

The Panama Papers and Geography of ABS Intermediaries

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Panama Papers: Background



- Data breach at Mossack Fonseca in Panama (2016) - 2.6TB of data, including 4.8 million email messages, 2.2 million PDFs and other texts (total of 11.5 million documents)
- Leaks made public by some 370 journalists of the International Consortium of Investigative Journalists (ICIJ)
- Involved 107 media organizations in > 75 countries, 40 years of documents
- Nearly 185,000 firms, political elites, celebrities, high net worth individuals (HNIs) identified for this presentation

GPN and Finance

“Instead of treating global finance as just another type of GPN, it is argued that it constitutes **a distinctive GFN as it consists of specific actors and territories** that tend to be under-valored in much of the GPN literature”

“From the methodological perspective, OJs probably represent the most challenging element of the GFN... In order to revive research on OJs as a vital component of the GFN framework, a **greater emphasis on ABS firms** as they intermediate between OJs and their customers is proposed, with a particular focus on the offshore activities of TNCs and interconnections with WCs as key nodes of these relationships.”

(Coe, Lai & Wojcik, 2014)

Here, their [Coe and Yeung, 2015] approach starts to recognise the manner in which **structural power analyses** and insights from critical global governance approaches might inform their account of GPN 2.0, but **this remains suggestive** rather than developed in a significant manner, with **the main defining power dynamic still being that which is driven by economic imperatives**. The account of the dynamics driving network formation and development therefore is focussed on issues of cost, efficiency and risk management. Thus, while the latter starts to explore non-economic drivers, the model of corporate behaviour still maintains a privileged space for economic issues, making no real attempt to account for non-economic drivers of network building. **Despite having an admirably agent centred focus, unfortunately the analysis management incentives remains largely limited to the economic.**

Christopher May, Lancaster University

GPN/GFN Definition

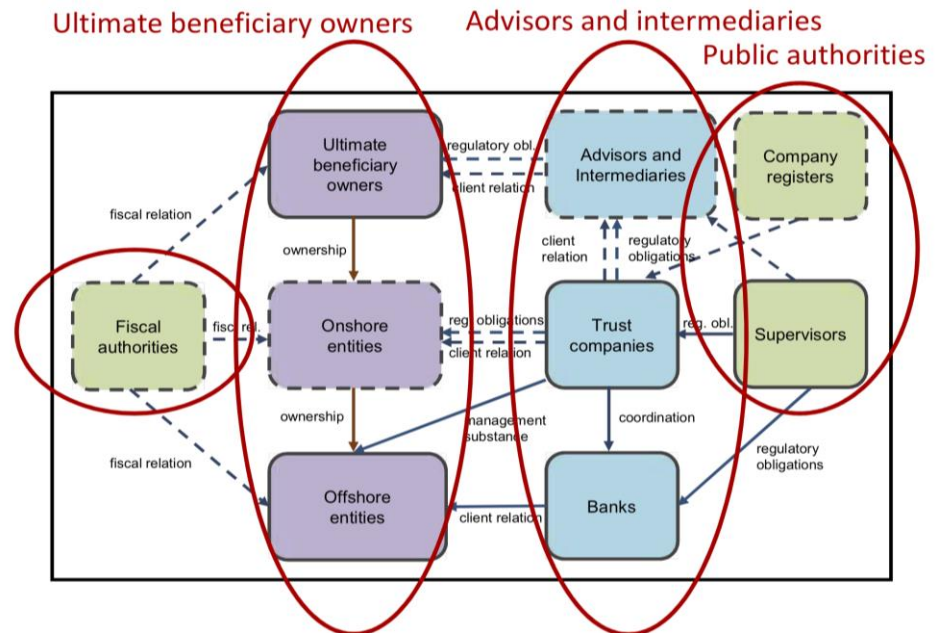
- “...lead firm being a central and necessary prerequisite ...”



- “...multiple locations that are bound together by the **economic** relations between those actors” (p. 2)

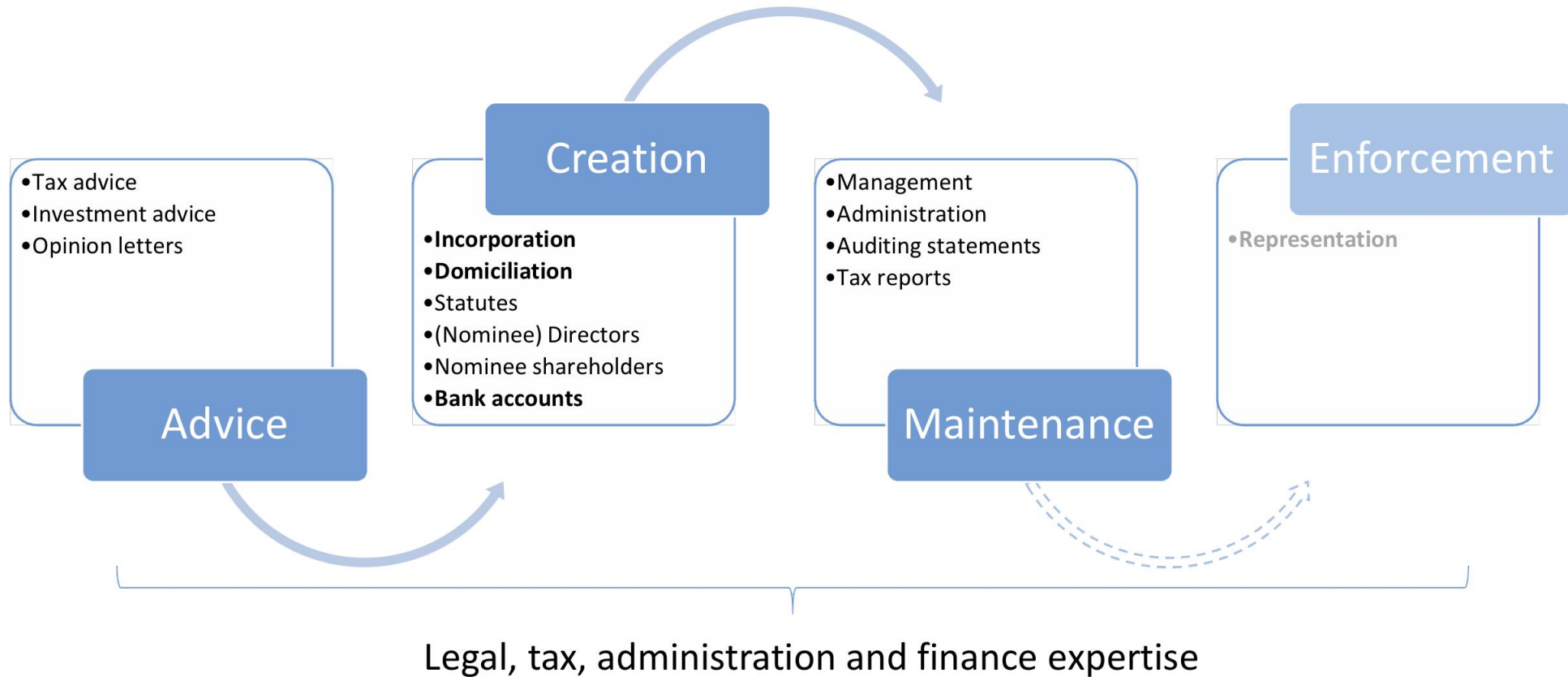


Actors involved in offshore structures



Roles of advisors and intermediaries

Advisors and intermediaries have many different roles, which can in many cases be performed by UBOs, non- or self-regulated professionals/institutions



Social Power?

- GPN risk – networks an organizational (institutional?) structure to manage (regulatory and other) risks
- Limits of territorially-bounded governance of tax havens-> OECD's exercise of symbolic power through shaming and blacklisting
- Power as the production, in and through social relations, of the effects that shape the capacities of actors in the network to alter beliefs, norms, and interests
- GFN social networks as persistent patterns of ties (connections) between two or more actors/firms
- Social power as relational (tax fraud is inherently relational)
 - Power as an attribute of social interactions
 - Locational interactions in networks exploited to optimize asset value
- Network relations as internally co-constituted: Actor/firm A exists in structural relation to actor/firm B

Why social distribution of power?

- Structural positions are uneven, distributing asymmetric influence and information
- Positional advantage in the social structure is measured by centrality – core/hub
- Relational structural power can influence cognitive learning by shaping member's beliefs about rules and norms



Network power

(1) The Influencer

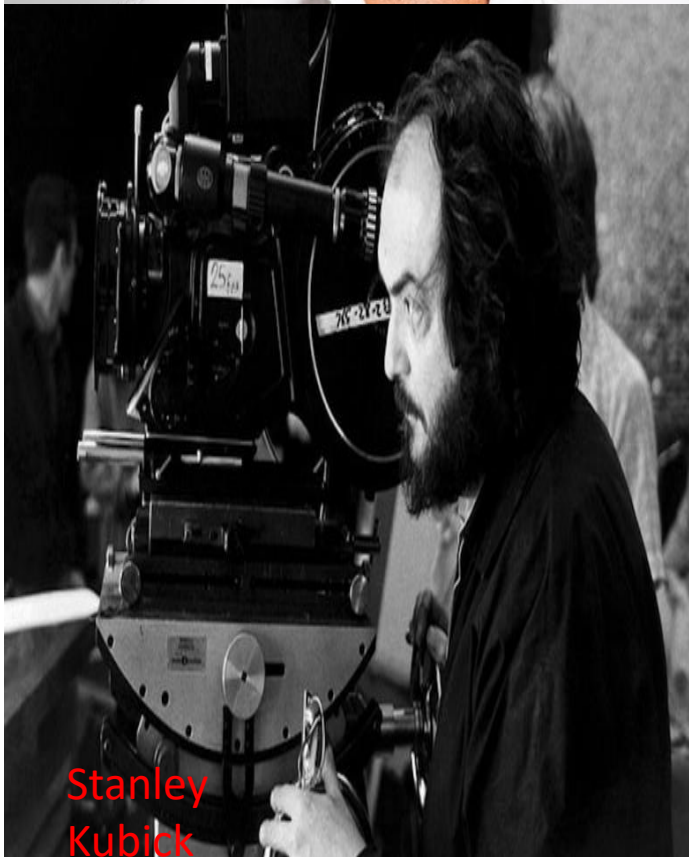
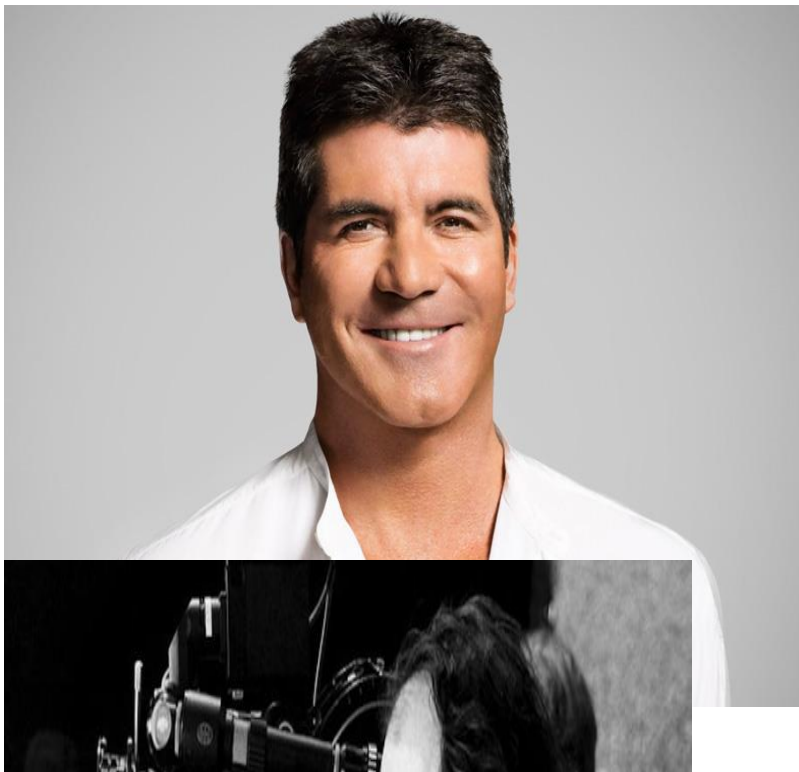
- Attractor, distributor of ties
- Centrality in the network measured by in-degree (C_i^{IN}) and out-degree (C_i^{OUT})

$$C_i^{\text{IN}} = \sum_{j=1} A_{ji} \quad C_i^{\text{OUT}} = \sum_{j=1} A_{ij}$$

(2) The Social Proximiter

- Socially proximate to other centers or hubs of influence
- Eigenvector centrality

$$C_i^e = \frac{1}{\lambda} \sum_{j:j \neq i} A_{i,j} C_j^e$$



Paul Burrell



Ex-PM Gunnlaugsson



Stanley
Kubick



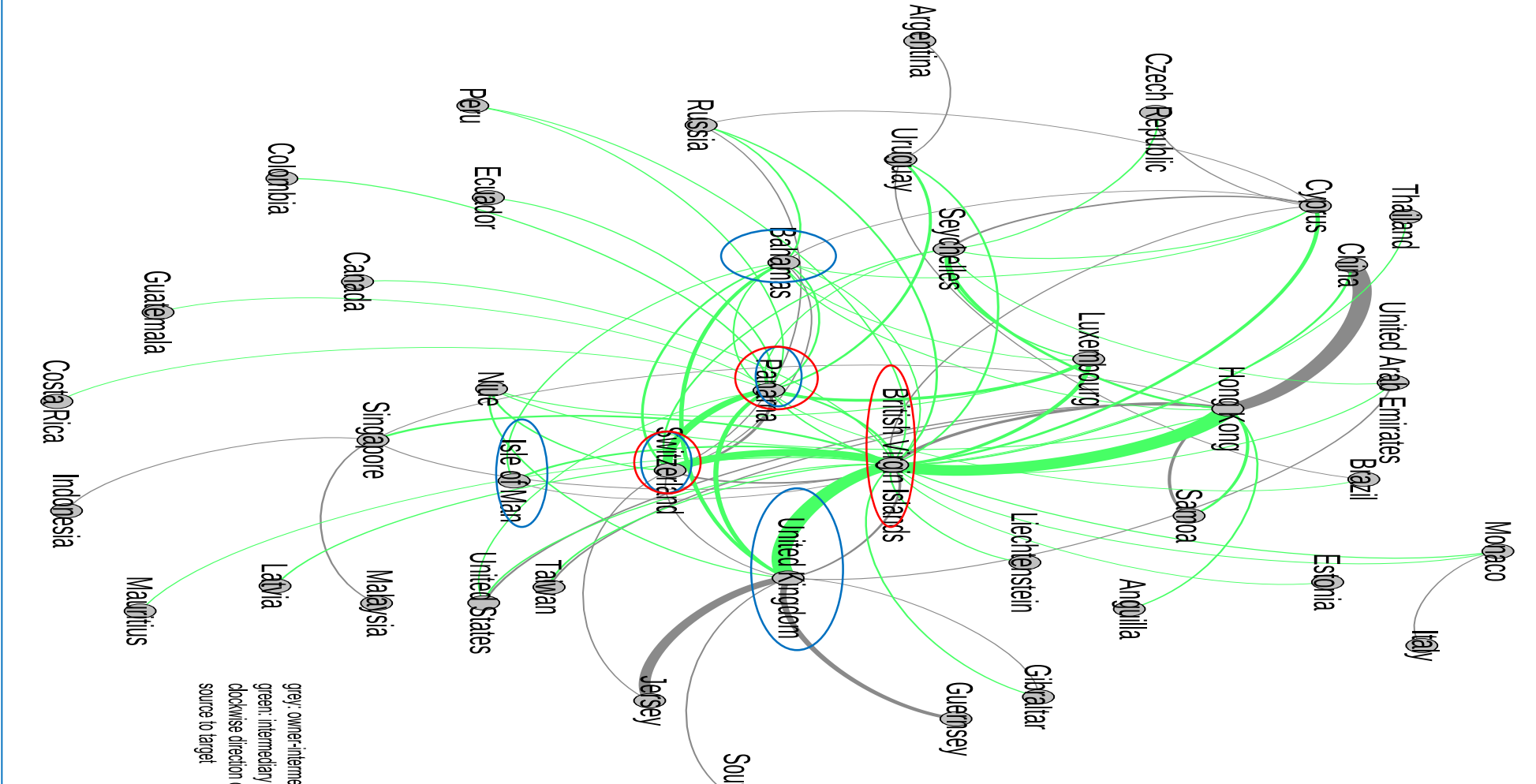
Table 4. Top ten jurisdictions by in-degree (“influencer”), out-degree, eigenvector centrality (“social proximiter”) and strength of ties: Owner to intermediary flows

<i>Jurisdiction</i>	<i>Influencer</i>	<i>Jurisdiction</i>	<i>Out-degree (Weighted)</i>	<i>Jurisdiction</i>	<i>Social Proximiter</i>	<i>Strength of ties</i>			
						<i>Source</i>	<i>Target</i>	<i>Raw count</i>	<i>Normalized (by total links)</i>
<i>Hong Kong</i>	<i>57,601</i>	<i>China</i>	<i>27,323</i>	<i>Hong Kong</i>	<i>1.000</i>	<i>China</i>	<i>Hong Kong</i>	<i>21,921</i>	<i>15.5%</i>
<i>United Kingdom</i>	<i>34,426</i>	<i>Hong Kong</i>	<i>17,340</i>	<i>Switzerland</i>	<i>0.998</i>	<i>Jersey</i>	<i>United Kingdom</i>	<i>12,943</i>	<i>9.2%</i>
<i>Switzerland</i>	<i>19,028</i>	<i>British Virgin Islands</i>	<i>16,437</i>	<i>United Kingdom</i>	<i>0.963</i>	<i>Guernsey</i>	<i>United Kingdom</i>	<i>6,567</i>	<i>4.7%</i>
<i>Cyprus</i>	<i>9,330</i>	<i>Jersey</i>	<i>15,895</i>	<i>Luxembourg</i>	<i>0.877</i>	<i>British Virgin Islands</i>	<i>Hong Kong</i>	<i>5,256</i>	<i>3.7%</i>
<i>Singapore</i>	<i>7,141</i>	<i>Panama</i>	<i>8,051</i>	<i>United States</i>	<i>0.853</i>	<i>Panama</i>	<i>Switzerland</i>	<i>3,157</i>	<i>2.2%</i>
<i>China</i>	<i>6,690</i>	<i>Guernsey</i>	<i>7,879</i>	<i>Bahamas</i>	<i>0.844</i>	<i>British Virgin Islands</i>	<i>Switzerland</i>	<i>3,059</i>	<i>2.2%</i>
<i>Isle of Man</i>	<i>5,879</i>	<i>United Kingdom</i>	<i>6,332</i>	<i>Cyprus</i>	<i>0.816</i>	<i>Samoa</i>	<i>Hong Kong</i>	<i>2,833</i>	<i>2.0%</i>
<i>Luxembourg</i>	<i>4,759</i>	<i>Seychelles</i>	<i>5,674</i>	<i>Isle of Man</i>	<i>0.816</i>	<i>Seychelles</i>	<i>Cyprus</i>	<i>2,600</i>	<i>1.8%</i>
<i>Czech Republic</i>	<i>4,380</i>	<i>Switzerland</i>	<i>5,208</i>	<i>Canada</i>	<i>0.813</i>	<i>British Virgin Islands</i>	<i>United Kingdom</i>	<i>2,092</i>	<i>1.5%</i>
<i>Uruguay</i>	<i>4,216</i>	<i>Samoa</i>	<i>4,961</i>	<i>Monaco</i>	<i>0.777</i>	<i>United States</i>	<i>Hong Kong</i>	<i>1,849</i>	<i>1.3%</i>

Table 3. Distribution of intermediaries: top ten jurisdictions

<i>Country</i>	<i>Number of intermediaries</i>	<i>Percentage of total (%)</i>
<i>Hong Kong</i>	<i>2,212</i>	<i>17.6</i>
<i>UK</i>	<i>1,906</i>	<i>15.2</i>
<i>Switzerland</i>	<i>1,217</i>	<i>9.7</i>
<i>USA</i>	<i>615</i>	<i>4.9</i>
<i>Panama</i>	<i>555</i>	<i>4.4</i>
<i>Guatemala</i>	<i>439</i>	<i>3.5</i>
<i>Luxembourg</i>	<i>404</i>	<i>3.2</i>
<i>Brazil</i>	<i>399</i>	<i>3.2</i>
<i>Ecuador</i>	<i>324</i>	<i>2.6</i>
<i>Uruguay</i>	<i>298</i>	<i>2.4</i>
<i>British Virgin Islands</i>	<i>30</i>	<i>0.2</i>
<i>Bahamas</i>	<i>109</i>	<i>0.9</i>

Owner-Intermediary-Offshore



grey: owner-intermediary
 green: intermediary - offshore
 clockwise direction of curve is from
 source to target

Grey: owner-intermediary links
 Green: intermediary-offshore links
 Clockwise direction of curved links is from source to target

Table 6. Top ten jurisdictions by in-degree (“influencer”), out-degree and eigenvector centrality (“social proximiter”) : Owner to intermediary to offshore flows

<i>Jurisdiction</i>	<i>Influencer</i>	<i>Jurisdiction</i>	<i>Out-degree (Weighted)</i>	<i>Jurisdiction</i>	<i>Social Proximiter</i>
<i>British Virgin Islands</i>	103,025	<i>Hong Kong</i>	37,039	<i>British Virgin Islands</i>	1.000
<i>Hong Kong</i>	34,220	<i>United Kingdom</i>	33,360	<i>Bahamas</i>	0.690
<i>Panama</i>	33,578	<i>Switzerland</i>	33,203	<i>Switzerland</i>	0.651
<i>United Kingdom</i>	23,591	<i>China</i>	24,102	<i>Cyprus</i>	0.588
<i>Bahamas</i>	11,886	<i>Luxembourg</i>	15,291	<i>Seychelles</i>	0.577
<i>Seychelles</i>	10,690	<i>Jersey</i>	13,703	<i>Panama</i>	0.450
<i>Switzerland</i>	9,078	<i>British Virgin Islands</i>	13,101	<i>Hong Kong</i>	0.379
<i>Niue</i>	5,522	<i>Panama</i>	7,393	<i>Niue</i>	0.349
<i>Cyprus</i>	4,971	<i>Cyprus</i>	7,259	<i>United Kingdom</i>	0.280
<i>Singapore</i>	3,051	<i>Guernsey</i>	6,567	<i>Singapore</i>	0.275



Bank of Asia has been established in the British Virgin Islands ("BVI") to address the growing needs of offshore companies and their owners. We will provide banking services to BVI and other companies as well as trusts and individuals from around the world.

We are domiciled in the BVI and account opening can be done in person there. Apart from visiting us in the BVI, our digital platform will enable account opening to be done anywhere in the world with a smart device or computer. Similarly transactions can be executed online 24/7.



Personal Account

Form for opening personal Bank of Asia (BVI) account

Apply

BVI



Corporate Account

Form for opening corporate Bank of Asia (BVI) account

Apply

“The different layers of interlocking bars indicate security and close relationship while forming an abstract Chinese character (亞) that means Asia. While our focus is on offshore companies based in China and other parts of Asia, we believe in inclusivity and welcome other customers.”



Live Chat

Chat directly with a member of our support team.

Summary

- ❖ Principal Influencers and Social Proximiters:
 - IFCs: UK, Switzerland, Hong Kong
 - OFCs: the BVI, Panama, Bahamas
 - Multiple roles (intermediaries , OFCs, IFCs)
- ❖ Non-territorial networked webs of actor and jurisdictional relations intertwining ABS professionals, intermediaries, political elites (regulators), HNIs and firms
- ❖ Network governance – plethora of institutional arrangements
 - Hard rules (e.g. FATCA), symbolic power via political commitments (e.g. blacklisting), regulation of ABS firms
 - Soft rules arising from co-constituted relations and structural positions
 - ✓ Hierarchical diffusion of norms and learning from influencers and social proximiters (professional standards, ethics, CSR)
 - ✓ Public interest/civil society group (extrafirm) bargaining, alternative brokers of information

Thank you !

Table 1. Regional distribution of owners

<i>Region</i>	<i>Owners</i>	<i>Percentage of total (%)</i>
<i>Eastern Asia</i>	<i>50,184</i>	<i>27.3</i>
<i>Northern Europe</i>	<i>35,764</i>	<i>19.4</i>
<i>Latin America and the Caribbean</i>	<i>31,537</i>	<i>17.1</i>
<i>Western Europe</i>	<i>13,244</i>	<i>7.2</i>
<i>Western Asia</i>	<i>12,203</i>	<i>6.6</i>
<i>Sub-Saharan Africa</i>	<i>10,993</i>	<i>6.0</i>
<i>South-eastern Asia</i>	<i>7,457</i>	<i>4.1</i>
<i>Eastern Europe</i>	<i>6,131</i>	<i>3.3</i>
<i>Northern America</i>	<i>5,476</i>	<i>3.0</i>
<i>Southern Europe</i>	<i>5,242</i>	<i>2.8</i>
<i>Total</i>	<i>184,083</i>	<i>100</i>

Note: Classification of regions is based on the United Nations (<https://unstats.un.org/unsd/methodology/m49/>)

Table 2. Distribution of offshore firms: top ten jurisdictions

<i>Country</i>	<i>Offshore firms</i>	<i>Percentage of total (%)</i>
<i>British Virgin Islands</i>	<i>113,055</i>	<i>53.1</i>
<i>Panama</i>	<i>48,294</i>	<i>22.7</i>
<i>Bahamas</i>	<i>15,883</i>	<i>7.5</i>
<i>Seychelles</i>	<i>15,148</i>	<i>7.1</i>
<i>Niue</i>	<i>9,573</i>	<i>4.5</i>
<i>Samoa</i>	<i>5,294</i>	<i>2.5</i>
<i>Anguilla</i>	<i>3,240</i>	<i>1.5</i>
<i>USA</i>	<i>1,297</i>	<i>0.6</i>
<i>Hong Kong</i>	<i>452</i>	<i>0.2</i>
<i>UK</i>	<i>148</i>	<i>0.1</i>

Figure 2. Intermediary-offshore relationships

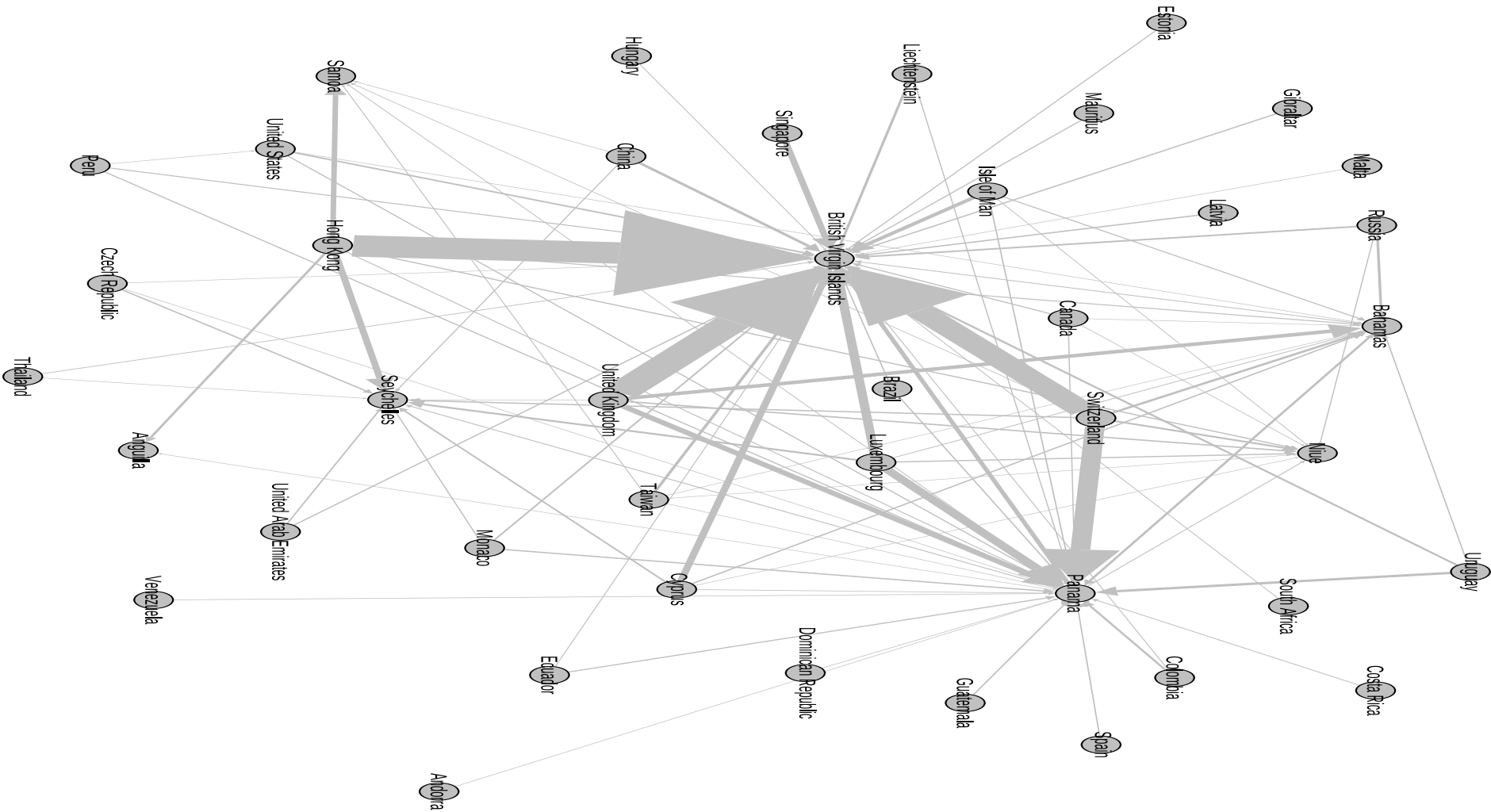


Table 5. Top ten jurisdictions by in-degree (“influencer”), out-degree, eigenvector centrality (“social proximiter”) and strength of ties: Intermediary to offshore flows

<i>Jurisdiction</i>	<i>Influencer</i>	<i>Jurisdiction</i>	<i>Out-degree (Weighted)</i>	<i>Jurisdiction</i>	<i>Social Proximiter</i>	<i>Strength of ties</i>			
						<i>Source</i>	<i>Target</i>	<i>Raw count</i>	<i>Normalized (by total links)</i>
<i>British Virgin Islands</i>	<i>105,464</i>	<i>Hong Kong</i>	<i>37,615</i>	<i>British Virgin Islands</i>	<i>1.000</i>	<i>Hong Kong</i>	<i>British Virgin Islands</i>	<i>27,118</i>	<i>13.7%</i>
<i>Panama</i>	<i>41,305</i>	<i>Switzerland</i>	<i>33,657</i>	<i>Panama</i>	<i>0.966</i>	<i>United Kingdom</i>	<i>British Virgin Islands</i>	<i>21,463</i>	<i>10.8%</i>
<i>Bahamas</i>	<i>13,230</i>	<i>United Kingdom</i>	<i>32,364</i>	<i>Bahamas</i>	<i>0.590</i>	<i>Switzerland</i>	<i>British Virgin Islands</i>	<i>17,146</i>	<i>8.6%</i>
<i>Seychelles</i>	<i>12,426</i>	<i>Luxembourg</i>	<i>15,291</i>	<i>Seychelles</i>	<i>0.577</i>	<i>Switzerland</i>	<i>Panama</i>	<i>10,833</i>	<i>5.5%</i>
<i>Niue</i>	<i>7,407</i>	<i>Panama</i>	<i>8,382</i>	<i>Niue</i>	<i>0.572</i>	<i>Luxembourg</i>	<i>Panama</i>	<i>6,447</i>	<i>3.3%</i>
<i>Samoa</i>	<i>4,291</i>	<i>Cyprus</i>	<i>6,999</i>	<i>Samoa</i>	<i>0.544</i>	<i>Luxembourg</i>	<i>British Virgin Islands</i>	<i>5,059</i>	<i>2.6%</i>
<i>Anguilla</i>	<i>1,611</i>	<i>Isle of Man</i>	<i>4,824</i>	<i>Anguilla</i>	<i>0.527</i>	<i>United Kingdom</i>	<i>Panama</i>	<i>4,876</i>	<i>2.5%</i>
<i>United States</i>	<i>243</i>	<i>Uruguay</i>	<i>4,717</i>	<i>United States</i>	<i>0.006</i>	<i>United Kingdom</i>	<i>Bahamas</i>	<i>4,178</i>	<i>2.1%</i>
<i>Hong Kong</i>	<i>-</i>	<i>Singapore</i>	<i>3,599</i>	<i>Hong Kong</i>	<i>0</i>	<i>Cyprus</i>	<i>British Virgin Islands</i>	<i>4,070</i>	<i>2.1%</i>
<i>Switzerland</i>	<i>-</i>	<i>Russia</i>	<i>3,405</i>	<i>Switzerland</i>	<i>0</i>	<i>Hong Kong</i>	<i>Seychelles</i>	<i>3,745</i>	<i>1.9%</i>

- Mossack Fonseca
- Founded in 1977 as a law firm in Panama
- World's fourth-largest provider of offshore services
- 600 staff in 42 countries, many of which are located in secrecy jurisdictions e.g. Jersey, Cyprus, Luxembourg. China has the most at 8, Switzerland has 3. Singapore has 1 office too.
- Specializes in “trust services, investor advisory, offshore/onshore structures, commercial law and asset protection”
- Acts as an incorporation agent to register companies in offshore jurisdictions for a fee and an annual charge
- As part of the incorporation service, it will also set up bank accounts, and find nominee directors to assemble a board of directors for the offshore company
- Clients include ultra-wealthy individuals (politicians and celebrities) and also companies from all over the world
- Also obtains clients indirectly by working closely with big banks like HSBC, Credit Suisse, UBS, law firms, accounting firms to help their clients set up complex offshore structures to hide assets or even to engage in illegal activities like money laundering

node_id	name	country_c	odes	countries
12000001	KIM SOO IN	KOR		South Korea
12000002	Tian Yuan	CHN		China
12000003	GREGORY JOHN SOLOMON	AUS		Australia
12000004	MATSUDA MASUMI	JPN		Japan
12000005	HO THUY NGA	VNM		Viet Nam
12000039	Charter Holdings Limited	BMU		Bermuda
12000042	Noble Nominees Limited	BLZ		Belize
12000043	SINOPLUS INVESTMENTS LTD.	BLZ		Belize
12000037	Mr Ramniklal Ravjibhai Patel	KEN		Kenya
12000038	MICHEL PELLERIN	CHE		Switzerland
12000040	Colin John ANDREW	IRL		Ireland
12000041	GRUNDAT LIMITED	BLZ		Belize
12000044	Noble Nominees Limited	BLZ		Belize
	CHUAN SOON INVESTMENT HOLDINGS			
12000045	LIMITED	BLZ		Belize
12000046	LETWIRLED LTD.	BLZ		Belize
12000047	Hidden Lake Projects Ltd.	BLZ		Belize



As a result of current population trends as well as the flexibility and control that can be drafted into modern trusts, the Dynasty Trust remains extremely popular; especially in a dynasty friendly state like South Dakota.

A Dynasty Trust is a trust designed to exist in perpetuity to provide a substantial legacy for current and future generations, and/or to promote family values. A Dynasty Trust can be free of estate taxes and protect the assets from potential creditors. Further, Dynasty Trusts can take the greatest possible advantage of a grantor's gift tax exemption (currently \$11.2 million per taxpayer and \$22.4 per married couple in 2018) and generation-skipping transfer tax exemption (\$11.2 million per taxpayer and \$22.4 per married couple in 2018).

There are numerous discussions about repealing the Estate and Generation Skipping Transfer taxes but retaining the Gift taxes. If this were to happen, most individuals would continue to utilize and gift to trusts due to the likelihood that the estate tax might come back. In addition, as a result of all of the other reasons to establish a trust, i.e., promotion of family values, asset protection, privacy, state income and death taxes, etc...

How long can a Dynasty Trust last?

Generally, a generation-skipping trust can last as long as allowable under state law (also depending on the trust agreement). In most states, trusts are subject to the "Rule Against Perpetuities" (RAP). This common law rule requires a trust to terminate no later than the end of 21 years after the death of the last survivor of the class of persons who are alive at the time of the creation of the trust. Some states have adopted the Uniform Statutory Rule Against Perpetuities (USRAP), which allows the trust perpetuity period to be the longer of the time period stated previously or 90 years. Thus, a generation-skipping trust subject to the RAP has a limited duration.

Many states allow a dynasty generation-skipping trust to have a duration longer than the common law RAP or the Uniform Rule Against Perpetuities. South Dakota allows for a trust to exist in perpetuity, i.e., for an unlimited duration.

The South Dakota Advantage:

SDTC Facts

- Trust accounts representing more than \$45 billion in assets under administration
- Currently work with over 90 billionaire and 300 cent-millionaire clients
- 15% of clients are international families
- Private Family Trust Company relationships worth in excess of \$82 billion
- 250 years of combined experience
- Work with most types of non-financial assets (both onshore and offshore)
- Highest ranked jurisdiction in the United States: #1 in all categories by *Trusts & Estates* magazine (January 2018)
- Highest ranked asset protection jurisdiction in the United States: #1 in all categories by *Trusts &*

“Nevada has no State tax, no franchise tax, no inventory tax, no inheritance tax, no unitary tax, no gift tax and no chain store tax...Minimizing disclosures and filings: the key distinction is keeping separate “U.S. Persons” (the Nevada LLC) and the all “**non-U.S. Persons**” (the foreign Member). If the U.S. Person has foreign accounts, then it may have to file FBAR disclosures. The non-U.S. Persons remain confidential and do not, simply by virtue of owning an interest in a U.S. entity, have to file or disclose.” (Mossack Fonseca, 2017)