

# NARRATIVE REPORT ON THE UNITED KINGDOM



## PART 1: NARRATIVE REPORT

The United Kingdom is ranked 12<sup>th</sup> on the 2020 Financial Secrecy Index, based on a relatively low secrecy score of 46 combined with a large scale weighting due to the fact that the UK accounts for 16 per cent of the global market in offshore financial services.

### Introduction and overview

Despite the relatively low secrecy score, the UK's ranking in the top twenty of the financial secrecy index reveals its important role at the core of a global web of closely associated secrecy jurisdictions; for example Cayman (#1), British Virgin Islands (#9), Guernsey (#11) and Jersey (#16) feature in the top twenty. We regard the UK as one of the biggest, if not *the* biggest, single player in the global offshore system of tax havens (or secrecy jurisdictions) today. There are two reasons for the discrepancy between its ranking and its importance.

The first is that the City of London, or "the City", a term used to describe the UK financial services industry centred on London, is on some measures the world's largest offshore financial centre. As this report explains, this is built substantially on 'offshore' characteristics – though these characteristics in the UK's own case aren't particularly predicated on financial secrecy but on other offshore offerings, particularly lax financial regulation.

The second is that the UK is intricately connected to a large network of British secrecy jurisdictions around the world, notably the three Crown Dependencies (Jersey, Guernsey and the Isle of Man) and the 14 Overseas Territories, which include such offshore giants as Cayman, the British Virgin Islands and Bermuda. Though these jurisdictions have a measure of independence on internal political matters, Britain supports and controls them: the Queen appoints many of their top officials, and her head is on their stamps and banknotes. Illustrating the fact that these links are above all financial, Jersey Finance, the official marketing arm of the Jersey offshore financial centre, [states that](#):

"Jersey represents an extension of the City of London."<sup>1</sup>

Overall, the City of London and these offshore satellites constitute by far the most important part of the global offshore world of secrecy jurisdictions. Had we lumped them together, the British network would be at the top of our index, above Switzerland. (In fact, the British network is even bigger than this 'official' network, and includes 54 Commonwealth countries, many of whose final court of appeal is at the Privy Council in London.)

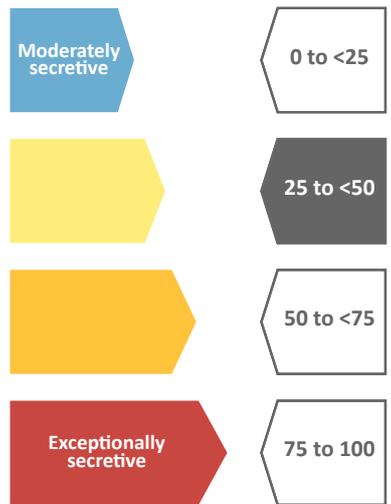
Secrecy scores of the UK and its overseas territories and crown dependencies by key financial secrecy indicator

|                          | 1  | 2   | 3   | 4   | 5   | 6   | 7   | 8   | 9   | 10  | 11  | 12  | 13  | 14  | 15 | 16  | 17 | 18 | 19 | 20 | Score |
|--------------------------|----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|-----|----|----|----|----|-------|
| United Kingdom           | 37 | 50  | 50  | 100 | 100 | 50  | 0   | 50  | 100 | 75  | 25  | 37  | 90  | 50  | 50 | 30  | 19 | 0  | 0  | 10 | 46    |
| Isle of Man              | 37 | 100 | 50  | 50  | 95  | 100 | 100 | 100 | 100 | 100 | 75  | 37  | 80  | 100 | 50 | 70  | 28 | 6  | 0  | 14 | 64    |
| Jersey                   | 43 | 100 | 40  | 50  | 100 | 90  | 100 | 100 | 100 | 100 | 87  | 37  | 100 | 100 | 50 | 70  | 26 | 6  | 0  | 10 | 65    |
| Gibraltar                | 76 | 100 | 50  | 100 | 100 | 100 | 100 | 100 | 50  | 100 | 40  | 75  | 100 | 75  | 50 | 89  | 37 | 5  | 0  | 41 | 69    |
| Guernsey                 | 57 | 100 | 75  | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 75  | 80  | 75  | 50 | 70  | 18 | 6  | 0  | 7  | 70    |
| British Virgin Islands   | 40 | 50  | 75  | 50  | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 75  | 100 | 100 | 75 | 100 | 33 | 28 | 0  | 0  | 71    |
| Bermuda                  | 67 | 50  | 75  | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 75  | 100 | 100 | 50 | 40  | 56 | 30 | 0  | 10 | 72    |
| Montserrat               | 80 | 50  | 100 | 50  | 100 | 100 | 100 | 100 | 50  | 100 | 100 | 100 | 100 | 100 | 50 | 80  | 47 | 30 | 0  | 55 | 74    |
| Cayman Islands           | 27 | 100 | 75  | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 50 | 60  | 44 | 27 | 0  | 38 | 76    |
| Turks and Caicos Islands | 73 | 50  | 65  | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 50 | 80  | 66 | 28 | 0  | 44 | 77    |
| Anguilla                 | 70 | 100 | 100 | 50  | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 75 | 80  | 41 | 32 | 0  | 16 | 78    |

Rank: 12 of 133

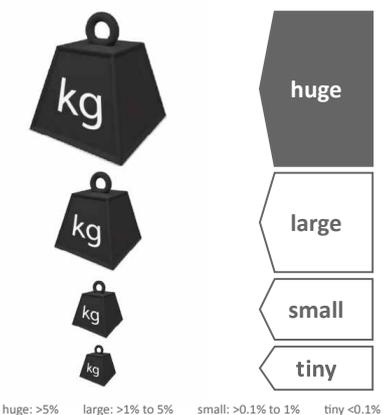
How Secretive?

46



How big?

15.94%



The United Kingdom accounts for 15.94 per cent of the global market for offshore financial services. This makes it a small player compared to other secrecy jurisdictions.

The ranking is based on a combination of its secrecy score and scale weighting.

Full data is available here: <http://www.financialsecrecyindex.com/database>.

To find out more about the Financial Secrecy Index, please visit

<http://www.financialsecrecyindex.com>.

The FSI project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 727145.

© Tax Justice Network 2020

If you have any feedback or comments on this report, contact us at [info@taxjustice.net](mailto:info@taxjustice.net)

# UNITED KINGDOM

The UK's status as both a key financial centre and a key player in a global web of secrecy that extends to other jurisdictions, results in the creation of an interconnected criminogenic environment both at home and abroad. The [Panama Papers](#)<sup>2</sup> and [Paradise Papers](#)<sup>3</sup> have shone an increasingly strong light on the antisocial and crime-fuelling activities of the Overseas Territories, while the dirty money continues to swirl at home. The UK is the [second biggest centre for wealth management](#) after Switzerland,<sup>4</sup> and at the same time its own [National Crime agency acknowledges](#) that hundreds of billions of pounds of international criminal money are laundered through its banks every year.<sup>5</sup>

## History

London's pre-eminence in global finance has very old roots which can be traced back to two principal areas: the [City of London Corporation](#),<sup>6</sup> and the British Empire.

### The City of London Corporation

The City of London Corporation, the world's oldest continuous municipal democracy, is a unique body, at least ten centuries old. It is the municipal authority for the City of London, a roughly 1.2 square mile area of prime London real estate located at the geographical heart of London, with fewer than 10,000 residents. This area is often called the Square Mile. The City Corporation is [officially](#) a lobbyist for the UK financial services sector and for financial deregulation,<sup>7</sup> at home and abroad. It is also, in effect, an Old Boys' network, with over a hundred [livery companies](#)<sup>8</sup> (such as the [Worshipful Company of Tax Advisers](#))<sup>9</sup> contributing to an important but unseen business and political presence in the broader UK economy and political system. A City of London "[Remembrancer](#)"<sup>10</sup> sits in the UK parliament, bringing intelligence from the political sphere to the City, and lobbying in parliament on behalf of finance and the City Corporation.

The Corporation, which predates the British parliament, has various other special privileges and 'freedoms' – meaning it is carved in some ways outside of normal UK civic governance. Another unique point is its non-party voting system, where corporate players are allowed to vote alongside the 10,000-odd residents in local elections. This separateness gives the City Corporation something of an 'offshore' flavour,<sup>11</sup> and its special status has helped it defend itself, and the UK's financial sector more generally, over centuries. These 'freedoms' from political interference also help explain why important parts of the British Establishment and

institutional apparatus such as the Old Bailey (the central criminal court) and Fleet Street (traditionally, the home of newspapers) are located in, and have thrived in, the Square Mile.

These 'freedoms' and prerogative powers have helped protect the UK's democratic institutions from political interference. But they have also been mixed with other 'freedoms' and their uses, where far greater caution is warranted.

The City Corporation has long fought for 'freedom' to trade relatively unhindered from demands and pressures from various sovereigns and governments – and often from tax. Particularly in the second half of the 20<sup>th</sup> Century, it has focused increasingly on defending the 'freedoms' of finance. Britain's disastrous history of 'light-touch' regulation leading up to the global financial crisis (GFC) from 2007/8 has deep historical roots in the City Corporation's lobbying activities and ideological proselytising in defence of 'freedom' for finance. The Lord Mayor of the City of London Corporation – not to be confused with the Mayor of London, who runs the vastly larger London metropolis – is [explicitly tasked](#) with promoting the financial services industry and lobbying for financial liberalisation around the globe.<sup>12</sup> In fact, the City of London Corporation has been a [cheerleader](#) for Britain's offshore 'satellite' havens: successive Lord Mayors have called them "a core asset of the City" and a "fantastic adjunct" to the UK.

### The City of London: "Governor of the Imperial Engine"

The second big historical strand of London's pre-eminence as a global financial centre stems from Britain's imperial, trading and naval history, which dates back at least five centuries: notably to the opening of the Royal Exchange by Queen Elizabeth 1 in 1571, and the subsequent expansion of trade in goods and services (especially banking services) into Asia and elsewhere.<sup>13</sup> As the historians P.J. Cain and A.G. Hopkins famously noted,<sup>14</sup> in the role of financial turntable for private projects around the globe, the City of London became the "governor of the imperial engine," and this guaranteed its pre-eminence as a financial centre. The international aspect also gave London a decisively outward-looking character – a historical legacy that remains a strong feature today and is conducive to an 'offshore' outlook.

The Empire ensured vast amounts of capital and financial activity would inevitably gravitate towards London, without it feeling that it had to 'compete' on such things as light touch financial regulation or

tax minimisation. In an important sense, then, the Empire was a source of economic ‘rents’ for the City: a ‘feeder’ system automatically providing lucrative capital streams to City financiers, with relatively little effort required, and plenty of long, liquid lunches. London’s focus on rent-seeking would set the scene for the emergence of the different, offshore-based (though still rent-seeking) ‘feeder’ system that would emerge after the collapse of the formal Empire.

## The British origins of offshore companies and trusts

Two particular developments in British Common Law during that period are worth noting. First, from the late 19<sup>th</sup> Century British courts began to distinguish (for tax purposes) between a company’s place of *registration* and the place from where it is *controlled*, an issue that was of great interest to firms investing across borders. A landmark 1876 case<sup>15</sup> ruled that a company should be taxed in the country where control is exercised<sup>16</sup>. Later, in 1929, a court ruled that the *Egyptian Delta Land and Investment Co. Ltd.*, which was registered in the UK but which had moved its board of directors to Egypt, would not be taxed in the UK. Some have attributed Britain’s status as a tax haven to this ruling: from then on, foreigners could register companies in the UK yet avoid tax on them.<sup>17</sup> This principle of residence without taxation applied to the British Empire as a whole and was soon rolled out to its various territories, including some of the world’s most important tax havens today. This principle of separating where a company is taxed from where it is incorporated underpins the International Business Corporation (IBC) and other staples of the modern offshore world.

A second major legal development emerging from British common law is trusts, where ownership of an asset can be separated out from control of that same asset. (Read more about trusts [here](#).)<sup>18</sup> Trusts are said to have emerged during the Crusades when crusaders would hand their possessions over to trusted stewards (equivalent to today’s trustees) to handle their assets on behalf of their families (like today’s trust beneficiaries.) This basic concept already clouds the issue of who actually ‘owns’ the assets held in trust. A body of law grew up around this idea, and trusts can be used today to create almost impenetrable secrecy barriers<sup>19</sup>. Trusts have proliferated in Britain and among its dependencies. A secrecy structure will typically see the trust located in one jurisdiction at the top of the ownership ‘tree’; the trustees will live and work elsewhere; it will often typically own one or more offshore companies based in another jurisdiction, which own other

assets (like yachts, apartments or bank accounts) in yet other jurisdictions. Investigating even simple structures like this can be very hard.

When the British Empire collapsed from the mid-1950s, accelerated by Britain’s humiliation over the Suez debacle, two big things happened, as the immensely powerful ‘[overseas lobby](#)’ in the financial sector sought to protect its domestic wealth and influence.<sup>20</sup> These were, first of all, the emergence of the offshore “Euromarkets” in London, a new deregulated market that grew explosively and forced through global financial deregulation; and second, the roughly simultaneous development of a post-imperial network of British ‘satellite’ tax havens around the globe.

## The Euromarkets

One major development was the appearance – at first only in minor ways – of an effectively unregulated financial space hosted for non-residents in the City of London (with the Bank of England’s blessing): a space that became known first as the Eurodollar markets, then, with the advent of Eurobonds in 1963, as the Euromarkets. These were explicitly aimed at attracting non-resident businesses (primarily banks) seeking to escape financial regulations at home – and thus very much an ‘offshore’ phenomenon, as the box explains.

### Box 1: What is a tax haven, secrecy jurisdiction or offshore financial centre?

These are ‘elsewhere’ places where people relocate capital or the handling of capital, in order to escape ‘burdensome’ laws or regulations at home. See [this explainer](#) for more.

This was a completely new business model for London: with no imperial network to sustain its position any longer it set out on a path of seeking ‘competitive’ advantage essentially in “light-touch” (or lax) financial regulation: offering offshore escape routes and bolt-holes in London for financial interests elsewhere. This was particularly attractive to Wall Street banks that were constrained by the Glass-Steagall Act and various other financial regulatory protections at home; they flocked to London to escape them. Later, many of the excesses that caused the GFC were found to have been incubated in the City.

The rise of the Euromarkets was driven partly by the rather libertarian instincts of the Bank of England, whose Governor, Lord Cromer, said in 1963 ([p90](#))

that “exchange control is an infringement of the rights of the citizen [...] I therefore regard it ethically as wrong.” That same year, further highlighting the attitude, James Keogh, a top Bank of England official, said:

“It doesn’t matter to me whether Citibank is evading American regulations in London. I wouldn’t particularly want to know.”

This was a classic offshore attitude: along the lines of ‘we like the money, and we don’t care about the impacts of our laws and regulations on anyone else’. A Bank of England memo, also in 1963, [added](#):

“However much we dislike hot money [...] we cannot be international bankers and refuse to accept money.”<sup>21</sup>

Perhaps more than anything else, the Euromarkets served as the main battering ram that broke open the Bretton Woods co-operative international financial architecture which had restrained cross-border financial speculation and imposed currency (or exchange) controls in many countries. The Euromarkets also served to undermine the New Deal in the United States, and similar social democratic arrangements in many other countries.

The Euromarkets – essentially a stateless, sparsely regulated financial market – grew spectacularly and spread quickly to other financial centres, rapidly becoming the cornerstone for the growth of London as a financial centre. In economic terms, this was a classic rent-seeking sector.

### The British offshore ‘spider’s web’

The other development which began to emerge after the British Empire collapsed, mostly concerned a few parts of the British Empire whose citizens chose not to leave Britain’s orbit when other parts of the Empire chose independence. These include 14 British Overseas Territories (OTs) which today contain seven recognised tax havens: Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat and the Turks & Caicos. Separately, and under different constitutional arrangements, Britain also retained control over the three Crown Dependencies (CDs) of Jersey, Guernsey and the Isle of Man. Many of the OTs and CDs had long histories as pirate bolt-holes, and already hosted limited offshore finance industries during the later years of empire.

Beyond the OTs and CDs lie a number of other jurisdictions that are more loosely connected to

the UK, notably the [Commonwealth](#) jurisdictions;<sup>22</sup> many of whose final court of appeal is the Judicial Committee of the Privy Council in London<sup>23</sup>. (Read about that [here](#).)<sup>24</sup> Meanwhile, other fully independent jurisdictions such as [Hong Kong](#)<sup>25</sup> enjoy deep and enduring financial links with the City of London, based on decades or centuries of shared history. But the OTs and CDs are the core of the [British network](#) of tax havens which lie at the heart of the global offshore system today – and secrecy has for them long been a core selling point.<sup>26</sup>

The vague nature of political relations between Britain and its OTs and CDs is extremely convenient for the City of London and for the tax havens: each claimed their dependence on Britain or independence from it, as it suits them, and Britain often claims ‘there is nothing we can do’ when scandal hits – though this is untrue. The bare truth is that Britain controls these places: all their secrecy-related (and other) legislation has to be approved in London, and Britain can step in and impose direct rule when it wants to, as it did in the Turks & Caicos in 2009. As a top BVI legal expert told us in a telephone interview, London has “complete power of disallowance” of legislation. What has generally held Britain back from intervening is political will.

Yet beneath this headline there are, of course, many subtleties.

They all have the British monarch as head of state: Britain generally appoints their governor or equivalent (though they typically have their own elected governments too) and the UK oversees various responsibilities such as foreign relations, defence and what is termed ‘good governance’ (which, again, the UK could easily interpret as a tool for striking down secrecy legislation, but chooses not to.)<sup>27</sup> Each has a fair degree of internal self-government and independent and often raucous (and [corrupt](#)) local politics.<sup>28</sup> All of the CDs and 13 of the 14 OTs (except Gibraltar) are outside the European Union, but in sometimes complex relationships with it: often rather informal.<sup>29</sup> In the words of TJN’s chair and founder John Christensen, a long-serving former Economic Adviser to the government of Jersey who in his professional work constantly navigated the complexities of the relationship with the mother country:

“the informal links between Saint Helier and Whitehall are as important as the formal links: never underestimate the power of a raised eyebrow at the Treasury or Bank of England.”

The precise nature of the relationship with the UK differs from jurisdiction to jurisdiction too. The CDs' relationship is managed through the UK Ministry of Justice, while the OTs are managed through the Foreign Office, and the laws by which the UK exercises control include Acts of Parliament, Orders in Council issued by the Privy Council, letters of entrustment, delegated authorities and consultation requirements, which are unique to each.

## Overseas Territories

Of the 14 overseas territories, seven are recognised secrecy jurisdictions: Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat and the Turks & Caicos. Their governors, appointed by the Queen, report directly to the UK's Foreign Secretary and have responsibility for defence, external affairs, internal security (including the police), public service (including the appointment, discipline and removal of public officers) and the administration of justice. The Governor can disallow legislation. A June 2012 [white paper](#) from the UK Foreign Office on the Overseas Territories states:

"The UK, the Overseas Territories and the Crown Dependencies form one undivided Realm, which is distinct from the other States of which Her Majesty The Queen is monarch. Each Territory has its own Constitution and its own Government and has its own local laws. As a matter of constitutional law the UK Parliament has unlimited power to legislate for the Territories." (p14)<sup>30</sup>

Except on occasion, such as its decision in 2009 to intervene in and impose direct rule on the Turks & Caicos Islands, the UK has chosen to not exercise its powers<sup>31</sup>.

## Crown Dependencies

The Crown Dependencies – the Channel Islands of Jersey and Guernsey, and the Isle of Man in the Irish Sea, were never colonies of the UK, but internally self-governing dependencies of the Crown with their own directly elected legislative assemblies, administrative, fiscal and legal systems and their own courts of law.<sup>32</sup> The Queen as head of state appoints the lieutenant-governor and can appoint other senior officials in Guernsey and Jersey, including the Bailiffs, Deputy Bailiffs and attorney-generals.

In 1973 a Royal Commission on the Constitution, the so-called [Killbrandon Report](#), still considered

definitive on Britain's relationship with the CDs, stated:

"There is room for difference of opinion on the circumstances in which it would be proper to exercise that power."<sup>33</sup>

A [parliamentary answer](#) in May 2000 stated:

"The Crown is ultimately responsible for the good government of the Crown Dependencies. This means that, in the circumstances of a grave breakdown or failure in the administration of justice or civil order, the residual prerogative power of the Crown could be used to intervene in the internal affairs of the Channel Islands and the Isle of Man."<sup>34</sup>

Once again, interference is a political decision by the UK: partly in light of the economic interests at stake, it has chosen not to.

## The Euromarkets and the offshore satellites grow rapidly – together

The City of London and its 'overseas lobby' soon discovered that this network of secrecy jurisdictions around the globe had begun to act as a 'feeder' network: a conduit for increasing volumes of capital – and the lucrative business of handling that capital – to London. In his book [Treasure Islands](#), Nicholas Shaxson compares the British offshore system to a 'spider's web', whose sinister-sounding name does nevertheless illustrate the core relationships.<sup>35</sup>

It was a two-way, back-and-forth flow: the explosive growth of the London-centred Euromarkets from the 1960s onwards also rapidly boosted financial activity in the satellite centres. Caribbean havens, handling mostly North and South American business (licit and illicit, including large volumes of drugs money) were bringing a rising tide of fees to London institutions, which increasingly set up booking offices in these outposts (while still typically still doing much of the heavy lifting in banking, accounting and legal work in London.) The Crown Dependencies of Jersey, Guernsey and the Isle of Man focused more on financial activity in Europe, Middle East and North Africa and elsewhere, for obvious geographical reasons. In Asia, Hong Kong retained a legacy of British businesses which channelled vast amounts of capital to the City of London – even after the handover in 1997. Over time, newer havens continue to emerge, such as Mauritius which focuses on African and Asian business, as well as periodic but not always successful efforts by City interests to set

up havens in more surprising places including (more recently) Botswana, Gambia, Ghana and Kenya.

From the network's early years the Bank of England took an 'offshore' attitude to the British territories that was similar to its approach towards financial regulation in London; along the lines of 'we like the money, and we don't care whether or not it hurts others.' A secret Bank memo in 1969 noted:

"We need to be quite sure that the possible proliferation of trust companies, banks, etc., which in most cases would be no more than brass plates manipulating assets outside the Islands, does not get out of hand. There is of course no objection to their providing bolt holes for non-residents."

This attitude led to confrontations with other powers, notably the United States. For example, when Anthony Field, managing director of Castle Bank & Trust (Cayman) Ltd, was arrested at Miami airport in 1976 on suspicion that his bank was facilitating tax evasion by U.S. citizens, he refused to testify before a Grand Jury. The Cayman Islands rapidly put in place an infamous piece of legislation to stiffen Field's spine: the Confidential Relationships (Preservation) law, which to this day can send people to prison not only for divulging confidential information, but merely for asking for it. In the words of Nicholas Shaxson's *Treasure Islands*:

"It was a giant, fist-pumping Fuck You aimed squarely at American law enforcement – and became a cornerstone of Cayman's success." (p121)<sup>36</sup>

And remember, Cayman's Confidential Relations (Preservation) Law could not have been enacted without the prior approval of the Privy Council in London, so this was not done without the British government's knowledge.

Meanwhile the UK authorities, finding these huge capital inflows useful as a means of offsetting rising trade and current account deficits, kept their control over the satellites veiled, as Kenneth Crook, a governor of the Cayman Islands, wrote in a memo to London:

They [Caymanian politicians] realise that if the Governor is seen to have effective power then the others appear to be essentially cyphers. The elected politicians among them find this bad for their image. What they want is to make the Constitution

look as if it obliges the Governor to do what they want, even though they know it doesn't. I think we are in the world of semantics here. The more Caymanians we can put in positions of power, the better; they will act as lightning conductors for political dissent."

## Captured states

Essentially, London soon found that a policy of letting their offshore satellites write the laws they wanted was bringing in the money, as a by-product of their laissez-faire attitude of simply not interfering in any way.

In fact, it wasn't local government officials, but offshore financial players, who were writing the laws. These micro-states were 'captured' by offshore finance, with their legislatures unable to oppose complex secrecy-related laws even if they had wanted to. A British government team in the Cayman Islands in 1969 decried a "frightening lack of expertise" among the civil service as they faced expert professionals:

"[...] usually backed by glossy lay-outs and declaimed by a team of business-men supported by consultants of all sorts. On the other side of the table – the Administrator and his civil servants. No business expertise, no consultants, no economists, no statisticians, no specialists in any of the fields. Gentlemen vs. Players –with the Gentlemen unskilled in the game and unversed in its rules. It is hardly surprising that the professionals are winning, hands down." (p107)<sup>37</sup>

These places effectively became private law-making machines with little interference from London: complex and technical pieces of legislation would be rubber-stamped by members of legislatures whose expertise rarely extended beyond fishing or tourism.

Small islands are, of course, ideal places for this 'capture' to occur. In the goldfish-bowl of small-island communities, it is easy to build an island 'consensus' and dissent becomes extremely hard – as former BBC journalist Patrick Muirhead discovered after he went to work in Jersey (P233):

"In such an atmosphere of closeness, any meaningful challenge becomes impossible. 'You rub people up the wrong way,' she said, primly dismissing my methods. After I left, my integrity, professional ability

and popularity were trashed by a hostile and defensive Jersey media and island population.”<sup>38</sup>

Our histories of the offshore financial centres of the [Cayman Islands](#)<sup>39</sup> and of the [British Virgin Islands](#)<sup>40</sup> provide a more on-the-ground view of how this capture emerged in two London has also resulted in a strong degree of political capture of the British establishment in the UK, along with large sections of the media and public opinion. In the words of geographer Doreen Massey:

“‘Finance’, in the current era, is not just a sector of the economy; it is at the core of a new social settlement in which the fabric of our society and economy has been reworked.”

### **Made in Britain: from Euromarkets to “Big Bang” to a global financial crisis**

As the almost entirely unregulated Euromarkets grew in size and expanded beyond their origin and epicentre in London, a new era of offshore began. Staid, slow Swiss banking had given way to a more hyperactive, faster-growing, high-technology Anglo-Saxon variant which saw huge volumes of capital sluice around the global financial system through untaxed, unregulated and often British offshore ‘conduits,’ posing new risks and challenges to governments and the populations they served.

One example to illustrate some of the important processes underway is provided by the Bank of Credit and Commerce International (BCCI), arguably the most corrupt bank in world history (though it has had some [stiff competition](#) recently).<sup>41</sup> BCCI dealt in drugs money; the proceeds of nuclear trafficking and slavery; and more. Jack Blum, one of the U.S. criminal investigators who finally brought BCCI down in the early 1990s, describes what he discovered as he probed the offshore system:

“I began to see that drugs were only a fraction of the thing. Then there was the criminal money. Then the tax evasion money. And then I realised – oh my God, it’s all about ‘off the books, off the balance sheet’. Offshore, there are no rules about how the books are kept. ([p150-154](#))”<sup>42</sup>

Though Blum was not only talking about the British system, it was in this high-octane environment where these tricks went mainstream. BCCI had its headquarters in London, just around the corner from the Bank of England; but its two main holding

companies were in Luxembourg and the British Cayman Islands: bank officials referred to the office in Cayman as “the dustbin” where the most unsavoury trades could be parked. When the scandal finally broke into the public domain in the 1990s the Bank of England governor, Robin Leigh-Pemberton, espoused London’s dismissive and quintessentially ‘offshore’ attitude to crime when asked to defend the Bank’s record over the BCCI scandal:

“The present system of supervision has served the community well [...] if we closed down a bank every time we found an instance of fraud, we would have rather fewer banks than we do at the moment.”

Far too much offshore activity, and far too many scandals, have ensued since then, both in the British network and beyond, to cover except in the sketchiest way. In summary, the ‘Eurodollar’ markets marked the first big deregulatory impulse, which spread around the world. The “[Big Bang](#)” of 1986,<sup>43</sup> instigated as part of a ‘competitive’ race with New York, kicked off a bout of further financial deregulation, which again had similar ‘offshore’ characteristics that ricocheted across to other jurisdictions. The victory of Tony Blair’s “New” Labour party in the general election in 1997 marked a further step change from his Conservative predecessors, when [he endorsed](#)<sup>44</sup> a ‘[competitiveness agenda](#)’<sup>45</sup> in the financial sector and elsewhere, based on the ‘offshore’ idea that unless tax breaks, subsidies and other goodies were showered on Capital and its owners, they would relocate elsewhere. The aim, then, was to undercut other jurisdictions by offering ever more ‘light touch’ financial regulation, in order to attract the world’s hot money. This put pressure on other jurisdictions to follow suit, and London’s role in the global race is highlighted by a major [lobbying document](#) published by former New York Mayor Michael Bloomberg (currently running for selection as a Presidential candidate on behalf of the Democrats) and Senator Charles Schumer in 2007 urging massive financial liberalisation on Wall Street.<sup>46</sup> The document mentions London in envious tones an astonishing 135 times.

The results of London seeking to lead the world in this offshore-styled ‘competitive’ deregulation were nothing short of spectacular, as the next section explains.

### **The Global Financial Crisis**

The GFC that emerged in 2007-8 and led to the collapse and bailout of some of the world’s largest financial institutions was largely a product of the

United Kingdom's lax financial regulation.

Nearly all of the big, headlining Wall Street bank collapses had their London operations at or near the heart of their problems. This was ultimately the result of the City of London's financial model, which had evolved from an Imperial financial sector protected by an "Overseas Lobby" to a supposedly 'competitive' financial centre built on 'light-touch' financial regulation. This evolution had enabled players on Wall Street and elsewhere to come to London to escape the regulatory safeguards at home, taking large profitable risks, ultimately at taxpayers' expense. The Financial Times in 2012 [reported](#):

"US lawmakers and regulators have attacked London as a source of financial crises [...] Carolyn Maloney, a Democratic representative from New York, said there was a "disturbing pattern in the last few years of London literally becoming the centre of financial trading disasters."<sup>47</sup>

The London-centred episodes include these:

- The collapse of AIG, the biggest financial bailout in history. AIG, the once-mighty insurer with 116,000 employees worldwide, a 377-person unit called [AIG Financial Products](#) on Curzon Street, Mayfair.<sup>48</sup> When AIG in 2008 became the biggest financial bailout in world history, US taxpayers and others picked up the tab - while London regulators said it fell outside their jurisdiction, and London kept its winnings: a classic offshore 'victory' of London over U.S. and other taxpayers.<sup>49</sup>
- A London-based trader nicknamed the London Whale caused \$6 billion odd of losses to JP Morgan Chase.<sup>50</sup> "Often it comes right back here, crashing to our shores," Gary Gensler, Chairman of the Commodity Futures Trading Commission, said in testimony in June 2012. "If the American taxpayer bails out JPMorgan, they'd be bailing out that London entity as well."
- London has also been the epicentre of a risky practice called rehypothecation. This happens when a loan is borrowed against collateral, then the holder of that collateral re-pledges it to someone else, to back fresh borrowing – and so on. US rules restrict this practice tightly but in London they have been able to do it without limit - so a single sliver of collateral can get pledged and repledged around the block,

perched on a risky daisy chain of loans. This practice was heavily implicated in the collapse of Lehman Brothers and in the more recent collapse of the brokerage firm MF Global.<sup>51</sup> An IMF paper in 2010 estimated that just before the crisis hit US banks were getting over \$4 trillion in funding via rehypothecation and said the shadow banking system – the parts that fall outside bank regulation, heavily implicated in the crisis – was 50 per cent bigger than people had previously thought, because they had ignored rehypothecation.

- Citigroup set up many Structured Investment Vehicles (SIVs) in London (and incorporated them in the Cayman Islands) to shift assets off its balance sheet and lower its regulatory capital requirements. According to Gary Gensler it was once again US taxpayers who bore the brunt when Citigroup's London-based SIVs failed.<sup>52</sup>

While there has inevitably been a little 'spring cleaning' in London in response to the GFC and the ensuing public outrage, the old 'offshore' model remains at the heart of the City of London's business model. For example, as an [April 2015 Reuters investigation](#) into how hundreds of billions of dollars' worth of financial derivatives trades had apparently disappeared off banks' books noted:

"The trades hadn't really disappeared. Instead, the major banks had tweaked a few key words in swaps contracts and shifted some other trades to affiliates in London, where regulations are far more lenient. Those affiliates remain largely outside the jurisdiction of U.S. regulators, thanks to a loophole in swaps rules that banks successfully won from the Commodity Futures Trading Commission in 2013 [...] The products affected by that loophole include some of the most widely traded financial derivatives in the world."<sup>53</sup>

It is hard to judge the extent of this particular brand of activity, but the Tax Justice Network continues to note and document a wide range of ongoing 'offshore' financial regulatory activities in London.<sup>54</sup>

### **The UK as a secrecy jurisdiction and corporate tax haven today**

This report has focused on two of the most important aspects of the UK's role in the offshore system: first, its 'race-to-the-bottom' approach to financial deregulation, which has ricocheted

into and undermined financial regulation all around the world; and second, its network of part-British offshore satellite havens which are major contributors to financial secrecy, tax cheating, and other ‘tax haven’ ailments.

But there are a couple of other aspects that make give the UK an ‘offshore’ tax haven character.

The first is the ‘domicile rule’ for wealthy individuals. The UK has an unusual concept of ‘domicile’ set up during the years of Empire to allow expatriate Brits resident in the colonies to claim they were still ‘domiciled’ in the UK (and that foreigners resident elsewhere remained ‘domiciled’ elsewhere, so they could never become fully British.) This definition was later applied in the tax field, and now permits people who are resident in the UK but claim to be ‘domiciled’ overseas to enjoy preferential tax status. These UK resident ‘non-doms,’ which include wealthy Greek ship-owners, American bankers and Russian oligarchs, plus a variety of wealthy Brits who have inherited fortunes amassed in Britain yet nonetheless have been granted non-dom status,<sup>55</sup> are only taxed on their income which is sourced from inside the UK: income which arises abroad goes untaxed. (Non-doms, of course, simply shift their sources of income overseas to avoid tax, or find ruses to get their money to the UK untaxed.) Ordinary UK residents who are also domiciled in the UK are, by contrast, taxed on their worldwide income.

Reacting to public pressure, the UK govt has taken some measures to curtail the use and abuse of the non-dom ruling, for example UK-born people who leave the country to live elsewhere but subsequently return to live in the UK, are now treated as UK domiciled when they return, but the measure remains discriminatory and must still be regarded as a tax haven product.<sup>56</sup>

The second strand is a rather mucky and unregulated set of corporate structures and arrangements hosted by the UK which have facilitated global crimes worldwide. These include Britain’s Limited Liability Partnerships (LLPs), a structure set up in 2000 after heavy lobbying from accounting firms which wanted to limit their liability for carrying out bad audits without becoming limited companies and thus incurring extra taxes.<sup>57</sup> A detailed investigation by Richard Brooks and Andrew Bousfield for Private Eye summarised in a special report on LLPs:

“The world’s most corrupt, least transparent companies are not located in fragile states or faraway tax havens. They

are to be found here, in offices across the UK from Clapham to Cardiff, facilitating the most serious international crimes [...] it is easier to set up what is now the international criminal’s corruption vehicle of choice than it is to open a bank account or rent a DVD. Fill in a form with some basic details of two or more “members” in the LLP and send it off with a cheque for £40 to Companies House: no checks; no ID; you’re in (dodgy) business right away.”<sup>58</sup>

Another, but by no means the only example, concerns Scottish Limited Partnerships (LPs) which have also been used to launder huge quantities of criminal cash with almost no oversight from the UK authorities. For instance, in June 2015 an investigation by Ian Fraser and Richard Smith for the BBC [revealed](#) that:

“Owing to a quirk of company law and Britain’s *laissez-faire* approach to regulation, Scottish limited partnerships, which date back to the Limited Partnerships Act of 1907, are still not required to disclose their annual accounts or even the names of the people who control them. Ownership and control can be masked and layered through the use of faceless “general partners” and “limited partners”, and these are often based in secrecy jurisdictions including Marshall Islands, Belize and the Seychelles.”<sup>59</sup>

The investigation [revealed](#) that a company with the rights to over US\$1 billion that disappeared in 2014 from three Moldovan banks – the equivalent of one eighth of Moldova’s GDP – had disappeared, courtesy of a Scottish LP arrangement based in a former council flat. The collapse led to some of the biggest public anti-corruption demonstrations in Moldovan history.<sup>60</sup> Following civil society campaigning, Scottish Limited Partnerships were [stripped of their rights to anonymity](#) in June 2017 and now have to submit beneficial ownership information to Companies House.<sup>61</sup>

In September 2017, the [‘Azerbaijani Laundromat’](#) leak of banking records showed how opaque secret companies had been used by Azerbaijan’s ruling elite to make covert payments, buy luxury goods and launder money to the tune of £2.2 billion.<sup>62</sup>

**The beginning of the end for secret beneficial ownership?**

Amid this broad and largely negative history, some

positive changes have emerged more recently, at least in the area of financial secrecy. Former Prime Minister David Cameron – even as his Conservative-led administration aggressively pushed to turn the UK into more of a tax haven on corporate tax – also sought to curb secrecy in the UK’s satellites.

In 2013 the UK used its presidency of the G8 to [call for](#) reforms in several areas.<sup>63</sup> The [Lough Erne Declaration](#) called for automatic information exchange, country-by-country reporting, and for the beneficial owners of companies and trusts to be made available.<sup>64</sup> The UK has made progress on all of these itself:

- It committed to making beneficial ownership of companies publicly available<sup>65</sup> itself and in 2017 created a register of trusts,<sup>66</sup> albeit not one that is publicly accessible. (See KFSI 6)67. In practice, however, the quality of data about corporate ownership collected and published by UK Companies House is regarded by most users as so inaccurate and out of date as to be worthless.<sup>68</sup>
- In 2017 the government also started talking about a beneficial ownership register for foreign companies that buy UK property.<sup>69</sup>
- It joined the OECD’s Common Reporting Standard for automatic tax information exchange,<sup>70</sup> and as of August 2017 had arrangements to exchange information with 63 countries; it has taken part in pilot projects to help developing countries exchange tax information.<sup>71</sup> (See KFSI 18)72
- It joined the OECD’s BEPS Inclusive Framework that works towards limited country by country reporting to tackle corporate profit shifting.<sup>73</sup> The OECD’s standard has serious limitations (see KFSI 9)74 and the UK’s approach goes further than this, which is recognised in its score on this indicator.<sup>75</sup> (This is still less effective, of course, than if the standard was for public reporting of country by country data).
- After considerable resistance from its Overseas Territories the UK legislated for them to create publicly accessible registries of company ownership and have them in place by 2023<sup>76</sup>. In the subsequent furor over treatment which discriminated in favour of the Crown Dependencies, the UK government moved to put pressure on the latter to also make their ownership registries publicly available, which the CDs have committed to doing by 2023<sup>77</sup>.

Publication of the [Panama Papers](#)<sup>78</sup> in 2016 generated public outrage across the world. The papers showed the pivotal role of British Virgin Islands companies, and also that 2,000 of the intermediaries – lawyers, accountants and company service providers – who set up shell companies for Mossack Fonseca to facilitate tax evasion or avoidance [were in the UK](#).<sup>79</sup> The EU’s Vice Chairman of the [Panama Papers Committee](#),<sup>80</sup> Fabio De Masi, responded to that scandal by highlighting that the UK has hindered European Union plans against tax evasion because it remains [‘at the heart of the world’s largest web of tax havens and intricately connected with the world of offshore finance’](#).<sup>81</sup> He condemned the fact that, ‘the who is who of global tax havens is thriving under the eyes of Her Majesty.’ (This turns out not to have been just rhetoric: the Paradise Papers revealed in November 2017 that the [Queen herself had invested in a Caymans fund](#) as part of an offshore portfolio that had never been disclosed.)<sup>82</sup>

In all of this saga, the CDs and OTs were helped tremendously by the erroneous perception, often repeated in the media, that the UK has no powers to force them to change.

The next few years are uncertain as departure from the European Union opens up the possibility that the Brexit negotiations in 2020 will lead to the UK diverging from the regulatory standards of the EU rule book on trade in financial services and shifting towards a Singapore-on-Thames development strategy<sup>83</sup>. Importantly, however, the UK’s departure from the EU means that it will no longer be in a position to block anti-tax haven measures from being adopted in Brussels, and will not be in a position to defend its OTs and CDs in the way it has successfully done over the past five decades.

## Further reading: Britain in the global offshore secrecy system

- [Treasure Islands: Tax Havens and the Men Who Stole the World](#), Nicholas Shaxson, 2011.<sup>84</sup>
- [Britain's Second Empire](#), Professor Ronen Palan, New Left Project, August 2012.<sup>85</sup>
- [A Tale of Two Londons](#), Vanity Fair, April 2013.<sup>86</sup>
- [Well, how did we get here?](#) Robin Ramsay, Lobster magazine. A look at Britain's post-1945 financial sector policies.<sup>87</sup>
- [The Great Tax Robbery: how Britain became a tax haven for fat cats and big business](#), Richard Brooks, 2013. By a former UK corporate tax inspector, and the UK's leading investigative journalist in this field.
- [Invested Interests: The UK's Overseas Territories' hidden role in developing countries](#). Christian Aid and the IF campaign, 2013.<sup>88</sup>
- Chapters 4 ("The Origins of Tax Havens") and 5 ("The British Empire Strikes Back") in *Tax Havens: How Globalization Really Works*, Ronen Palan, Richard Murphy, Christian Chavagneux, 2010.<sup>89</sup>
- [The Finance Curse](#), publication by John Christensen and Nick Shaxson, 2017;<sup>90</sup> and [this blog](#) on how the grip of the finance curse is increasing, May 2017.<sup>91</sup>

## Endnotes

- 1 <https://www.jerseyfinance.je/media/PDF-Brochures/Jersey%20for%20Banking.pdf>; 26.01.2018.
- 2 <https://panamapapers.icij.org/>; 26.01.2018.
- 3 <https://www.theguardian.com/news/series/paradise-papers>; 26.01.2018.
- 4 <https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/financial-services/ch-en-financial-services-the-deloitte-wealth-management-centre-ranking-2015.pdf>; 26.01.2018.
- 5 <http://www.nationalcrimeagency.gov.uk/crime-threats/money-laundering>; 26.01.2018.
- 6 <https://www.ft.com/content/9626ea50-da32-11e0-90b2-00144feabdc0>; 26.01.2018.
- 7 <https://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Documents/Lord-Mayor-Job-Description.pdf>; 26.01.2018.
- 8 [http://liverydatabase.liverycompanies.info/static/livery\\_companies.html?sortorder=Precedence](http://liverydatabase.liverycompanies.info/static/livery_companies.html?sortorder=Precedence); 26.01.2018.
- 9 <http://www.taxadvisers.org.uk/>; 26.01.2018.
- 10 <https://www.cityoflondon.gov.uk/business/Pages/remembrancers.aspx>; 26.01.2018.
- 11 Several UK politicians and academics over the years have made this explicit comparison - See here, for instance.
- 12 <https://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Documents/Lord-Mayor-Job-Description.pdf>; 26.01.2018.
- 13 See *The City: A Guide to London's Global Financial Services*, Richard Roberts, The Economist, Second Edition, chapter "from the Royal Exchange to Canary Wharf."
- 14 British Imperialism, quoted in Shaxson 2011, p261, UK edition: <http://treasureislands.org/>; 04.02.2020.
- 15 Calcutta Jute Mills and Cesena Sulphur mines; see Picciotto, Sol 1992: *International Business Taxation*, Weidenfeld and Nicolson.
- 16 This was obviously helpful to the UK: a number of overseas-registered companies were

effectively controlled in London; this meant that the UK government got to tax them.

17 According to Picciotto, cited in Palan, Chavagneux, Murphy p113, “The decision in Egyptian Delta Land created a loophole which in a sense made Britain a tax haven”

18 <https://www.taxjustice.net/wp-content/uploads/2017/02/Trusts-Weapons-of-Mass-Injustice-Final-12-FEB-2017.pdf>; 26.01.2018.

19 Trusts are almost never registered or on public record; there is usually no requirement to disclose financial statements; in many offshore jurisdictions there are no requirements for trustees or other trust agents to collect tax or even inform authorities of disbursements, and so on. Even if you can find out about the trust, you will rarely be able to get further than identifying the trustee. Secrecy jurisdictions embraced the trust concept with open arms, generating innovative and hybrid forms at least as secretive as plain vanilla Swiss banking secrecy: one former practitioner has described them as ‘the ultimate weapon’ in financial secrecy.

20 <https://www.lobster-magazine.co.uk/free/lobster60/lob60-062.pdf>; 26.01.2018.

21 [https://books.google.de/books?id=zUYo\\_gpyzGUC&pg=PA1996-IA8&lp-g=PA1996-IA8&dq=However+much+we+dislike+hot+money+.+.+.+we+cannot+be+international+bankers+and+refuse+to+accept+money.&source=bl&ots=AJrvN5U1wi&sig=ySHiMgql0MCPT-N5bXu8LNdn6njE&hl=en&sa=X&ved=0CCQQ6A-EwAWoVChMIpdasp57HyAIV55dyCh2wdwk-W#v=onepage&q=However%20much%20we%20dislike%20hot%20money%20.%20.%20.%20we%20cannot%20be%20international%20bankers%20and%20refuse%20to%20accept%20money.&f=false](https://books.google.de/books?id=zUYo_gpyzGUC&pg=PA1996-IA8&lp-g=PA1996-IA8&dq=However+much+we+dislike+hot+money+.+.+.+we+cannot+be+international+bankers+and+refuse+to+accept+money.&source=bl&ots=AJrvN5U1wi&sig=ySHiMgql0MCPT-N5bXu8LNdn6njE&hl=en&sa=X&ved=0CCQQ6A-EwAWoVChMIpdasp57HyAIV55dyCh2wdwk-W#v=onepage&q=However%20much%20we%20dislike%20hot%20money%20.%20.%20.%20we%20cannot%20be%20international%20bankers%20and%20refuse%20to%20accept%20money.&f=false); 26.01.2018.

22 <https://www.royal.uk/search?tags%5B0%5D=territories>; 26.01.2018.

23 These groupings include the 16 British Commonwealth Realms, where the Queen is the reigning constitutional monarch but is generally not involved in the day to day business of running government, and include recognised secrecy jurisdictions such as Antigua and Barbuda; Bahamas; Barbados; Belize; Grenada; St Kitts & Nevis; St. Lucia; and St. Vincent and Grenadines.

24 [http://www.taxjustice.net/cms/upload/pdf/Privy\\_Council\\_and\\_Secrecy\\_Scores.pdf](http://www.taxjustice.net/cms/upload/pdf/Privy_Council_and_Secrecy_Scores.pdf); 26.01.2018.

25 <https://www.financialsecrecyindex.com/PDF/HongKong.pdf>; 26.01.2018.

26 <https://taxjustice.blogspot.nl/2009/10/monkey-business-british-connection.html>; 26.01.2018.

27 The phrase ‘good governance’ is obviously a broad one and could (and should) be taken to include secrecy legislation and its effect on other jurisdictions, in practice the United Kingdom has chosen to interpret this phrase narrowly and generally to focus only on the domestic impacts (which, in the case of a secrecy jurisdiction, are decidedly not the point at all since the impacts of tax havens spill over into other countries.) As Christian Aid and the IF campaign note in a useful 2013 report on the OTs: “Should the UK not extend its responsibility for good governance towards the impact that the BOT and CD have beyond their borders?” Also, Britain’s responsibility for international relations could be considered from a rather similar perspective.)

28 <http://www.taxjustice.net/2014/01/17/big-newsweek-expose-human-rights-abuses-tax-haven-jersey/>; 26.01.2018.

29 The CDs are part of the EU’s customs territory, but other EU legislation does not apply; Gibraltar is an EU member, but under a complex special relationship. It is sometimes argued that the UK has greater powers to intervene in the OTs than in the CDs (where the role of lieutenant governor, appointed by the Queen, has in practice become more formal than substantive) but the Queen’s Privy Council retains the power to veto legislative measures proposed by the CDs’ domestic political assemblies.

30 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32952/ot-wp-0612.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32952/ot-wp-0612.pdf); 26.01.2018.

31 Various other historical examples exist, however: such as the Orders in Council used in 1991 to outlaw the death penalty, and in 2000 to decriminalise homosexual acts between consenting adults in private.

32 It is quite hard to define the CDs precisely. The UK Justice Secretary, asked to explain their constitutional position, replied: “It is quite complicated to explain that. It is quite complicated to explain it here to the cognoscenti, it is still more complicated to explain it to perhaps abroad or to international organisations.” A parliamentary answer in May 2000 stated: “The Crown is ultimately responsible for the good government of the Crown Dependen-

cies. This means that, in the circumstances of a grave breakdown or failure in the administration of justice or civil order, the residual prerogative power of the Crown could be used to intervene in the internal affairs of the Channel Islands and the Isle of Man.”

33 <http://discovery.nationalarchives.gov.uk/details/r/C9085>; 26.01.2018.

34 Those circumstances, it continued, included “a fundamental breakdown in public order or of the rule of law, endemic corruption in the government or the judiciary or other extreme circumstance.” In other words, the power is there, but dependent on political will. (Anyone familiar with Jersey’s political governance would know that it is deeply corrupt, as numerous reports by TJN and others have highlighted.) In 2008 UK Justice Secretary Jack Straw said: “Parliament has the power to legislate for the islands, but it would exercise that power without their agreement only in the most exceptional circumstances.”

35 <http://treasureislands.org/>; 26.01.2018.

36 [https://books.google.de/books/about/Treasure\\_Islands.html?id=4F9wx0gWXYcC&source=kp\\_cover&redir\\_esc=y](https://books.google.de/books/about/Treasure_Islands.html?id=4F9wx0gWXYcC&source=kp_cover&redir_esc=y); 26.01.2018.

37 [https://books.google.de/books?id=C1N-hQyTqnbUC&pg=PA91&lpg=PA91&dq=we+cannot+be+bankers+and+refuse+to+accept+hot+money&source=bl&ots=Yz5\\_9R5TNk&sig=K10GzOi-K3n9O9xIGIScG10FvYKU&hl=en&sa=X&ved=0C-CAQ6AEwAGoVChMI0pyUgafOyAIVZBFyChOL-iAce#v=onepage&q=bcci&f=false](https://books.google.de/books?id=C1N-hQyTqnbUC&pg=PA91&lpg=PA91&dq=we+cannot+be+bankers+and+refuse+to+accept+hot+money&source=bl&ots=Yz5_9R5TNk&sig=K10GzOi-K3n9O9xIGIScG10FvYKU&hl=en&sa=X&ved=0C-CAQ6AEwAGoVChMI0pyUgafOyAIVZBFyChOL-iAce#v=onepage&q=bcci&f=false); 26.01.2018.

38 [https://books.google.de/books?id=C1N-hQyTqnbUC&pg=PA91&lpg=PA91&dq=we+cannot+be+bankers+and+refuse+to+accept+hot+money&source=bl&ots=Yz5\\_9R5TNk&sig=K10GzOi-K3n9O9xIGIScG10FvYKU&hl=en&sa=X&ved=0C-CAQ6AEwAGoVChMI0pyUgafOyAIVZBFyChOL-iAce#v=onepage&q=bcci&f=false](https://books.google.de/books?id=C1N-hQyTqnbUC&pg=PA91&lpg=PA91&dq=we+cannot+be+bankers+and+refuse+to+accept+hot+money&source=bl&ots=Yz5_9R5TNk&sig=K10GzOi-K3n9O9xIGIScG10FvYKU&hl=en&sa=X&ved=0C-CAQ6AEwAGoVChMI0pyUgafOyAIVZBFyChOL-iAce#v=onepage&q=bcci&f=false); 26.01.2018.

39 <http://www.financialsecrecyindex.com/PDF/CaymanIslands.pdf>; 26.01.2018.

40 <http://www.financialsecrecyindex.com/PDF/BritishVirginIslands.pdf>; 26.01.2018.

41 <https://www.rollingstone.com/politics/news/gangster-bankers-too-big-to-jail-20130214>; 26.01.2018.

42 <https://books.google.de/books?id=C1N-hQyTqnbUC&pg=PA91&lpg=PA91&dq=we+cannot+be+bankers+and+refuse+to+accept+hot+mon>

[ey&source=bl&ots=Yz5\\_9R5TNk&sig=K10GzOi-K3n9O9xIGIScG10FvYKU&hl=en&sa=X&ved=0C-CAQ6AEwAGoVChMI0pyUgafOyAIVZBFyChOL-iAce#v=onepage&q=bcci&f=false](ey&source=bl&ots=Yz5_9R5TNk&sig=K10GzOi-K3n9O9xIGIScG10FvYKU&hl=en&sa=X&ved=0C-CAQ6AEwAGoVChMI0pyUgafOyAIVZBFyChOL-iAce#v=onepage&q=bcci&f=false); 26.01.2018.

43 <https://www.bbc.co.uk/news/business-37751599>; 26.01.2018.

44 <https://www.nakedcapitalism.com/2015/05/bill-black-new-labour-leaders-want-to-go-back-to-blairs-policies-that-blew-up-the-uk.html>; 26.01.2018.

45 <http://foolsgold.international/the-anti-growth-dynamics-of-the-competitiveness-agenda/>; 26.01.2018.

46 [http://www.nyc.gov/html/om/pdf/ny\\_report\\_final.pdf](http://www.nyc.gov/html/om/pdf/ny_report_final.pdf); 26.01.2018.

47 <http://taxjustice.blogspot.nl/2012/06/us-watchdog-hits-at-risky-london.html>; 26.01.2018..

48 <http://www.telegraph.co.uk/finance/financialcrisis/3225213/AIG-trail-leads-to-London-casino.html>; 26.01.2018.

49 See also NYT Gretchen Morgenson Behind Insurer’s Crisis, Blind Eye to a Web of Risk, or Architects of AIG collapse were in London, This is money, Sept 21, 2008

50 See, for instance, Testimony on “Examining Bank Supervision and Risk Management in Light of JPMorgan Chase’s Trading Loss” by Chairman Mary L. Schapiro U.S. Securities and Exchange Commission Before the Committee on Financial Services United States House of Representatives Tuesday, June 19, 2012.

51 For a long discussion of the role of rehypothecation in Lehman’s and MF Global’s collapse, see Reuters, Aug 12, 2011 and The (sizable) Role of Rehypothecation in the Shadow Banking System, Manmohan Singh and James Aitken, IMF Working Paper, WP/10/172, July 2010.

52 For this episode and others, see particularly the testimony of CFTC chief Gary Gensler to the US House Financial Services Committee, June 2012. For general discussions of the role of offshore financial centres and financial stability risks, including numerous other examples, see the Tax Justice Network’s dedicated web page, Tax Havens & Financial Crisis, and associated links.

53 <https://www.nakedcapitalism.com/2015/09/why-tax-havens-will-be-at-the-heart-of-the-next-financial-crisis.html>; 26.01.2018.

- 54 As another example, In September 2011 China and the UK agreed to start developing the City of London, via its age-old Hong Kong links, as an offshore Renminbi trading centre. Given how central the offshore Eurodollar markets were to the rebirth of the City of London from the 1960s onwards, it is possible that an offshore Renminbi market could create a whole new business sector for the City of London, and possibly create divisions in the UK-US transatlantic alliance. Also see Footnote 16 (the dedicated TJN web page, Tax Havens & Financial Crisis) for a wide set of links on this topic.
- 55 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/823486/statistical\\_commentary\\_on\\_non-domiciled\\_UK\\_taxpayers.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/823486/statistical_commentary_on_non-domiciled_UK_taxpayers.pdf); 20.01.2020
- 56 [www.saffery.com/news-and-events/publications/non-dom-tax-changes-an-update-2018](http://www.saffery.com/news-and-events/publications/non-dom-tax-changes-an-update-2018); 20.01.2020
- 57 See Treasure Islands, “Ratchet” chapter for the history of how the accountancy firms used Jersey as the political crowbar to force the UK to accept LLPs.
- 58 ‘Where there’s muck... there’s brass plates: How UK ghost companies made Britain the capital of global corporate crime’, Private Eye special report, 2013.
- 59 <https://www.nakedcapitalism.com/2015/06/scotland-the-moldovan-connection.html>; 26.01.2018.
- 60 <http://www.taxjustice.net/2015/10/08/how-18th-of-moldovas-gdp-vanished-via-a-scottish-council-flat/>; 26.01.2018.
- 61 <https://www.out-law.com/en/articles/2017/june/new-transparency-requirements-for-scottish-limited-partnerships-now-in-force/>; 26.01.2018.
- 62 <https://www.theguardian.com/world/2017/sep/04/uk-at-centre-of-secret-3bn-azerbaijani-money-laundering-and-lobbying-scheme>; 26.01.2018.
- 63 [https://www.francophonie.org/IMG/pdf/lough\\_erne\\_2013\\_g8\\_leaders\\_communique.pdf](https://www.francophonie.org/IMG/pdf/lough_erne_2013_g8_leaders_communique.pdf); 26.01.2018.
- 64 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/207543/180613\\_LOUGH\\_ERNE\\_DECLARATION.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207543/180613_LOUGH_ERNE_DECLARATION.pdf); 26.01.2018.
- 65 <https://www.gov.uk/government/news/people-with-significant-control-companies-house-register-goes-live>; 26.01.2018.
- 66 [http://www.blplaw.com/private-wealth/media/download/BLP\\_Private\\_Wealth\\_-\\_UK\\_register\\_of\\_beneficial\\_ownership\\_of\\_trusts1.pdf](http://www.blplaw.com/private-wealth/media/download/BLP_Private_Wealth_-_UK_register_of_beneficial_ownership_of_trusts1.pdf); 26.01.2018.
- 67 <http://www.financialsecrecyindex.com/PDF/6-Public-Company-Ownership.pdf>; 26.01.2018.
- 68 <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/getting-uks-house-order/>; 20.01.2020
- 69 <https://www.gov.uk/government/consultations/property-ownership-and-public-contracting-by-overseas-companies-and-legal-entities-beneficial-ownership-register>; 26.01.2018.
- 70 <http://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/exchange-relationships/#d.en.345426>; 26.01.2018.
- 71 <https://www.gov.uk/government/news/uk-partners-with-ghana-on-tax-transparency>; 26.01.2018.
- 72 <https://www.financialsecrecyindex.com/PDF/18-Automatic-Info-Exchange.pdf>; 26.01.2018.
- 73 [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2943978](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2943978); 26.01.2018.
- 74 <https://www.financialsecrecyindex.com/PDF/9-Corporate-Tax-Disclosure.pdf>; 26.01.2018.
- 75 <https://home.kpmg.com/uk/en/home/insights/2016/03/wtm-final-uk-country-by-country-reporting-regulations-published.html>; 26.01.2018.
- 76 [www.step.org/news/british-overseas-territories-deadline-public-ownership-registers-slips-2023](http://www.step.org/news/british-overseas-territories-deadline-public-ownership-registers-slips-2023); 20.01.2020
- 77 <https://www.bbc.co.uk/news/world-europe-guernsey-48677083>; 20.01.2020
- 78 <https://panamapapers.icij.org/>; 26.01.2018.
- 79 <https://www.bna.com/eu-panama-papers-n57982083544/>; 26.01.2018.
- 80 <http://guengl-panamapapers.eu/>; 26.01.2018.

- 81 <https://www.bna.com/uk-becoming-prime-n57982083607/>; 26.01.2018.
- 82 <https://www.theguardian.com/news/2017/nov/05/revealed-queen-private-estate-invested-offshore-paradise-papers>; 26.01.2018.
- 83 <https://www.taxjustice.net/2019/01/23/brexit-and-the-future-of-tax-havens/>; 20.01.2020
- 84 <http://treasureislands.org/>; 26.01.2018.
- 85 [http://www.newleftproject.org/index.php/site/article\\_comments/britains\\_second\\_empire](http://www.newleftproject.org/index.php/site/article_comments/britains_second_empire); 26.01.2018.
- 86 <https://www.vanityfair.com/style/society/2013/04/mysterious-residents-one-hyde-park-london>; 26.01.2018.
- 87 <https://www.lobster-magazine.co.uk/free/lobster60/lob60-062.pdf>; 26.01.2018.
- 88 <https://www.christianaid.org.uk/sites/default/files/2017-08/invested-interests-uk-over-seas-territories-hidden-role-developing-countries-june-2013.pdf>; 26.01.2018.
- 89 <http://taxjustice.blogspot.com/es/2009/12/tax-havens-how-globalization-really.html>; 26.01.2018.
- 90 <http://commonwealth-publishing.com/shop/finance-curse/>; 26.01.2018.
- 91 <https://www.taxjustice.net/2017/05/02/research-shows-uks-finance-curse-grip-tightening-next-five-years/>; 26.01.2018.

## PART 2: SECRECY SCORE

### OWNERSHIP REGISTRATION

- 37 1. Banking Secrecy
- 50 2. Trust and Foundations Register
- 50 3. Recorded Company Ownership
- 100 4. Other Wealth Ownership
- 100 5. Limited Partnership Transparency

### LEGAL ENTITY TRANSPARENCY

- 50 6. Public Company Ownership
- 0 7. Public Company Accounts
- 50 8. Country-by-Country Reporting
- 100 9. Corporate Tax Disclosure
- 75 10. Legal Entity Identifier

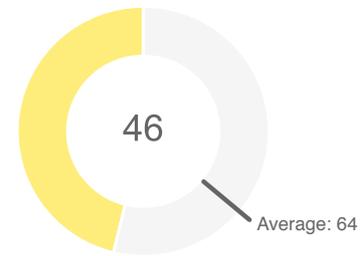
### INTEGRITY OF TAX AND FINANCIAL REGULATION

- 25 11. Tax Administration Capacity
- 38 12. Consistent Personal Income Tax
- 90 13. Avoids Promoting Tax Evasion
- 50 14. Tax Court Secrecy
- 50 15. Harmful Structures
- 30 16. Public Statistics

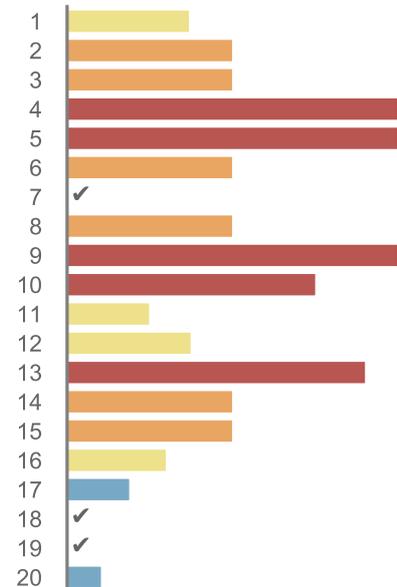
### INTERNATIONAL STANDARDS AND COOPERATION

- 19 17. Anti-Money Laundering
- 0 18. Automatic Information Exchange
- 0 19. Bilateral Treaties
- 11 20. International Legal Cooperation

## Secrecy Score



## Key Financial Secrecy Indicators



## Notes and Sources

The FSI ranking is based on a combination of a country's secrecy score and global scale weighting (click [here](#) to see our full methodology).

The secrecy score is calculated as an arithmetic average of the 20 Key Financial Secrecy Indicators (KFSI), listed on the right. Each indicator is explained in more detail in the links accessible by clicking on the name of the KFSI.

A grey tick in the chart above indicates full compliance with the relevant indicator, meaning least secrecy; red indicates non-compliance (most secrecy); colours in between partial compliance.

This report draws on data sources that include regulatory reports, legislation, regulation and news available as of 30 September 2019 (or later in some cases).

Full data is available here: <http://www.financialsecrecyindex.com/database>.

To find out more about the Financial Secrecy Index, please visit <http://www.financialsecrecyindex.com>.