



Press release from the IFC Forum

21 July 2010

THE IFC FORUM WELCOMES TODAY'S DEBATE IN THE BRITISH PARLIAMENT CALLING FOR AN "INFORMED, CONSISTENT AND BALANCED" DEBATE ON THE ROLE OF OFFSHORE CENTRES IN THE GLOBAL ECONOMY.

THE FORUM ALSO WELCOMES THE UK GOVERNMENT'S COMMITMENT TO SEEK AN EVIDENCE-BASED APPROACH TO POLICYMAKING ON THIS DEBATE IN THE UK, AS WELL AS AT THE INTERNATIONAL LEVEL THROUGH THE EU AND THE G-20.

The debate was sponsored by Mark Field, the Conservative MP for the Cities of London and Westminster, who argued that small international financial centres (IFCs) have endured unwarranted "political attacks and misguided criticism as major governments seek to understand the cause of the global financial crisis". Mr Field said there is a risk that initiatives currently being driven by the OECD, the G-20, the Financial Action Task Force, the EU and national governments run the risk of inaccurately pinpointing small IFCs as a scapegoat for the recent shortcomings in financial markets, and in doing so obscuring the real causes of the financial crisis. Field said that

"Small IFCs were not the cause of the global financial crisis. While it is convenient to blame far off countries for causing the financial crisis, even those who work in the financial markets do not accept that small IFCs were a major cause of the crisis"

He cautioned against recent attacks on zero-ten tax regimes. He said that they reveal a worrying trend which not only undermines the sovereignty of independent states to set their own tax rates, but which also sees high tax countries seeking to export their high tax rates around the world. He welcomed the Government's decision to cut corporation tax from 28% in recognising the need to keep the UK competitive rather than attempting to defend high tax rates by criticising any tax competition.

During the debate, Mr Field highlighted conclusions reached by the Foot Review on the UK's relationship with its Crown Dependencies and Overseas Territories. In particular, Mr Field pointed out that there is limited impact on the UK's tax base as a result of so-called 'tax havens'. He highlighted that while the TUC has argued that the tax gap created in UK government tax receipts as a result of offshore centres is £25 billion, the Deloitte Report, commissioned by the UK Treasury at the time of the Foot Report, showed that only £2 billion is potentially lost in tax leakages per annum – though this figure could be lower.

Mr Field also noted that many small IFCs are able to offer stable, well-regulated and neutral jurisdictions through which to facilitate cross-border business for the benefit of

the global economy pointing out that a number of academic studies have concluded that small IFCs create jobs within financial centres and in domestic economies; and can help poverty alleviation in developing countries. He argued that as a major net recipient of capital flows from small IFCs, the UK would suffer if its firms were to find it more difficult to access capital via the international markets.

It was also stressed that the Financial Action Taskforce gives many small IFCs a positive assessment in meeting its 49 recommendations – including measures to avoid concealing financial crime and terrorist financing. Mr Field also pointed out work being carried out by the Commonwealth Secretariat in illustrating the important role that small IFCs play in developing economic development and prosperity.

Mr Field argued that the OECD do not operate with the sort of transparency that they would expect of others and called for the Government to outline measures it can take to ensure that the G-20 process is more inclusive.

In response to the debate, Mark Hoban the Financial Secretary to the UK Treasury agreed that the UK is uniquely placed in this debate in having a constitutional relationship, through its Crown Dependencies and Overseas Territories, with half of the top 30 offshore financial centres. The UK is also, he explained, a major recipient of investment capital raised through small IFCs. He acknowledged the important contribution played by small IFCs to market liquidity in the UK, as well as the important link to the UK retail financial services market.

The minister also argued that it was crucial that the small IFCs were fully engaged in the process of raising global standards on regulation and transparency on issues such as prudential standards, anti-money laundering and the financing of terrorist activities. He recognised the efforts made by small IFCs to date and welcomed further efforts towards progress in this area. He also supported the call for a balanced debate in arguing that it was important that the UK government, the EU and the G-20 proceed on an evidence-based approach.

Grant Stein of the IFC Forum welcomed the debate and the government's response saying, "It is encouraging to see that the UK government is taking a more evidence-based look at the role of small IFCs. Mr Stein added, "We are also pleased to see that there is growing recognition among law makers in the major economies of the positive role that the small IFCs play in the global economy and the contribution which these small IFCs make to the economies of many of the G20 and other countries."

Note to editors:

1. The International Financial Centres Forum is a non-profit organisation committed to informing the public debate on the role of IFCs. The founding members of the IFC Forum are law firms in several of the leading small international financial centres. Member firms include representatives from Appleby, Conyers Dill & Pearman, Mourant Ozannes, Ogier and Walkers. www.ifcforum.org

2. The Foot Review was carried out under the previous government in 2008-09 to look at the impact of the UK Crown Dependencies and Overseas Territories on the UK as a result of their fiscal and regulatory frameworks. More information on the review can be found at the Treasury website at

http://webarchive.nationalarchives.gov.uk/20100407010852/hm-treasury.gov.uk/indreview_brit_offshore_fin_centres.htm

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