

# 15th Annual International Anti-Money Laundering Conference

March 15-17, 2010 | The Westin Diplomat | Hollywood, Florida

## Determining Beneficial Ownership The Push for Transparency

By

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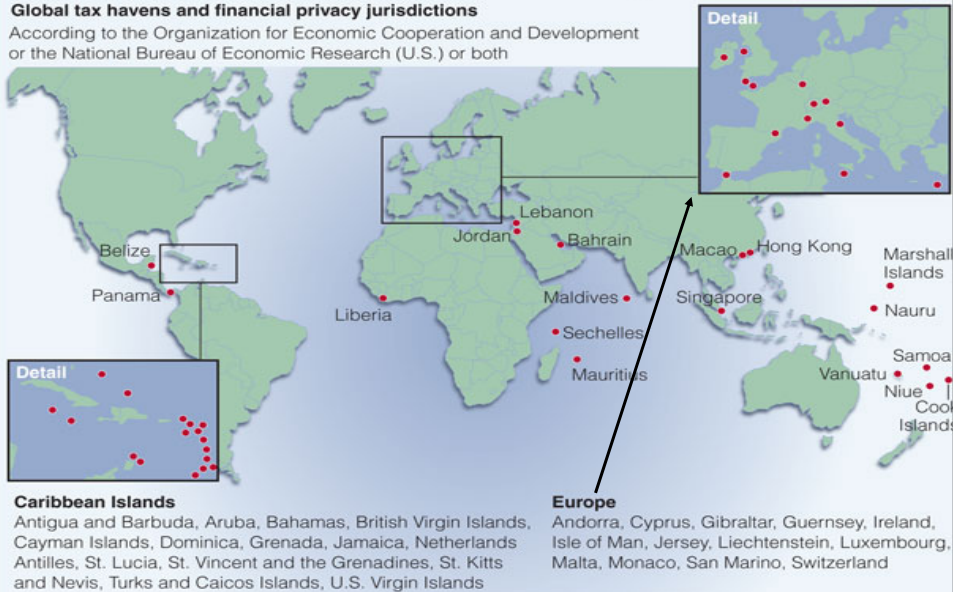
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### Tax Havens Around the World According to ONE source - USGAO

While there isn't a uniform definition of a tax haven, it's often described as a jurisdiction that has no or nominal taxes and doesn't exchange much information with foreign tax authorities.

#### Global tax havens and financial privacy jurisdictions

According to the Organization for Economic Cooperation and Development or the National Bureau of Economic Research (U.S.) or both



Source: U.S. Government Accountability Office report

Bloomberg

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### Tax Evasion and Shell Companies

The beginning? In Ancient Greece sea traders deposited imported goods on Greek Islands to avoid 2% import tax by City State of Athens

#### Shell Companies Today

United States – 2/4/10 Senate Report - 2 million companies formed each year and most states do not require ownership information.

\* Delaware – tax haven or just corporation friendly?

Panama – now has in excess of 400,000 shell companies

Cayman Islands – 5<sup>th</sup> largest financial center in the world. On 5/4/09 President Obama says 12,000 shell companies share one building address

Former Soviet Union countries laundered \$36 billion in 2008 in the U.S. by use of shell companies according to FBI estimates

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### Challenges Presented by Shell Companies



Laptop gives global access to tax havens and financial institutions to form shell companies and open accounts



#### Powerful Opposition to Change:

- In U.S., American Bar Association opposes company transparency proposed in new law (See ABA 6/30/09 letter to Senator Lieberman)
- Chinese Government opposes G20 on designation of Hong Kong and Macau as tax havens
- EU-funded third world development projects use companies registered in tax havens to provide funding

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## Global Recession - Need for Tax Revenue Lost to Tax Evasion Drives Change in Shell Company Laws Globally

### FIGHTING TAX EVASION

- U.S. vs. Swiss, UBS turns over 4,500 U.S. citizens with Swiss Bank Accounts
- Germany buys lists of tax evaders with Accounts in Lichtenstein and Swiss Banks
- G-20 and OECD Article 26 of Tax Convention on Global Exchange of Tax Information agreed to by 87 countries  
(Non-binding tax agreements with many country variations)



### QUESTIONS REMAIN:

Can threat of tax evasion prosecution deter organized crime?

Will global fight against tax havens slow when global economy recovers?

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## Opening New Accounts - Risk Mitigation Strategies

**Red Flag** companies formed in Secrecy and Tax Havens as well as ones formed in countries with a high level of corruption (see Transparency Int'l)

Some "General Rules" (there are exceptions)

Public v. Private - publically traded companies can have less risk if proper Regulations are enforced (Karachi Stock Exchange v. NYSE Euronext)

Size Matters: Large public and large private companies more regulated, more visible, while smaller companies less less transparent, less regulated

Age Matters: New v. Older established company. Shelf company exception

Website: Serious businesses usually set up serious Websites

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