

Symposium on Systems of Financial Secrecy (updated)

Discussion day for academics and practitioners

Organised by LSE III Wealth, Elites and Tax Justice Theme and Open Ownership

Date: Wednesday, February 21, 2024

Location: Hybrid - LSE, London and virtual

Purpose

This one-day symposium will bring together academics and practitioners working on a cross-section of issues that relate to systems of financial secrecy to share recent and ongoing research and discuss relevant policy developments. The title of the symposium takes inspiration from a recent article by Chang et al (2023) on 'complex systems of secrecy' and the offshore networks of oligarchs. By systems of financial secrecy we mean the structures, actors and practices that allow activities such as tax avoidance, tax evasion and money laundering to take place and to go undetected.

The programme will curate speakers from across multiple disciplines and sectors with the aim of identifying and strengthening linkages between different approaches to research and practice on financial secrecy. The learnings from the symposium will contribute to finding the best approaches of tackling financial secrecy and its negative effects on social and economic inequalities.

Key topics of interest

1. How can systems of financial secrecy be conceptualised and analysed?
2. What are the known and anticipated impacts of systems of financial secrecy on social and economic inequalities?
3. How are policy measures aiming to tackle financial secrecy and its negative impacts?
4. What are examples of progress and ongoing challenges of these policy measures?

Structure

Chair: **Prof. Mike Savage, LSE**

Session 1 (morning): Setting the scene: context and background for discussing systems of financial secrecy

This introductory session will cover some key aspects of global systems of financial secrecy, including international progress and reforms to date.

Moderator: **Louise Russell-Prywata, Open Ownership**

Session 2 (morning): Systems of financial secrecy in the UK: understanding the UK's global role and evaluating current and future policy solutions

This session will take a deep dive into the operation of systems of financial secrecy within the UK, their impact domestically and internationally, policy approaches being deployed to address negative impacts of these systems and what gaps remain to be addressed.

Opening remarks: **Dame Margaret Hodge, MP**

Keynote speaker: **César Poux, LSE**

Moderator: **Rachel Davies Teka, Advocacy Director, TI UK**

Session 3 (afternoon): Sanctions and national security

This session will focus on the systems of secrecy and their impact on national security threats. It will explore both academic and practitioner understanding of threats such as sanctions evasion, and the policy solutions that have been identified as key to resolving these issues.

Keynote speaker: **Jodi Vittori, Georgetown**

Moderator: tbc

Session 4 (afternoon): Taxation, corruption, and public funds

This session will explore how systems of secrecy facilitate and enable the misappropriation and theft of public funds through tax avoidance, tax evasion, money laundering and corruption. It will evaluate the progress made to tackle these issues nationally and internationally and identify key policy solutions.

Keynote speaker: **Prof. Diane Ring, Boston College Law School**

Moderator: **Victoria Gronwald, LSE III**

Background

Across the world, wealth is flowing upwards. As global poverty reduction targets are missed (World Data Lab, 2018), and the majority of citizens in rich countries see their incomes stagnate (Milanovic, 2016), billionaires increased their wealth by 12% in twelve months (Oxfam, 2019). Evidence to date shows how powerful political and business elites have abused their positions to enrich themselves and their allies, stealing from public budgets and using corporate structures to game domestic tax systems (Shaxson, 2018). This has occurred on a massive scale: in 2013, USD1.1 trillion was illegally extracted from non-Western countries (Global Financial Integrity, 2014). This funneling upwards of wealth is stripping away funds that should support public services and institutions; at a time when change is urgently needed to tackle growing ecological and social crises.

To steal money at this scale, it needs to be hidden and moved to a place safe from law enforcement and other government authorities; this is often a different country, which decreases the chance of getting caught, and creates an escape route to a luxury lifestyle overseas - including when domestic power dynamics change (Bullough, 2018). And stolen money is not much fun unless it can be enjoyed through participating in the lifestyle of global elites, for example through buying mansions, superyachts, and private education for the family's children. At each stage, it is critical that law enforcement and other authorities do not uncover that the money was stolen. Financial secrecy is the anonymous ownership of companies and assets, often exercised through complex international structures (Tax Justice Network, 2018). Important actors in the system are financial intermediaries – the wealth managers, lawyers, accountants, bankers and company service providers who provide services to those seeking secrecy (Chang et al 2023).

It is not only stolen money which flows through these systems of secrecy; the Panama Papers revealed how financial secrecy is also used to hide, move and spend money acquired legally by corporations and high net worth individuals (Lipton and Creswell, 2016). An estimated 8% of global GDP is held in tax havens (Zucman, Lavender and Piketty, 2015); in addition to money on which tax has been evaded (which is illegal), this likely includes significant funds on which tax has been avoided (which although legal, is increasingly considered unethical).

Secrecy structures and the practices associated with them are not only considered problematic from a public finances perspective. Money laundering and terrorist financing have increasingly become considered national security threats, as evidenced by recent US foreign policy developments. A lack of transparency in the ownership of assets has generated substantial political and economic concern with regards to the exposure of countries to Russian-owned investments and the need to effectively impose sanctions (Chang et al 2023).

The last 15 years have seen substantial policy developments to tackle the negative impacts of financial secrecy, both at international and national level. The global anti-money laundering standards of the Financial Action Task Force have been revised to increase the availability of

key information to domestic and international actors involved in preventing and combatting money laundering. Similar developments have been seen in tax policy, with many countries across the world exchanging information on financial accounts held by non-residents.

In the UK, the government has early on positioned itself as a transparency leader, becoming the first country in the G20 to establish a public register of beneficial ownership - identified as a key policy tool to tackle the misuse of corporate secrecy - and has recently implemented a beneficial ownership register of overseas entities owning property in the UK. Internationally, over 120 countries have now committed to implementing beneficial ownership transparency reforms in one or more sectors of their economy.

The 2008 financial crisis and data leaks such as the Panama Papers catalysed some of these reforms, and more recent developments have been driven by national security concerns and an increased urgency to mobilise public funds in response to the Covid-19 pandemic. These external shocks have created new windows of opportunity to develop and implement policy measures, yet they also showed how much remains to be done: there remains a significant gap between the requirements set out in international standards and their robust and impactful implementation.