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Paradise Papers: The rest of the story

Amid the hype of this month's "Paradise Papers," some key ingredients have gone missing—the rest of the story.

The insidious campaign, waged by the International Consortium of Journalists (ICIJ) using data from an illegal hack of Appleby, is well-choreographed and evidently well-funded. Indeed, one speculates how such monies could have been better spent.

Proponents of a free press will be disappointed to see how that privilege has been abused. Large media organisations have dedicated significant airtime and column inches to flawed economics and a wholesale denigration of international financial centres, including Bermuda.



Media seem to be fixated on the theme of “secrecy.” How ironic, then, that our own daily relied on an anonymous source for a banner story, and the only secrecy revealed by the BBC’s Panorama programme was its reporter whispering his way down Victoria Street at twilight and describing clandestine ICIJ meetings in Europe.

Largely overlooked, as well, is the question of criminality. Campaigners have mislabelled this a “leak.” It wasn’t. It was an illegal hack of confidential records—a global theft. Meaning media organisations and others are actually dealing in the proceeds of crime.

Sensationalist stories deliberately play to a public that rarely takes the time to look further. If you throw sufficient mud, then hit repeat, some of it inevitably sticks. To that end, this campaign conflates tax evasion, tax avoidance and efficient tax-planning. It confuses the law, ethics and morality. And, most deliberately, it muddles secrecy, privacy and confidentiality.

Lost in translation along the way are many facts. Including this one: among the main instigators, the Guardian Media Group (GMG) has its own connections to offshore investment structures and hedge funds, [according to The Spectator](#), while the [Daily Express](#) reports the UK Labour Party rents its HQ via a property fund based in Jersey. There’s nothing illegal about either; aside from the inherent hypocrisy, it simply demonstrates how common and beneficial offshore investments can be.

However, the esoteric intricacies of international finance are far trickier to explain in layman’s terms than crowd-pleasing attacks on global corporations, wealthy individuals, or small island nations. And why let the facts get in the way of a good story?

Here’s what the media is missing, by mistake or on purpose:

- > **OECD Country-by-Country (CbC) and Common Reporting Standard (CRS) systems.** These are well instituted in Bermuda, so anyone investing here has their financial account information automatically submitted to relevant tax authorities.
- > **Foreign Account Tax Compliance Act (FATCA).** Bermuda has a Model 2 intergovernmental agreement with the US, ensuring the same exchange of financial details to the other side of the Atlantic.



- > **The OECD's definition of tax havens.** Its criteria are clear, and Bermuda doesn't qualify; only countries that persist with a lack of transparency, no substance, and refuse to exchange information should be condemned with that label.
- > **Our beneficial register keeps stricter records than most onshore.** Bermuda's 70-year-old beneficial register has a starting threshold of 10 percent ownership (vs UK and others at 25 percent). We exchange information requested by legitimate international authorities—and fast: the UK has an agreement with Bermuda to share data within 24 hours.
- > **Offshore business isn't just about tax.** Sure, jurisdictions with tax neutrality avoid double taxation, but nowadays, primary client focus is on our market's other appealing qualities: our business environment, opportunities for portfolio diversification, the expertise of service providers, and accessible, pragmatic, respected regulation.
- > **Cross-border trade fuels global financial systems.** Via multi-national enterprises, offshore financial centres pave the way for growth in both developed and emerging markets and are vital for economic development around the world.
- > **That pension you're counting on? Thank Bermuda.** Our market is a destination for financial investment by onshore pensions and governments. More than a third of the UK's local government pension plans allocate money to hedge funds, [according to Bloomberg](#). The same goes for the private sector—an estimated 64 percent of top UK corporate pension plans invest in funds, most based offshore.
- > **Our tax treaties put money back onshore.** Take our TIEA with Canada, for example. It allows corporations to repatriate active business income through dividends—so they can re-invest in their home country and create more jobs.
- > **Privacy protects lives and livelihoods.** For genuine safety reasons, preserving personal privacy and avoiding dangerous, corrupt or unstable political or financial regimes is a highly valid reason for seeking a safe harbour like Bermuda for the protection of generational wealth.
- > **International finance centres enable philanthropy and impact investing.** Bermuda is home to global foundations, trusts and family offices that generate measurable social and environmental good.



- > **Companies built in Bermuda give, don't take.** Some of our market's largest corporations, including 13 of the world's top reinsurers, play a critical role in the global economy. They help stabilise communities via billions of dollars in claims paid after hits by hurricanes, floods, fires, earthquakes and other disasters.
- > **Besides, we do pay tax.** Sometimes it just has a different name—like stamp and payroll duty, land or customs tariffs. The estimated ratio of total government receipts in relation to GDP in Bermuda was about 16 percent in 2016–17.

The Paradise Papers presents a wonderful opportunity for Bermuda. A chance to differentiate from jurisdictions that can't claim our longstanding, blue-chip record of transparency and compliance. To underscore that our regulatory and business ecosystem is pragmatic and appropriate. To remind the world that just because we have palm trees, sonorous tree-frogs and a rather pleasant climate, we're not in the business of illicit, illegal, or even immoral, wrongdoings.

So, how should we respond? With honest, assured messaging—transparent in word and deed. Because Bermuda is different.

And that's a fact.

ABOUT VIEWPOINT

A monthly blog by BDA CEO Ross Webber, with commentary on industries, issues and influencers affecting Bermuda as a global financial centre. Comments and feedback can be sent to ross@bda.bm

ABOUT BERMUDA BUSINESS DEVELOPMENT AGENCY (BDA)

The BDA encourages direct investment and helps companies start up, re-locate or expand their operations in our premier jurisdiction. An independent, public-private partnership, we connect prospective companies to industry professionals, regulatory officials, and key contacts in the Bermuda government to facilitate domicile decisions. Our goal? To make doing business in Bermuda straightforward and beneficial.

