The troubling resilience of the offshore centers[1]

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Summary:
After a decade of global crackdown on offshore centers, four of them, Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands, have slightly increased in importance in global finance, accounting for about 15% of global cross-border investment flows in 2019. All major banks and most major mining conglomerates have significant relationships with them. Although they have committed to beneficial owner transparency, there are serious doubts about the implementation of their commitments. A last effort is needed to achieve transparency in finance.

In April 2009, a G20 summit was held in London. This was eight months after the outbreak of the global financial crisis, the worst since World War II, a crisis marked not only by the collapse of Lehman Brothers but also by significant concerns about the opacity of financial vehicles and the registration of funds in lightly regulated offshore centers. In their April 2d, 2009 statement, the G20 heads of state agreed "to take action against non-cooperative jurisdictions, including tax havens" and had these very strong words: "The era of banking secrecy is over".

In 2009, offshore centers still played a major role in the world economy. For each year, the IMF publishes the cross-border investments between all countries of the world, according to the declarations made by the countries themselves. IMF defines those cross-border investments as equity and debt investments, as well as deposits, a broad definition even if it does not include trade and potential mispricing. A wire transfer from a country to another one should be captured by the IMF statistics, whether the sender or the beneficiary are companies, trusts, individuals or public entities. Purchase of shares in or loan to a foreign company is also captured. In 2009, total cross-border investment amounted to \$20 trillion. 13.9 per cent of those \$20 trillion, or nearly \$3 trillion, came from just four small jurisdictions, Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands, and 12.2 per cent of global flows went to them.

The G20 declaration in 2009 seemed to be the beginning of a global crackdown on offshore centers. After initial unsuccessful attempts with soon-to-be-empty OECD blacklists, US authorities dismantled the UBS tax evasion schemes in 2009. The following year, the U.S. Congress passed the Foreign Account Tax Compliance Act (FATCA) , which requires every non-U.S. financial institution to report the assets and identity of any client with a U.S. connection. FATCA brought about significant changes in the laws of countries such as Switzerland or Austria, long considered safe havens for any type of secret financial deposit.

[1] I would like to express my gratitude to Laurence Cockcroft, founding member of Transparency International, an expert and well-renowned author in the topics touched here, among many others. He read the initial version of this article and helped me to significantly improve it. He also introduced me to Phil Mason, former head of the Anti-Corruption team and the Overseas Territories Department within UK's Department for International Development (DfID), who kindly and precisely answered my questions on the governance of the British Overseas Territories in relationship to their financial role. All opinions expressed in this article obviously remain under my sole responsibility.

FATCA was not the end of the story, as in 2014, under the aegis of the OECD, 65 countries agreed to the automatic exchange of tax information, a request made only by a few civil society organizations at the time of the global crisis.

Among other countries, Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands have all agreed to join the automatic exchange of tax information, which requires each participating country to share with all other countries financial information on accounts held by residents of those countries. In recent years, they have also adopted regulations requiring companies to keep records of their beneficial owners, those individuals who are the true owners and beneficiaries, even at the end of a complex pyramid of legal entities. The three British overseas territories were strongly encouraged to do so by the British government after a campaign by Transparency International UK and other civil society organisations.

Bermuda, the British Virgin Islands and the Cayman Islands have long had a pattern of offering investors two main advantages: nominal tax rates, and light regulation allowing to hide flows and beneficiaries' identities. Transparency International UK, in a 2018 review of 237 corruption cases from the past 30 years, identified these three jurisdictions as having the largest number of registered companies involved in these cases, with the jurisdiction of choice for those seeking secrecy being by far the British Virgin Islands with 1,107 companies identified.

Since the 1960s, Luxembourg has attracted investors with low taxes and flexible regulation. This activity has allowed the small Western European state to offset the decline of the steel industry from the 1970s. LuxLeaks in 2014 or OpenLux this year have shown the prevalence and persistence of lax practices, favoring aggressive tax optimization but also opaque behaviors illustrated by major company bankruptcies such as Banco Espirito Santo in Portugal.

However, if the tax model of those jurisdictions can be discussed, do we still have to worry about illicit financial flows since the jurisdictions have now adhered to the OECD automatic exchange of tax information and oblige their companies to maintain beneficial ownership registries?

This is a very important question, which the EU and OECD have chosen to answer in the negative, as shown in Table 2, since these jurisdictions are no longer considered non-cooperative or non-compliant jurisdictions.

However, if these jurisdictions can no longer offer secrecy, their importance in global financial flows should have diminished considerably. Their offer would now be reduced to low or nominal taxation and would no longer include the very important secrecy offering.

The biggest four offshore centers still more important now than ten years ago

As mentioned, in 2009 investment from these four jurisdictions accounted for just under 14% of global flows of $20 trillion, and 12.2% of global flows went to them. Ten years later, in 2019, the latest year available in the same IMF database, of the $37 trillion in global cross-border investment flows, 15.9% came from the four jurisdictions and 13.2% went to them (table 1).

Table 1. Cross-border investment from and to Luxembourg, Bermuda, the British Virgin Islands, and the Cayman Islands, 2009 and 2019.

Jurisdictions	2009				2019			
	Investment in the economy		Investment from the economy		Investment in the economy		Investment from the economy	
	$m	World %	$m	World %	$m	World %	$m	World %
Bermuda	529 010	2,5%	329 701	1,6%	632 520	1,7%	853 359	2,3%
Bristish Virgin Islands	401 449	1,9%	605 044	3,0%	882 254	2,3%	1 314 819	3,6%
Cayman Islands	294 097	1,4%	196 793	1,0%	876 103	2,3%	890 616	2,4%
Luxembourg	1 300 621	6,3%	1 691 043	8,3%	2 555 673	6,8%	2 713 648	7,5%
Total four	2 525 177	12,2%	2 822 581	13,9%	4 946 550	13,2%	5 772 443	15,9%
World total	20 801 875	100%	20 362 992	100%	37 612 646	100%	36 395 401	100%

Source: IMF, author's calculations. Due to discrepancies in country reporting to the IMF, global totals for inward and outward investment are not identical but close.

In 2009, less than three trillion dollars went in and out of the four territories. In 2019, nearly five trillion dollars went in and nearly six trillion dollars came out. After a decade of global outcry and official crackdown on offshore centers, the importance of these four territories has also increased significantly in percentage terms, with the exception of investment flows to (but not from) Bermuda and those from (but not to) Luxembourg.

The persistent specificity of these four jurisdictions is further highlighted when we calculate their offshore finance ratio.

The model trying to attract as much international finance as possible with no other asset than a very lenient jurisdiction is still clearly reflected in the discrepancy between the financial flows to and from those territories, and the wealth that the territories themselves are able to produce. The ratio of average between inward and outward foreign investment divided by GDP, which we call offshore finance ratio, is a clear indicator of the degree of extraversion of an economy. In simple terms, when the offshore finance ratio reaches extreme values it shows a complete disconnect between the size of the flows into and out of the economy and the capacity of the economy to produce any wealth at all.

It also shows how useless for real economy and development needs financial flows may be when they only transit through jurisdictions without any proportionate economic infrastructure.

The offshore finance ratio, an indicator of the disconnect between offshore financial flows and real economic needs

Table 2 presents the offshore finance ratio for offshore centers on the lists drawn up by the European Union, the OECD and the Tax Justice Network, as well as for countries that are not or no longer considered as offshore centers.

As the table shows, economies that are not particularly financial, such as the United States, Japan, France or Germany, have an offshore finance ratio well below 100 percent. The UK has a 112% offshore finance ratio, Switzerland a 206% ratio. In both of these cases, cross-border financial flows are very significant, but there are strong domestic activities, particularly financial, that support these flows. However, the three jurisdictions with by far the highest ratios are Bermuda with 9927%, the British Virgin Islands with 106862% and the Cayman Islands with 16012%. For every dollar produced on these islands, even within their local financial sector, $99 flow cross-border to and from Bermuda, $160 to and from the Cayman Islands, and $1069 to and from the British Virgin Islands. Luxembourg also has a very high ratio of 3705% (37 cross-border dollars for every dollar produced).

Table 2. Offshore finance ratio 2019 (average between inward and outward foreign investment divided by GDP), offshore centers and miscellaneous countries.

	Presence on tax haven lists			
	EU	TJN/100 at the haven score 2021	OECD Global Forum on Transparency and Exchange of Information	
	22.02.21	2021	11.12.20	Offshore Finance Ratio
Source	Taxation: EU list of non-cooperative jurisdictions - Consilium (europa.eu)	2021 ranking (taxjustice.net)	Compliance ratings following peer reviews against the standard of EOIR - OECD	GDP (current US$) | Data (worldbank.org)
American Samoa	X			2304%
Anguilla	X	X	X	447%
Bahamas		X		1033%
Bermuda		X		**9927%**
British Virgin Islands		X		**106862%**
Cayman Islands		X		**16012%**
Dominica	X			61%
Fiji	X			8%
Guam	X			3%
Guatemala			X	7%
Isle of Man		X		388%
Jersey		X		4825%
Palau	X			6%
Panama	X			67%
Samoa	X			1720%
Seychelles	X			372%
Trinidad and Tobago	X		X	19%
Turks and Caicos		X		113%
US Virgin Islands	X			163%
Vanuatu	X			14%
France				40%
Germany				35%
Japan				19%
Luxembourg				**3705%**
Switzerland				206%
UK				112%
US				22%

Jersey and Samoa also have very high ratios. However, they represent a much smaller share of global investment flows (In 2019, Jersey accounted for 1% of global outbound investment and 0.3% of inbound investment, Samoa 0.1% of outbound investment and 0.001% of inbound investment).

Luxembourg, Bermuda, the British Virgin Islands, and the Cayman Islands are indeed by far the most important offshore centers in terms of financial flows compared to the other offshore centers in Table 2, as Table 3 clearly illustrates.

Table 3: 2019 ranking of the world's largest investor countries.

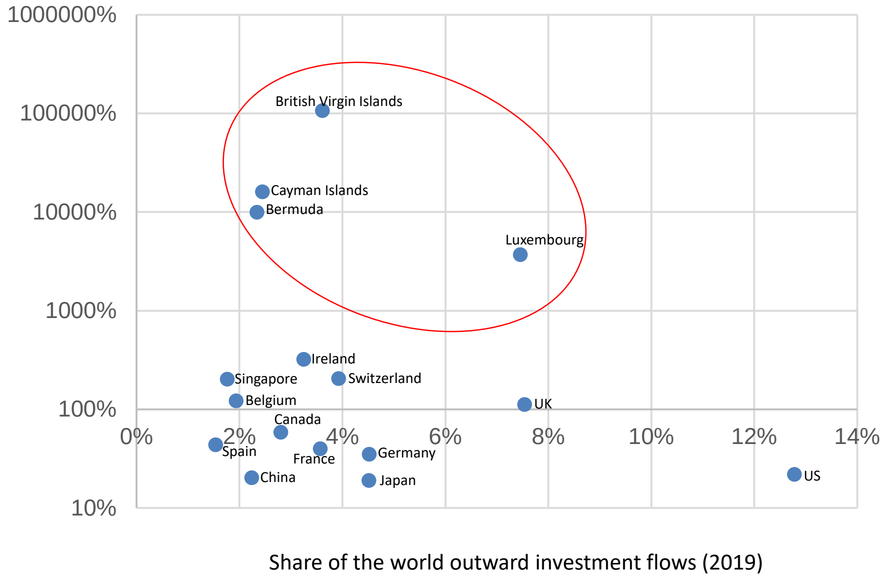
Investment from	m$	World %
United States	4 652 692	12,8%
United Kingdom	2 745 488	7,5%
Luxembourg	**2 713 648**	**7,5%**
China, Hong Kong	1 887 202	5,2%
Germany	1 645 712	4,5%
Japan	1 645 033	4,5%
Switzerland	1 430 388	3,9%
British Virgin Islands	**1 314 819**	**3,6%**
France	1 300 654	3,6%
Ireland	1 184 197	3,3%
Canada	1 021 673	2,8%
Cayman Islands	**890 616**	**2,4%**
Bermuda	**853 359**	**2,3%**
China, Mainland	815 584	2,2%
Belgium	704 571	1,9%
Singapore	641 733	1,8%
Spain	559 536	1,5%
RoW	10 388 495	28,5%
World total	36 395 401	100%

Source: IMF, author's calculations.

Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands: suction and delivery pumps of global finance?

Table 4 synthetizes the specificity of the four jurisdictions, which are both very important and relatively empty financial centers, since almost all of the economy is made up of cross-border financial flows, not cash creation within borders. A logarithmic scale had to be used to allow a good representation of the offshore finance ratios, so great is the singularity of the countries studied. Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands appear to be suction and delivery pumps of global finance, collecting liquidity and returning it to the outside world.

Table 4. The world's 16 largest investor countries with their shares in global cross-border investment flows and their offshore finance ratios.



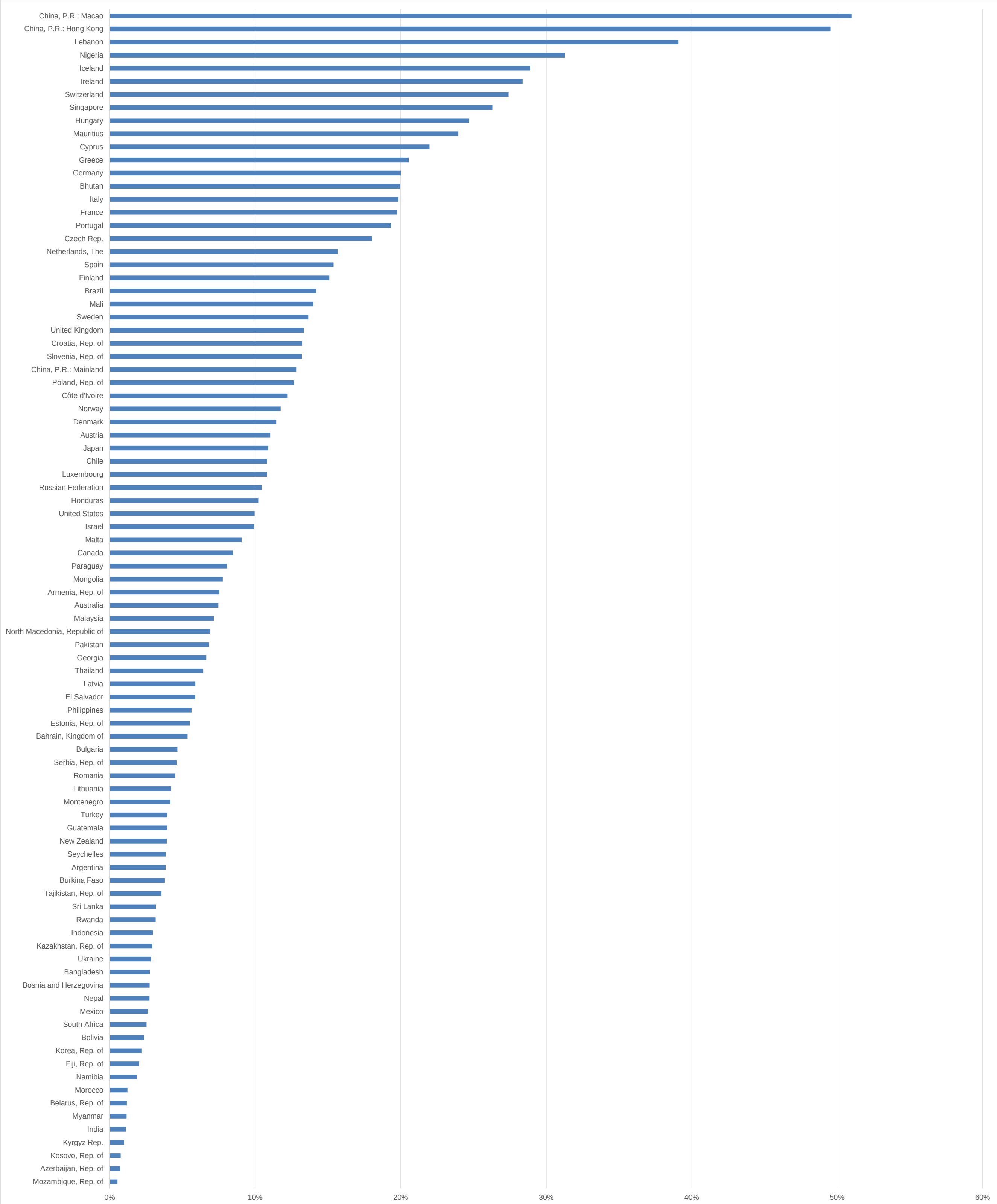
Sources: IMF, World Bank, author's calculations.
Note: China considered as the sum of Mainland China, Hong Kong and Macau.

The IMF database provides a country-by-country view and allows us to identify the economies whose flows are most dependent on the four jurisdictions (Tables 5 and 6). They show very strong relationships between these jurisdictions and large economies like Brazil. They also show how countries facing a number of burning development issues have significant flows directed to these territories.

Another way to analyze the data is to try to describe more precisely the role of hubs such as Hong Kong, Macao, or Singapore. Mainland China received only 13% of its foreign, i.e. non-mainland, investment directly from the four countries in 2019, but it received 49% of its investment from Hong Kong, which itself received 50% of its investment from the four countries. Singapore, which received 26% of its foreign investment directly from the four countries in 2019, also certainly plays the role of a hub, unfortunately difficult to assess precisely since data on outflows from Singapore are very sketchy in the IMF database.

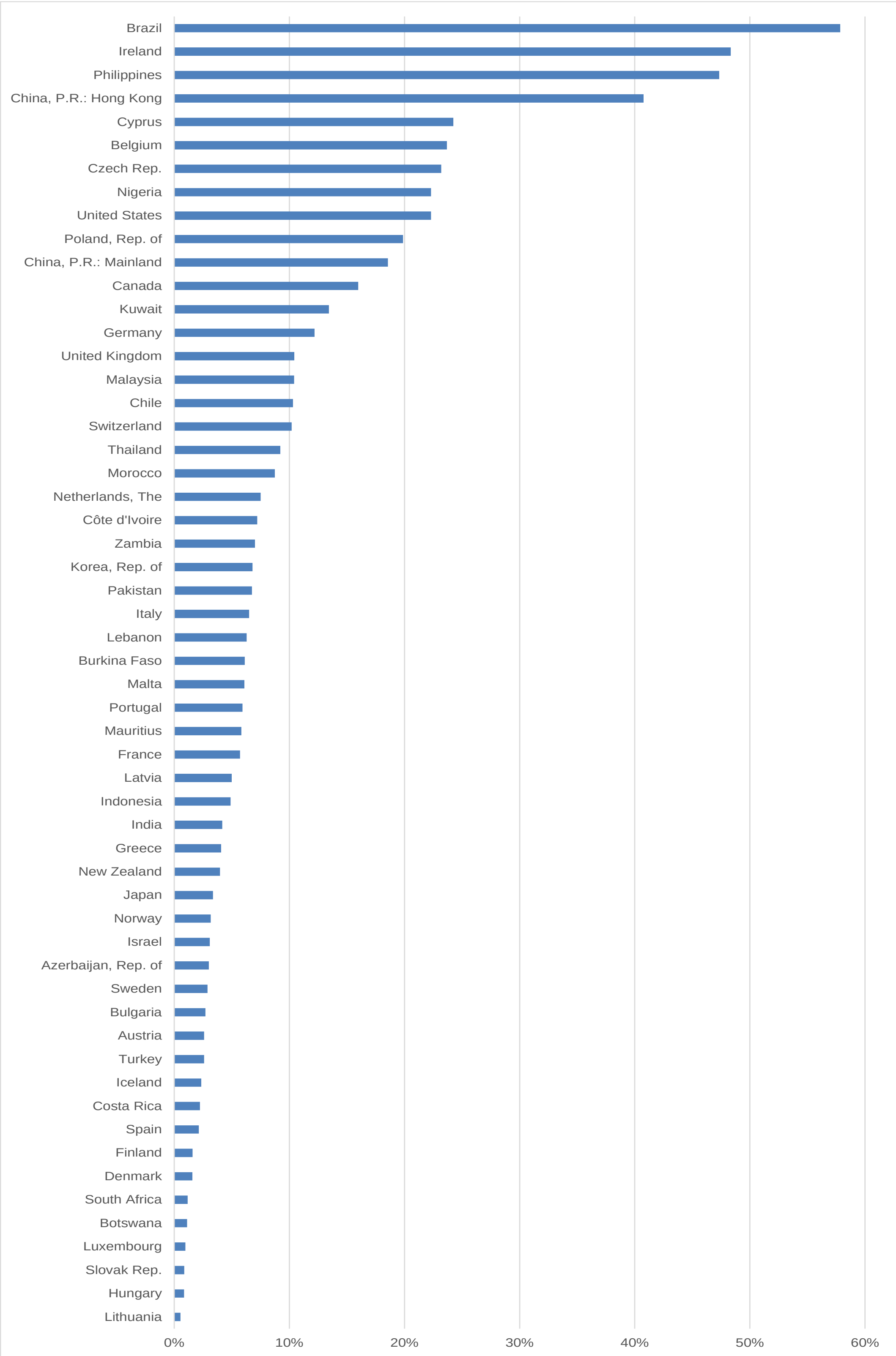
The hub role of several countries also illustrates a fact important to bear in mind. Within one single year, month, day or hour, it is possible for any sum of money to cross several borders, therefore to be accounted for several times in the statistics. This means that unfortunately adding those investments is not the same as adding investments in infrastructure or plants. The world absolute cross border investment amounts is of a lesser significance than the relative weight of several jurisdictions, among which the four being studied.

Table 5. Direct investment from Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands in 2019 (% of total foreign direct investment in the host country).



Source: IMF, author's calculations.

Table 6. Direct investment in Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands in 2019 (% of total foreign direct investment from the investing country).



Source: IMF, author's calculations.

A significant weight in global banking…

The weight of Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands is still very important in global finance. Every year since the 2008-2009 global crisis, the Financial Stability Board (FSB) has updated a list of the global systematically important banks, the largest thirty banks in the world which are required to have additional capital layers under Basel 3 regulations to account for their significant contribution to systemic risk. A research in the most recent regulatory reporting of those thirty banks shows that all have subsidiaries, branches or significant financial exposure in at least one of our four jurisdictions, 13 banks are active in two of the four, 8 in three of the four and 1 in all four.

Table 7. Activities of the 30 Global Systematically Important Banks in Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands.

	Luxembourg	Bermuda	British Virgin Islands	Cayman Islands	Country of headquarters	Sources
Citigroup	Total outstanding $5.1 bn	No	No	Total outstanding $98.5 bn	US	10 K 2020
HSBC	Subsidiaries and registered offices	Subsidiaries in Bermuda, listed on Bermuda stock exchange	Registered office	Subsidiaries and registered offices	UK	20F 2020
JPMorganChase	Total exposure $12.4bn, subsidiaries	No	No	Total exposure $210 bn	US	10K 2020
Bank of America	No	No	No	Subsidiary	US	10K 2020, exhibit 21, p, 504
Bank of China	Subsidiaries and offices	No	No	Branch	China	2020 Annual report
Barclays	Subsidiaries	No	No	Subsidiaries	UK	20 F 2020
BNP Paribas	Subsidiary (former Banque Générale du Luxembourg) and branches	Subsidiary	No	No	France	Document d'enregistrement universel et rapport financier annuel 2020
China Construction Bank	Subsidiary and branch	No	Subsidiary	Branch	China	Annual report 2019
Deutsche Bank	Subsidiary, $22bn exposure	No	No	Significant exposure in loans, debt securities, repos and off-balance sheet commitments	Germany	20F 2020
Industrial and Commercial Bank of China	Subsidiary, branch	No	No	No	China	2019 Annual report
Mitsubishi UFJ FG	Subsidiary	Subsidiary	No	Special Purpose Vehicle present in 2020	Japan	20F 2020
Agricultural Bank of China	Subsidiary, branch	No	No	No	China	2019 Annual report
Bank of New York Mellon	Subsidiary, total exposure $3bn	No	No	Branch	US	10 K 2020
Credit Suisse	Subsidiary	Subsidiaries	No	Subsidiaries, total exposure CHF 27 bn	Switzerland	Annual report 2020
Goldman Sachs	Subsidiary, total commitments $4bn as of 31.12.19	No	Subsidiary	Subsidiaries, Total exposure $62bn	US	10K 2020
Groupe BPCE	Subsidiaries	No	No	No	France	Document d'enregistrement universel et rapport financier annuel 2020
Wells Fargo	Total exposure $4.4bn	Total exposure $ 3bn	No	Total exposure $ 6.3 bn	US	Exhibit 13 of the 2020 annual report
Groupe Crédit Agricole	Subsidiaries, total exposure $36bn	No	No	No	France	Document d'enregistrement universel et rapport financier annuel 2020
ING Bank	Subsidiaries, total exposure €28bn	€0.2 bn exposure to Bermuda	No	No	The Netherlands	20 F 2020
Mizuho FG	Subsidiary	No	No	No	Japan	20 F 2020
Morgan Stanley	Total exposure $9.7bn on 31.12.19	No	No	Total exposure $53bn	US	10K 2020
Royal Bank of Canada	Subsidiary, total exposure $C9.7bn	No	No	Subsidiaries	Canada	Annual report 2020
Santander	Subsidiaries	One entity	No	Branch	Spain	20F 2020
Société Générale	Subsidiaries	Subsidiary	No	No	France	Document d'enregistrement universel et rapport financier annuel 2020
Standard Chartered	Subsidiary	No	Subsidiaries	Subsidiaries	UK	Annual report 2020
State Street	Offices, $7.2 bn total exposure	No	No	Subsidiary	US	10K 2020
Sumitomo Mitsui FG	No	No	Subsidiary	Subsidiaries	Japan	20F 2019
Toronto Dominion Bank	No	Subsidiary	No	No	Canada	Annual report 2020
UBS	Subsidiary, branches, offices	No	No	No	Switzerland	20F 2020
UniCredit	Subsidiaries	Subsidiary	No	Subsidiaries	Italy	Bilanci e Relazioni 2020

Is the financial activity of these four countries solely related to capital market transactions, with little interference with the global economy? This would be the case if the presence of international companies in these countries were limited to the banking world.

...and in the global mining sector

Of the top eight global mining companies according to Global Mining Suppliers, only one appears not to have subsidiaries in any of the four countries. There is insufficient information on one other company, but six of the top eight mining companies clearly have subsidiaries in at least one of the four countries, with three operating in three of the four countries and one in all four (Table 8).

Table 8. Subsidiaries of the top 8 global mining companies in Luxembourg, Bermuda, the British Virgin Islands and the Cayman Islands.

	Luxembourg	Bermuda	British Virgin Islands	Cayman Islands	Country of headquarters	Sources
BHP	No	Subsidiary	Subsidiaries	Subsidiaries	Australia / UK	Annual report 2019
Rio Tinto	Subsidiary	Subsidiaries	Subsidiaries, less than 100% ownership	No	Australia / UK	Annual report 2020
Vale	Subsidiary	No	No	Subsidiary	Brazil	Reference form 2020
China Shenhua Energy	No	No	No	No	China	2020 Annual report
MMC Norilsk Nickel					Russia	Insufficient information
Glencore	No	Subsidiaries	No	No	Switzerland	2020 Annual report
Newmont	Subsidiary	Subsidiary	Subsidiaries	Subsidiaries, less than 100% ownership	US	10K 2020
Anglo American	Subsidiary, less than 100% ownership	Subsidiaries	Subsidiaries, less than 100% ownership	No	UK / South Africa	Integrated annual report 2020

The offer of the four countries has always been twofold: a low tax rate and a light jurisdiction allowing secrecy. One would think that after a decade of global efforts, and specifically after the four countries decided to participate in automatic tax information exchange and impose beneficial ownership registries, the secrecy offering would have diminished considerably, leading to a decline in the importance of the four countries: if you cannot hide your identity and if your offshore bank account is known to your national tax authorities, these countries are no longer the hosts of your secret transactions. However, the decline of these countries has not been observed, far from it. The persistence of these offshore centers is a paradox.

The solution to this paradox lies in a probably very light implementation of transparency commitments. There is no public information on the effectiveness of tax information exchange between the different jurisdictions that have signed the OECD agreement, but local regulations on beneficial ownership registries are publicly available. What do they say?

In Luxembourg, companies have to disclose their beneficial owners. If they fail to do so, they risk a fine of between 1,250 and 1,250,000 euros.

In the Cayman Islands, companies have to maintain a non-public beneficial ownership registry. If they fail to do so, they risk a monthly fine of between $1,220 and $30,500.

In Bermuda, companies have to maintain a non-public beneficial ownership registry. If they fail to do so, the penalties are a $10,000 fine or six months in jail, if the persons concerned are in the territory.

In the British Virgin Islands, companies have to maintain a non-public beneficial ownership registry. Failure to do so can result in a fine of up to $10,000. Registered agents of companies must make "reasonable efforts" to identify beneficial owners and risk greater fines and even imprisonment if they fail to make such reasonable efforts.

Beneficial ownership disclosure in offshore centers: is the cost of non-compliance simply a small portion of the cost of doing business?

In the absence of data on the actual enforcement of beneficial ownership disclosure requirements, the penalties under the regulations of the four jurisdictions appear low, especially considering the amounts involved, which in most cases are not less than several tens or hundreds of millions of dollars. Presumably, the payment of a fine would only slightly reduce the profitability of a scheme to conceal the ownership and origin of a substantial amount of money, and jail time can be easily avoided. It is interesting to compare these provisions with the ones of the recent and important US Corporate Transparency Act (CTA), which requires disclosure of the identities of persons who own or control a US company. The law allows for criminal penalties—a fine, a prison term for up to three years, or both. Threat of jail time for persons who may be U.S. residents is arguably a powerful deterrent. Deterrence may not be as powerful against non-residents of Bermuda or the British Virgin Islands. A few years ago, the offshore centers' newly claimed transparency was described by Transparency International UK as "just on paper". It may be that paper transparency is still the standard.

Given the lack of transparency that remains, and which probably explains the continued appeal of these four jurisdictions, the links of the world's top 30 banks to them are obviously of concern. Subsidiaries, branches to collect client deposits, and local exposures in the billions or tens of billions signal very active business relationships with entities or individuals who have a major interest in having their funds in jurisdictions that are still lightly regulated. For banks that are supposed to be more closely monitored than others for their potential contribution to global systemic risk, such activities do not necessarily seem wise.

For mining companies, presence in these offshore centers is not wise either. Mining should be about extracting minerals, not about moving money around the globe. Companies might argue that this presence is part of their overall tax optimization, which does not particularly contribute to development, but then why would they have minority equity partners, as shown in Table 8, in subsidiaries registered in the British Virgin Islands, the Cayman Islands or Luxembourg? In the absence of further information on these partners, one can only speculate. Are they also local partners involved in the operations of a particular country? Are these partners reducing their taxes? Or have they chosen this location to conceal the identity of their beneficial owners? The risk is high for these large companies if they continue to tolerate these situations.

Some will say that having subsidiaries or interests in such large financial centers is perfectly normal for global companies. I would answer that it is normal just as coal financing was normal for all global banks a few years ago. Things are changing. Repsol, the large Spanish oil conglomerate, publishes an annual report entitled "Presence in non-cooperative jurisdictions and controversial tax jurisdictions". Many international companies could follow this practice with profit. Repsol uses a broad definition of controversial jurisdictions, taking into account several lists drawn up by international governmental and non-governmental organizations, and reports specifically on its activities and figures in a number of jurisdictions, Bermuda, Cayman and Luxembourg, but also other countries that are somewhat less frequently mentioned, such as Trinidad and Tobago, Switzerland or the Netherlands.

If offshore centers are not serious about beneficial ownership disclosure, why would we keep doing business with them?

As it has been repeatedly demonstrated, offshore centers play a negative role in the global economy. Their existence encourages in many countries a grabber economy at the expense of a producer economy, since it favors illegal and hidden gains to the detriment of legal and re-invested gains. Their surprising resilience, even their slight gain in importance after a decade of alleged global crack-down against them, shows that renewed efforts are needed.

The global civil society campaign to obtain beneficial owner registries has born fruits. However, in many jurisdictions, these registries are not yet freely accessible by the public. The degree of enforcement of sanctions for non-compliance is unknown and public registries would be a powerful means of achieving compliance. In Bermuda, the British Virgin Islands and the Cayman Islands, public registries are only planned for 2023 and under the condition that a "global standard" has been agreed upon by that time. The precise conditions for future public access to the registries are still largely unknown. In Luxembourg the beneficial ownership registries are public but it has already been established that half of the companies that use them still manage to keep their true beneficial owners hidden.

One concerning commonality between the four jurisdictions is the striking discrepancy between their financial role and their limited administrative and oversight resources. The independent inquiry ordered earlier this year by the Governor of the British Virgin Islands into allegations of corruption, an inquiry supported by the British government, confirmed the concerns about weak governance of the territory.

The global financial system is only as strong as its weakest link. The US Treasury's Financial Crimes Enforcement Network (FCEN) requires financial institutions "to establish and maintain written policies and procedures that are reasonably designed to identify and verify the identity of the beneficial owners of companies opening accounts". Do "reasonable" procedures go beyond customer statements or, at most, simply stating the identity already consigned in a beneficial owner registry in a jurisdiction that does not verify such identities? If our four small jurisdictions represented less than 1% of global investment flows, we would care less. They account for 15%.

This is an issue of financial integrity and also an issue of development. The British Virgin Islands, since long specialized in forming shell companies that are the recipients of various gains, receives in percentage significantly more money from the global South than it sends back to it. Using the IMF classification of "developed" and "developing" countries and comparing the percentages of those two groups of countries in the inflows in and the outflows from the British Virgin Islands, more than 100 billion dollars went in 2019 from South to North through the British Virgin Islands only.

In addition to enforcement of sanctions for non-compliance and effective publicity of registries, banks' enduring relationships with and financial exposure to jurisdictions that do not seem to seriously implement beneficial ownership registries are highly questionable. Non-financial companies, particularly those operating in sectors with high corruption risks such as mining and oil and gas, should also reconsider their presence in jurisdictions that cannot demonstrate that they implement beneficial ownership regulations.

Widespread formal adherence to global standards has emptied the lists of offshore centers almost since the beginning of this exercise in 2009, which does not encourage many large companies to take the issue seriously. However, this has not stopped Repsol from engaging in regular publication of its report on controversial jurisdictions. At the very least, objective measures such as offshore finance ratios should be used by companies to report annually on their activities and the reason for their presence in the suction and delivery pumps of global finance.

Companies should also systematically disclose the identity of other shareholders in the subsidiaries that they do not wholly own. Those subsidiaries are not numerous, companies have the information at hand, their shareholders, their stakeholders and the public at large have the right to know the business rationale behind the creation of a joint subsidiary with a third party in the Virgin or Cayman Islands.

It may be that in both offshore and less controversial jurisdictions, most of the current sanctions for non-compliance with beneficial owner disclosure will prove ineffective. In this case, we should probably move toward more severe sanctions, such as freezing all assets where an entity refuses to disclose beneficial owners after several warnings or where there is evidence that beneficial owners have been intentionally disguised.

Luxembourg is an independent country. For various political and historic reasons, the UK's overseas territories also enjoy a considerable economic and regulatory autonomy. Pressure on those four jurisdictions can most effectively be exercised by the business world, - and by civil society requiring international companies to diminish or cease their exposure to jurisdictions if they appear not to be serious about beneficial owner transparency. International companies will not move without civil society pressure. The current systems of transparency on paper only mean a small increase in the cost of doing business: the probability of having picked the wrong business partner, multiplied by the low probability of this business partner being caught, multiplied by a limited fine discounted over years of procedure. Civil society mobilization means clients and investors potentially running away, which is different.

The same banks that still seem very keen to partner with offshore centers deprived of effective beneficial owner registries are now extremely reluctant to finance carbon projects.

Global civil society has to play a role and local civil society has to play a role as well. The claims that brought about the ongoing investigation in the British Virgin Islands came from the BVI civil society. Civil society in Luxembourg is active as well to demand stricter separation between business interests and governmental policies. There are hopes from many places that a consensus is forming about the fact that anonymous money is a danger to the global economy like ownerless luggage is a danger at an airport.

The effective knowledge of beneficial owners may be the last battle for a more transparent financial world, which would also be a more efficient one, a financial world that better serves the needs of the global economy and development. This battle is well worth fighting.