



Doc. 14141 Add.
10 October 2016

Lessons from the “Panama Papers” to ensure fiscal and social justice

Addendum to the report¹

Committee on Social Affairs, Health and Sustainable Development
Rapporteur: Mr Stefan SCHENNACH, Austria, Socialist Group

1. Explanatory memorandum by Mr Stefan Schennach, rapporteur

1. Less than half a year after the release of the Panama Papers, new, disturbing revelations have come to light – the so-called “Bahamas Leaks”. This leak of information from the Bahamas corporate register exposes more than 175,000 offshore companies, trusts and foundations registered in the Caribbean tax haven from 1959 to 2016.² The data was obtained by *Süddeutsche Zeitung*, whereas the International Consortium of Investigative Journalists made it publicly available. Together with Panama and Singapore, the Bahamas remain one of the countries which have not committed to the multilateral standard for the exchange of financial information.

2. Whilst the Panama papers scandal uncovered secret financial dealings involving politicians from around 50 countries, the Bahamas leaks put the spotlight on how lack of scrutiny can allow conflicts of interest involving high-ranked European officials to go unnoticed. The former European Union commissioner who was dealing with competition and digital agenda policies between 2004 and 2014 is now known to have been the director of an offshore company during the period of 2000-2009. The latter company was funded by the United Arab Emirates, and intended to take hold of the international assets of the energy company Enron in a US \$7 billion deal.³ Directoring an offshore company is not illegal as such, as long as its activities are lawful. What was missing was an open declaration of a conflict of interest by the commissioner, as her directorship had never been declared.

3. However, according to the commissioners' code of conduct, it is forbidden to hold any outside directorships while on duty; the commissioners may not engage in any other professional activity, whether gainful or not. Commissioners are also obliged to make a full declaration of their previous activities during the last ten years, and any financial interest or asset which might create a conflict of interests in the performance of their duties.⁴

4. Moreover, in addition to my comments concerning the ranking of Switzerland according to the secrecy and the scale of its offshore financial activities (2015 Secrecy Ranking by the Tax Justice Network), the recent peer review of the Organisation for Economic Co-operation and Development (OECD) found Switzerland to be largely compliant with the existing international standard for transparency and exchange of information for tax purposes.⁵

1. Addendum approved by the committee on 10 October 2016.

2. “Bahamas Leaks”: la société offshore cachée de l'ex-commissaire européenne à la concurrence, Maxime Vaudano, Jérémie Baruch and Anne Michel, *Le Monde*, 21 September 2016, www.lemonde.fr/evasion-fiscale/article/2016/09/21.

3. <https://www.theguardian.com/business/2016/sep/21/ex-eu-commissioner-neelie-kroes-failed-to-declare-directorship-of-offshore-firm>.

4. Code of conduct for Commissioners, http://ec.europa.eu/transparency/ethics-for-commissioners/index_en.htm.

5. www.oecd.org/tax/global-forum-on-transparency-and-exchange-of-information-for-tax-purposes-peer-reviews-switzerland-2016-9789264258877-en.htm.



5. I should also draw your attention to the fact that, in addition to Mossack Fonseca, the following companies have been identified as intermediaries facilitating the creation of smoke-screen companies for tax evasion purposes:

- Appleby (provides legal and fiduciary services in financial jurisdictions such as Bermuda, the British Virgin Islands, the Cayman Islands, the Isle of Man, Jersey, Guernsey, Mauritius, Seychelles, the financial centres of Hong Kong and Shanghai);
- Bedell (Jersey, Guernsey, London, Dublin, Geneva, Mauritius and the British Virgin Islands);
- Carey Olsen (the British Virgin Islands, Cape Town, the Cayman Islands, Guernsey, Jersey, London and Singapore);
- Conyers Dill & Pearman (the British Virgin Islands, the Cayman Islands, Mauritius, London, Hong Kong, Singapore and Dubai);
- Harneys (the British Virgin Islands, Bermuda, the Cayman Islands, Cyprus, Hong Kong, London, Montevideo, Shanghai, Singapore, Tokyo, Vancouver and Mauritius);
- Maples and Calder (Cayman Islands, Ireland and the British Virgin Islands).

6. Finally, the most attractive offshore financial centres, as identified by the private institute Z/Yen, which co-operates with the OECD and the World Bank, are: the British Virgin Islands, Gibraltar, the Cayman Islands, the Hamilton Island (Australia), Jersey, the Isle of Man, Guernsey, Mauritius, the Bahamas, Malta and Cyprus.⁶

6. The Global Financial Centres Index, September 2014, p. 28, www.longfinance.net/images/GFCI16_22September2014.pdf.