

The Attractiveness of Tax-Efficient IFCs in The New World Order

Onshore vs. Offshore perspective

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New World Order

- What has changed?

Tax-Efficient IFCs

- Why do they remain attractive?

Onshore vs. Offshore

- Which is best – Is there a difference?

New World Order

What has changed?

- Trump effect
- Brexit ramifications
- Selective investment response
- Strategic global positioning required
- Geo-political threats = geo-financial risk
- Judicious IFC venue allocation essential

Extra-territoriality

Geo-financial risk writ large

US\$ supremacy, US enforcement power
Post-9/11 (“War on terror”), post-GFC

- Lack of Extra-territorial know-how; Neo-Westphalian approach
- BNP Paribas (\$9bn), Deutsche Bank, Commerzbank (“...Crying wolf...”)
- Standard Chartered (“...Never mind the Yanks...”)
- HSBC (Local issues on a global scale)
- Lebanese Canadian Bank (Hezbollah) – SocGen picks up the pieces...
- OFAC designations and 311; US enforcements vs. EU/(UN)/OECD
- FATCA & GATCA – disclosure, transparency where appropriate
- BP (Deepwater Horizon), VW emissions scandal
- EU Passporting/De-risking: Banc de Binary, ADS Securities
- Advisory troubles – Deloitte, PwC, Promontory...
- Rolls Royce (\$800m – UK’s SFO in cooperation with DoJ)

Tax-Efficient IFCs

Why do they remain attractive?

- Governments short on revenue, growth
- Onshore *and* offshore
- Attracting much-needed revenues
- Investors need to think like multi-nationals
- Diverting exposure from asset-stripping venues
- Common sovereign tactic

Onshore versus Offshore

Which is best – Is there a difference?

Judicious IFC venue allocation...

Onshore

- Headline versus Effective tax rates
- Post-GFC GDP growth – *national/regional/global*
- Geo-political/financial stability; Rule of law; Dispute res.
- Financial centre specialist; US/UK; Common/Civil law
- Dual passport; Bank de-risking

Offshore

- Post-9/11, post-GFC, post-*Panama Papers*
- Tax efficient; Dual passport; Bank de-risking
- Geo-political/financial stability; Rule of law; Dispute res.
- Financial centre specialist; US/UK; Common/Civil law

Index of Economic Freedom 2017

Key Parameters:

- Property rights
- Freedom from corruption
- Fiscal freedom
- Government spending
- Business freedom
- Labour freedom
- Monetary freedom
- Trade freedom
- Investment freedom
- Financial freedom

Economic Freedom Scores

80-100	Free
70-79.9	Mostly Free
60-69.9	Moderately Free
50-59.9	Mostly Unfree
0-49.9	Repressed

Source: Heritage Foundation

Country	Rating	Ranking	Country	Rating	Ranking
Hong Kong	89.8	(1/180)	UAE	76.9	(8/180)
Singapore	87.8	(2)	Qatar	73.1	(29)
Switzerland	81.5	(4)	Bahrain	68.5	(44)
Ireland	76.7	(9)	Turkey	65.2	(60)
UK	76.4	(12)	Taiwan	76.5	(11)
Luxembourg	75.9	(14)	Malaysia	73.8	(27)
Netherlands	75.8	(15)	Indonesia	61.9	(84)
US	75.1	(17)	Mauritius	74.7	(21)
Germany	73.8	(26)	Panama	66.3	(54)
Belgium	67.8	(49)	Costa Rica	63	(65)
France	63.3	(72)	Seychelles	61.8	(85)
Italy	62.5	(79)	Bahamas	61.1	(90)
S Africa	62.3	(81)	Cyprus	67.9	(48)
China	57.4	(111)	Malta	67.7	(50)
Russia	57.1	(114)	Iran	43.5	(171)
Brazil	52.9	(140)			
India	52.6	(143)			

Global Financial Centres Index (GFCI 20), Sept 2016 PRE-BREXIT

Factors of Competitiveness:

- Business Environment Factors
- Financial Sector Development
- Infrastructure Factors
- Human Capital
- Reputational Factors

Country	Rating	Ranking	Country	Rating	Ranking
London	795	(1/87)	Dubai	698	(18/87)
New York	794	(2)	Doha	641	(40)
Singapore	752	(3)	Istanbul	620	(57)
Hong Kong	748	(4)	Bahrain	619	(58)
Zurich	716	(9)	Jersey	639	(42)
Luxembourg	711	(12)	Isle of Man	621	(56)
Frankfurt	695	(19)	Liech'stein	621	(56)
Geneva	689	(23)	Monaco	609	(67)
—	—	—	Caymans	676	(28)
Paris	672	(29)	Bermuda	654	(35)
Dublin	663	(31)	BVI	653	(36)
Milan	624	(53)	Jakarta	597	(76)
Shanghai	700	(16)	Mauritius	594	(79)
Sao Paulo	626	(51)	Bahamas	566	(86)
Jo'burg	618	(59)	Malta	599	(74)
Mumbai	598	(75)	Cyprus	593	(80)
Moscow	568	(84)	Iran	406	(N/A)

Source: z/Yen

Global Financial Centres Index (GFCI 21), March 2017 POST-BREXIT

Factors of Competitiveness:

- Business Environment Factors
- Financial Sector Development
- Infrastructure Factors
- Human Capital
- Reputational Factors

Country	Rating	Ranking	Country	Rating	Ranking
London	782	1 (/87)	Dubai	696	25 (18)
New York	780	2	Doha	648	39 (40)
Singapore	760	3	Bahrain	618	57 (58)
Hong Kong	755	4	Istanbul	609	66 (57)
Zurich	718	9 (11)	Jersey	633	43 (42)
Luxembourg	708	18 (12)	Liech'stein	628	48 (56)
Geneva	704	20 (23)	Isle of Man	617	58 (56)
Frankfurt	698	23 (19)	Monaco	598	74 (67)
—	—	—	Caymans	670	31 (28)
Paris	679	(29)	Bermuda	660	34 (35)
Dublin	663	33 (31)	BVI	625	51 (36)
Milan	619	56 (53)	Jakarta	608	67 (76)
Shanghai	715	13 (16)	Mauritius	603	71 (79)
Sao Paulo	613	62 (51)	Bahamas	582	83 (86)
Jo'burg	616	(59)	Malta	594	77 (74)
Mumbai	612	63 (75)	Cyprus	590	79 (80)
Moscow	566	85 (84)	Iran	452	(N/A)

Source: z/Yen

World Economic Forum Global Competitiveness Index 2016-17

- Property rights
- Intellectual property protection
- Diversion of public funds
- Public trust in politicians
- Irregular payments and bribes
- Judicial independence
- Favouritism in decisions of govt officials
- Wastefulness of govt spending
- Burden of govt regulation
- Efficiency of legal framework in settling disputes
- Efficiency of legal framework in challenging regs
- Transparency of govt policymaking
- Business costs of terrorism
- Business costs of crime, violence
- Organized crime
- Reliability of police services
- Ethical behaviour of firms
- Strength of auditing, reporting standards
- Efficacy of corporate boards
- Protection of min. shareholders' interests
- Strength of investor protection
- Quality of overall infrastructure
- Quality of roads

Country	Rating	Ranking	Country	Rating	Ranking
Switzerland	5.81	(1/139)	UAE	5.26	(16/139)
Singapore	5.72	(2)	Qatar	5.23	(18)
US	5.70	(3)	Bahrain	4.47	(48)
Netherlands	5.57	(4)	Turkey	4.39	(55)
Germany	5.57	(5)	Taiwan	5.28	(14)
UK	5.49	(7)	Malaysia	5.16	(25)
Hong Kong	5.48	(9)	Indonesia	4.52	(41)
Belgium	5.25	(17)	Panama	4.51	(42)
Luxembourg	5.20	(20)	Mauritius	4.49	(45)
France	5.20	(21)	Costa Rica	4.41	(54)
Ireland	5.18	(23)	Malta	4.52	(40)
Italy	4.50	(44)	Cyprus	4.04	(83)
China	4.95	(28)	Iran	4.12	(76)
India	4.52	(39)			
Russia	4.51	(43)			
S Africa	4.47	(47)			
Brazil	4.06	(81)			

Transparency International Corruption Perceptions Index 2016

Key Parameters

Very Clean

90-100

80-89

70-79

60-69

50-59

< 50 indicates serious
corruption problem

40-49

30-39

20-29

10-19

0-9

Highly Corrupt

Source: Transparency International

Country	Rating	Ranking	Country	Rating	Ranking
Switzerland	86	(5/176)	UAE	66	(24/176)
Singapore	84	(7)	Qatar	61	(31)
Netherlands	83	(8)	Bahrain	43	(70)
Germany	81	(10)	Turkey	41	(75)
Luxembourg	81	(10)	Taiwan	61	(31)
UK	81	(10)	Malaysia	49	(55)
Belgium	77	(15)	Indonesia	37	(90)
Hong Kong	77	(15)	Bahamas	66	(24)
US	74	(18)	St Vincent	60	(35)
Ireland	73	(19)	Dominica	59	(38)
France	69	(23)	Costa Rica	58	(41)
Italy	47	(60)	Mauritius	50	(54)
S Africa	45	(64)	Panama	38	(87)
China	40	(79)	Cyprus	55	(47)
Brazil	40	(79)	Malta	55	(47)
India	40	(79)	Iran	29	(131)
Russia	29	(131)			

World Justice Project Rule of Law Index 2016

Parameters	Country	Score	Rank	Country	Score	Rank
<ul style="list-style-type: none"> • Constraints on Government Powers • Absence of Corruption • Open Government • Fundamental Rights • Order and Security • Regulatory Enforcement • Civil Justice • Criminal Justice <p>N.B. Malta, Cyprus, Luxembourg, Switzerland, Qatar, Bahrain, Mauritius did not participate in the World Justice Project.</p>	Netherlands	0.86	(5/113)	UAE	0.66	(33)
	Germany	0.83	(6)	Turkey	0.43	(99)
	Singapore	0.82	(9)	Malaysia	0.54	(56)
	UK	0.81	(10)	Indonesia	0.52	(61)
	Belgium	0.79	(13)	Costa Rica	0.68	(25)
	Hong Kong	0.77	(16)	Antigua & Barb.	0.67	(29)
	US	0.74	(18)	St Kitts & Nevis	0.66	(30)
	France	0.72	(21)	St Vincent	0.61	(37)
	Italy	0.64	(35)	Bahamas	0.61	(38)
	S Africa	0.59	(43)	Dominica	0.60	(40)
	Brazil	0.55	(52)	Panama	0.52	(62)
	India	0.51	(66)	Iran	0.47	(86)
	China	0.48	(80)			
	Russia	0.45	(92)			

Life Expectancy by Country

CIA World Factbook 2015

Country	Age	Rank	Country	Age	Rank
Monaco	89.52	(1/224)	Qatar	78.59	(53)
Japan	84.74	(2)	Bahrain	78.73	(51)
Singapore	84.68	(3)	UAE	77.29	(72)
Macau	84.51	(4)	Turkey	74.57	(115)
Hong Kong	82.86	(7)	Malaysia	74.75	(112)
Andorra	82.72	(8)	Indonesia	72.45	(140)
Switzerland	82.50	(9)	Anguilla	81.31	(23)
Guernsey	82.47	(10)	Bermuda	81.15	(25)
Italy	82.12	(14)	Caymans	81.13	(26)
Liech'stein	81.77	(16)	Malta	80.25	(36)
Jersey	81.76	(17)	Cyprus	78.51	(54)
France	81.75	(19)	Panama	78.47	(56)
Netherlands	81.23	(24)	Costa Rica	78.40	(58)
Belgium	80.88	(29)	Dominica	76.79	(78)
Germany	80.57	(32)	Antigua & Barb.	76.33	(87)
UK	80.54	(33)	St Kitts & Nevis	75.52	(97)
US	79.68	(43)	St Vincent	75.09	(107)
China	75.41	(99)	Bahamas	72.20	(142)
Brazil	73.53	(129)	Iran	71.15	(149)
Russia	70.47	(153)			
India	68.13	(163)			
S Africa	62.34	(191)			

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Conclusions

- Selective investment response
- Strategic global positioning required
- Geo-political threats = geo-financial risk
- Judicious IFC venue allocation essential