law firms or banks, to pass on clients and to

provide support for the sophisticated cross-border structures needed by politically exposed clients or other members of the global financial elite who want to hide their corrupt and criminal activities"

Alex Cobham, Director of Research for the TJN said:

“The Tax Justice Network's Financial Secrecy Index has for a long time listed Panama as one of the most secretive jurisdictions in the world. In the most recent index we identified Panama as a jurisdiction of ‘extreme concern’. But the international community, despite talking a good game, has done little to compel improvements either from Panama or the many other jurisdictions working to promote secrecy, including the British tax haven network.

This global inaction has allowed places like Panama to cause huge damage to the global economy, facilitating tax avoidance and evasion that not only eliminates government revenues to the tune of hundreds of billions of dollars a year, but also the corruption that undermines democratic government and elite accountability.”

Nicholas Shaxson, author of Treasure Islands, a book about tax havens, said:

“While the focus is currently on Panama, one of the world’s sleaziest tax havens, it is important not to forget that it is just part of a bigger global system. The United States is a big player in the game, hosting vast sums in foreign-owned assets in conditions of strong secrecy. The United Kingdom runs a global network of Overseas Territories and Crown Dependencies that includes some of the world’s biggest tax havens — including Cayman, the British Virgin Islands, Bermuda and Jersey.

In a little over two months’ time UK Prime Minister David Cameron will hold a global anti-corruption summit in London. If the UK government is serious about taking on corruption and money laundering, then it needs to take action on the British territories, many of which are used by companies such as Mossack Fonseca to hide their clients' wealth."

Notes

1. The Tax Justice Network's Financial Secrecy Index can be accessed here: <http://www.financialsecrecyindex.com/introduction/fsi-2015-results>. Panama receives a secrecy score of 72 out of 100 on the index.
2. The Financial Secrecy Index narrative report on Panama can be found here: <http://www.financialsecrecyindex.com/PDF/Panama.pdf>
3. We recently wrote on how Panama's history as a tax haven. Which can be accessed here: <http://www.taxjustice.net/2016/03/30/panama-the-making-of-a-tax-haven-and-rogue-state/>
4. The Tax Justice Network is a research organisation focusing on the offshore economy – To find out more about the TJN, visit www.taxjustice.net