



## **The Spider's Web: Britains's Second Empire - Das finanzielle Spinnennetz der City of London**

Der in diesen Tagen stattfindende Brexit ist eine passende Gelegenheit, **eine jener Institutionen, die unbestritten Macht und Einfluss in dieser Welt ausübt**, näher zu betrachten und zu fragen, welchen Einfluss sie auf die Welt und Europa haben könnte. Diese Institution ist die **City of London**.

### **John James**

Eine der besten Untersuchungen der City of London bietet der Dokumentarfilm **The Spider's Web** von Michael Oswald and John Christensen.

Hier ist die Internetseite der deutschsprachigen Version des Films <https://youtu.be/5uM2cdhfAGA>

und hier die Patreon-Adresse der Filmemacher <https://www.patreon.com/independentdocumentary>

Ich möchte jedem Leser empfehlen, 75 Minuten seines Lebens in diesen gut recherchierten Beitrag zu investieren.

Der Inhalt des Filmes erschien mir so wichtig, dass ich vor einiger Zeit die wesentlichsten Textpassagen des Films in englischer Sprache niederschrieb. Dadurch ist die Möglichkeit gegeben, den Inhalt in Ruhe nachzulesen, um den Inhalt besser zugänglich zu machen und das Verständnis desselben zu erleichtern,

Inzwischen ist eine deutschsprachige Version des Films erschienen. <https://youtu.be/1ZZR8vBKqwc>

Es folgt gleich anschließend eine kurze Zusammenfassung des Filmes in deutscher Sprache und nach dieser Zusammenfassung die Abschrift des originalen englischsprachigen Textes.

### **Deutsche Zusammenfassung**

Diese Zusammenfassung soll, auch wenn sie das englischsprachige Original nicht zur Gänze wiedergibt, einem tieferen Einblick in die Materie dienlich sein.

Man mag meinen, dass die City of London eine rein britische Angelegenheit wäre - eine Einrichtung ist, die keinen nennenswerten Einfluss auf Leben und Gesellschaft in Mitteleuropa hat.

Diese Einschätzung ist mit Vorsicht genießen.

Es war schon vor Jahren mein - zugegeben subjektiver und nicht belegbarer - Eindruck, dass die pro-Brexit Bewegung erst nach einem Versuch des deutschen Finanzministers Wolfgang Schäuble die City of London mittels einer gesamteuropäischen Finanzaufsicht zu regulieren, ernsthaft an Fahrt gewann. (siehe Fußnote 3 der englischsprachigen Abschrift)

Sowohl der Initiator der Brexit Volksabstimmung David Cameron wie auch seine Nachfolgerin Theresa May stammen beruflich aus dem Umfeld der City.

Nach ihrem Studium arbeitete May von 1977 bis 1983 bei der Bank of England und war anschließend bis zum ihrem Wechsel ins britische Unterhaus als finanzielle Beraterin für die Association for Payment Clearing Services (APACS) tätig.

Die Bank of England ist - dies wird manchen Leser überraschen - zu 14% Kapitaleigentümer der Europäischen Zentralbank und Mitglied des General Council der EZB.



The City of London hat in der Tat einen Einfluss auf die gesamte Welt, zumindest in finanzieller Hinsicht. Dieser wird allzu oft unterschätzt - nicht zuletzt weil es so schwierig ist, genaue und verlässliche Informationen über die City of London zu erhalten.

**Zwischen 25% und 40% des gesamten Kapitals der Welt wird, so Ronen Palan, Professor an der City University London, von britischen Steueroasen verwaltet.**

Spider's Web behandelt recht ausführlich die folgenden Themen:

Min. 02:30: Nach dem Ende des britischen Empires als politische Institution geht die City of London auf die Suche nach einer neuen Aufgabe.

Min 10:00: Eine kurze Geschichte der CoL.

Min 16:30: Der kaum regulierte Finanzplatz bietet Kapitalbesitzern auf der ganzen Welt zum einen die Möglichkeit, die Steuergesetze und Finanzmarktregulierungen europäischer und nordamerikanischer Staaten zu umgehen und zum zweitens Eigentümerschaft zu verschleiern und Auskunftspflichten zu umgehen.

Dies geschieht über die Einrichtung von Trusts und Briefkastenfirmen auf kleinen Inseln, die im Nachlass des Empires übergeblieben sind.

Min 20:00: Die Beziehungen zwischen dem Vereinigten Königreich und den angeblich politisch unabhängigen Crown Dependencies.

Min 35:00: Die globalen Auswirkungen dieses Systems der Kapitalflucht, die zur Verarmung der Entwicklungsländer und Deindustrialisierung der angelsächsischen Länder geführt hat.

Min 54:00: Der Einfluss, den führende Finanzdienstleistungsunternehmen auf Politik, Steuerbehörden, staatliche Bürokratie und Justiz nehmen.

Wichtige Mitarbeiter dieser Unternehmen wechseln im Laufe ihrer Karrieren zwischen staatlichen Institutionen und der Privatwirtschaft hin und her und haben dadurch einen zweifelhaften Einfluss auf Gesetzgebung und Gesetzimplementierung erlangt, einen Einfluss, der in der öffentlichen Diskussion kaum thematisiert wird.

Am Ende der Transkription gibt es drei von mir angehängten Fußnoten - die erste zur Bank für Credit und Commerce International (BCCI), die zweite über die große Bedeutung, die die City of London für britische Politiker hat und drittens eine genaue Darstellung der Laufbahn von zwei der einflussreichsten Beamten des Vereinigten Königreichs, die diese Überschneidung von Privatunternehmung und Gemeinwohl illustriert.

Am Schluss befinden sich kurze Biographien der Kontributoren zum Film.

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Der folgende Text ist eine Abschrift des größten Teiles der englischsprachigen Audiospur des Filmes

**The Spider's Web** By Michael Oswald and John Christensen

An investigation into the world of Britain's secrecy jurisdictions and the City of London



ergänzt durch einige selbstständigen Recherchen von meiner Seite, die detaillierte Hintergrundinformationen zu manchen der Themen, die im Film zur Sprache kommen, bereitstellen.

[https://www.youtube.com/watch?v=np\\_ylvc8Zj8&t=4023s](https://www.youtube.com/watch?v=np_ylvc8Zj8&t=4023s)

Zur besseren Orientierung wird von Zeit zu Zeit den zum Text entsprechenden Zeitpunkt im Ablauf des Filmes angegeben.

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### **End of Empire**

2:30 In the days of the British Empire the City of London was the world's largest financial centre, the beating financial heart of the Empire, the governor of the imperial engine. All the countries in the empire used the sterling currency. The City of London was the financier, both inside and outside the imperial zone.

As the Empire declined, so did the influence of the City of London.

In the Suez crisis Britain was humiliated. It signified the (potential) end of Britain's role as one of the world's major powers.

Ronen Palan, Professor of International Politics, City University of London:

*Following the crisis there was a run on the pound.*

As financiers withdrew their money from Britain, the value of the pound decreased. To protect the value of the pound, Britain limited the banks' overseas lending.

*RP: They were not able to invest abroad, and obviously they were unhappy. We don't know exactly the context, but it is very clear that the banks or their representatives made a representation to the Bank of England, which was itself dominated by representatives from the banking industry. It seems that they reached an agreement which was never written, that if banks intermediated between two non-residents in a foreign currency, in that case the dollar, that this particular intermediation, this deal would not be considered by the Bank of England as being under its jurisdiction.*

The banks began to create a market for dollars in London, called the London Eurodollar market. To differentiate these Euromarket activities from their domestic banking activities, banks kept two sets of accounts.

The bank of England, the UK regulator, declared that the London Euromarket accounts were not in London, that they were elsewhere and that it therefore had no responsibility for regulating them.

Alex Cobham, Director Tax Justice Network:



*It is about providing a legal space in which you pretend activity is taking place. And the importance (of that pretence) is that you pretend it is not taking place in the economy where it really is taking place. So you are taking activity from the place where it is (should be) regulated and taxed and pretending that it is happening elsewhere.*

When American banks realized that London banks offered the ability to avoid US regulations, they moved their international operations to the City.

Around the same time as American banks were moving their international operations to London, another new kind of financial space was beginning to emerge, far away from London in Britain's overseas jurisdictions, the last remnants of Empire. Accountants and lawyers from London arrived in the Cayman Islands and other British dependencies and began to draft a set of financial secrecy laws and regulations. Because these jurisdictions' main selling point was secrecy they were called secrecy jurisdictions.

The Bank of England was observing developments from London and noted in a report marked secret dated 11<sup>th</sup> of April 1969:

*We need to be quite sure that the possible proliferation of trust companies, banks etc., which in most cases would be no more than brass plates manipulating assets outside the islands, does not get out of hand.*

These small territories, the last remnants of the British Empire, which are still overseas territories today, are still the last remnants of the British Empire. There are 14 of these overseas territories, seven of them are bona fide tax havens. Including Bermuda, the Cayman Islands, the British Virgin Islands, some of the most important tax havens in the world today are still British.

With access to large amounts of offshore money the Eurodollar market grew rapidly, by 1980 it had reached 500 billion USD, by 1988 4.8 trillion and by 1997 nearly 90% of all international loans were made through this market.

The British Empire had sunk, leaving scarcely a trace behind, but the City of London adapted and survived.

### **The City of London**

09:00 The City is a peculiar place. It is run by an organisation called the City of London Corporation, a private company that performs all the functions of local council with a private police force and private courts. It is a separate entity from Greater London and has its own head, the Lord Mayor, who is different to the Mayor who runs the rest of London.



In 1066 when William the Conqueror conquered the Kingdom of England, he did not conquer the City of London. He made a deal with the City in 1067 that allowed them to continue functioning independently.

To this day the City is exempt from numerous laws that govern the rest of Britain.

It's political system derives from the Middle Ages. It's electorate is dominated not by its residents, but by the private businesses operating within the city. Its Lord Mayor is selected by the heads of originally medieval guilds.

11:30 The City has a permanent representative in the House of Commons called the Remembrancer. Apart from the clerks of the court of the House of Commons, he is the only unelected person there. All other lobbyists have to stop in the lobby.

The Remembrancer's job is to report back to the City and to lobby Parliament on behalf of the City of London Corporation.

*RP: The City of London is a unique and interesting phenomenon, which should have attracted many political scientists and political economists. But I don't know of anyone who has studied systematically the Corporation of London and its impact on policy.*

Clement Attlee, the Labour Prime Minister after the 2nd World War, who nationalized the Bank of England (on paper at least) stated:

*"Over and over we have seen that in this country there is another power than that which has its seat at Westminster. The city of London, a convenient term for a collection of financial interests, is able to assert itself against the government of the country. Those who control money can pursue a policy at home and abroad contrary to that which has been decided by the people."*

At the heart of the City of London stands the Bank of England. The Bank of England is not just a central bank, but also a financial regulator. At the end of Empire, the bank used this regulatory authority to help attract the world's bank's to London.

In 1972 the Bank of England issued a licence to the Bank of Credit and Commerce International (BCCI), which set up its head office in London. Within 10 years BCCI grew into the 7th largest bank in the world. 10 years later the BCCI was bankrupt/

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[For detailed information on BCCI see footnote 1 and <http://www.apfn.org/apfn/BCCI.htm> )

14:00 NBC News reported that the Deputy Director of the CIA, Richard Kerr, admitted after the banks collapse that "the CIA did use BCCI to support the CIA's activities overseas."

BCCI had not just collaborated with the world's intelligence services, it was also found to have engaged in financial fraud, money laundering and terrorist financing.



Senator John Kerry (who submitted a report on BCCI to the Senate Committee on Foreign Relations 1992): *BCCI constituted of a level that boggles the mind. I am saying very directly that the Bank of England had sufficient information in front of it to close BCCI 15 months earlier than it did.*

BBC report 1992: *BCCI was financing terrorism, the Bank of England knew it, says the report, but instead of supervising it properly, it tried to prevent the bank's collapse.*

Robin Leigh-Pemberton, the governor of the BoE at the time of the collapse said:

*The present system of supervision has served the community well. **If we closed down a bank everytime we found an incidence of fraud, we would have fewer banks than at present.***

London became a place where banks could engage on business that was not allowed elsewhere, where senior bankers did not have to worry about the consequences of their actions. This is one of the most important reasons why there are more banks in London today than in any other financial centre.

Nicholas Shaxson (Author of [The Finance Curse: How global finance is making us all poorer](#) and [Treasure Islands](#)):

*In Britain, no bankers go to jail, they are a protected species. That is part of the offshore business model of the UK, that is to say: bring your money here, we will look after you, we're not going to put you in prison, we are going to let you do what you want.*

### **Trusts and Secrecy**

16:30 Light touch regulation was one way of attracting business to London, another was secrecy. From the 1960s onwards City of London institutions began to establish offshore branches in outposts of the former empire. Their aim was to create offshore centres with strong secrecy legislation in order to attract capital from across the globe.

Nicholas Shaxson: *Swiss banking secrecy is the most famous, you put your money in a swiss bank, they promise not to tell anyone. That is one kind of secrecy. Another kind of secrecy, which is very british, is the Trust. The Trust is a very complicated and devious mechanism.*

*Trusts play with the concept of ownership. Ownership is not a simple thing. The settler hands over his assets to a trustee, usually a lawyer. Legally you are separated from those assets, they are not yours, there is a barrier. You can't be taxed on them. Nobody can find out anything about your connection to these assets.*

In Britain's offshore jurisdictions no qualifications are necessary to be a trustee. Anyone can set up a trust and act as a trustee. There is no registry of trusts, there are no institutions set up to certify that a trust has been set up. The only people who know about the creation of this agreement are the trustee and the settlor. Trusts have no financial reporting obligation. Trusts are effectively invisible arrangements.

John Christensen (an economic adviser to jurisdiction of Jersey for 10 years):



*We are not talking about a few millions, we are talking now about trillions of dollars of capital which apparently belong to nobody. For tax purposes and for other purposes they belong to nobody. Not just financial assets, but also non-financial assets like art, gold and real estate belong to these trusts. We are maybe talking about as much as 50 trillion dollars worth of assets sitting offshore behind these instruments.*

19:20 In 2013 The Cayman islands and other British territories signed bilateral information exchange agreements with the UK and other EU countries to tackle tax evasion. The territories are now required to automatically provide details of the ownership of bank accounts and how they are used.

( <https://www.gov.uk/government/news/cayman-islands-signs-tax-information-exchange-agreement> )

*The Cayman Islands have also agreed to be part of the G5 multi-lateral information sharing pilot. Initially agreed between the UK, France, Germany, Italy and Spain, the Cayman Islands will join these countries in automatically exchanging information about bank accounts held by taxpayers from their jurisdictions.*

*The UK put tax and transparency at the heart of the G8 agenda during its chairmanship in 2013. At the summit in July, leaders from the world's largest eight economies agreed on coordinated action to combat tax evasion and avoidance.]*

It is important to understand that it is not personal banking, but the instrument of the trust that lies at the core of the British secrecy model. The British don't use banking secrecy, the Swiss do that. The above agreements deal with banking secrecy.

John Christensen: *The British are only too willing to kill off (european) banking secrecy because they will then capture a larger market share (as a result). That is why the British are doing this.*

### **The role of offshore tax havens**

20:20 Trusts form the basis from which complex offshore structures are created. Every secrecy jurisdiction offers a particular set of services, from trusts to shell companies, from secret bank accounts to nominee directors. The combination of these services into complex structures spanning multiple jurisdictions enables the creation of secrecy structures that are almost impossible to penetrate.

Nicholas Shaxson: *An offshore structure will often have a trust sitting at the top of it. The trust will be controlling the assets. The trust will own some shell companies, each one might be in a different jurisdiction. So you might have a trust in one jurisdiction whose trustees are somewhere else, whose beneficiaries are somewhere else, which owns offshore companies somewhere else. Each of these companies might then own assets: a bank account, a yacht, a building, a portfolio of shares or whatever.*

There are many variations of offshore secrecy structures and offshore lawyers whose work entails the creation of ever more complex and obscure structures. **The aim of these structures is to hide the identity of the owners of offshore assets and allow offshore wealth to be recycled back in to global markets.**

Eva Joly (Vice chair of the Panama Papers Committee of the EU Parliament):



*The amount of money being administered from tax havens is rising steeply and all the talking we have been doing with people fighting against tax havens has not changed anything. We know everything today because we have the Panama Papers. We have seen it and we are not able to act upon it. It is a very small percentage of people who benefit, but they are very powerful. I see in the committee I am sitting in that the only thing that could change this is, is to have a publicly accessible register of the beneficial ownership of trusts and of all kinds of companies.*

### **Britain's relationship to its offshore tax havens**

23:00 The Panama Papers are a series of leaks from the 4<sup>th</sup> largest offshore law firm, Mossack Fonseca. The other 9 of the ten largest offshore law firms are registered in British overseas jurisdictions. When countries complain to Britain, Britain claims that these places are independent and that there is nothing it can do to intervene.

John Christensen: *That is a straightforward lie. They do have the powers to intervene, they just choose not to.*

Nicholas Shaxson: *Britain appoints the governor, appoints lots of senior people in these places, Britain is responsible for the foreign relations and defence of these jurisdictions and can also veto the legislation of these dependencies. Britain has a lot of control. Basically Britain is controlling these places and allowing them a little bit of political space.*

The British government prefers not to interfere directly. Instead it prefers to communicate its desires through informal discussions. There is no paper trail or official statement, discussions take place behind closed doors.

By keeping its power hidden, Britain is able to claim that these jurisdictions are politically autonomous.

27:30 In reality, much of the wealth administered in Britain's offshore havens is controlled from London. Deals are discussed in London, but registered offshore for tax, transparency and regulatory purposes.

Nicholas Shaxson: *This allows the City to get involved in dirty business, but when the hits to say "well, they are kind of independent, there is nothing we can do about these places". So it is an incredibly convenient relationship.*

John Christensen: *The City of London has shaped the way the British Overseas territories have developed as tax havens. I see these places as Frankensteins created by the City of London.*

Today the UK is the largest provider of international financial services.

Alex Cobham: *The UK has an almost unique role in global finance. If you look at the data we have constructed in the financial secrecy index, you can see the share of each country in the global provision of financial service exports, that is financial services to non-residents.*

There are two big centres, US with 19% and the UK plus its offshore jurisdictions which have about 25% of the global market.

**Ronen Palan:** *And if you add to that other jurisdictions, ex-colonies but recently independent, like Hong Kong, Singapore, even Dubai, Bahrain and Cyprus then you reach*



*figure of nearly 40%. And I think that figure represents better the position of London in the global financial market.*

**30:30 Nicholas Shaxson:** *You could describe this as a second empire, a hidden financial empire spanning large parts of the globe.*

At the time of the British Empire the City of London was the world's largest financial centre. Not only Britain's colonies, but also independent countries did their banking in London and used the Empire's currency for trade and financing. The establishment of the London Eurodollar market enabled the City banks to continue to exploit their Empire era networks and the creation of secrecy jurisdictions gave banks access to large amounts of cheap money. International banks from across the globe set up branches in London to take advantage of this new system.

32:00 Wealthy individuals, organized crime and corporations shifted their wealth offshore. As countries around the world began to deregulate and open their economies, it became ever easier to do so. One of the losers is Africa, whose flight capital flows mainly into the modern British spider's web.

John Christensen: *We tend to think of Africa as being a huge net debtor to the rest of the world. But the extent of the debts of Sub-Saharan Africa at the end of 2008 were 177 Billion USD. Yet the wealth these countries' elites had moved offshore between 1970 and 2008 is estimated at 944 billion dollars, over five times their foreign debt. Far from being a net debtor, sub-saharan Africa is a net creditor to the rest of the world.*

As capital moved offshore, African nations borrowed money from international banks at high interest. Over times these debts became so great that they may never be repaid.

Dr Attiya Waris (Faculty of Law, University of Nairobi):

*For a long time many developing countries have been trying to set up a UN tax body which is of a higher standard than what is currently there. Every time this has happened, it has got blocked. During the Finance for Development process in Addis Ababa in July 2015 I think it was the US and the UK that blocked attempts again to set up this world tax organisation. ...I don't understand this. As long as we have cross-border activity that includes legal and criminal activity, as long as we are unable to separate the two, this is going to continue to be a problem.*

**35;30 Nicholas Shaxson:** *In developing countries the offshore system of tax havens has facilitated the looting of these countries by their elites.*

Most of this wealth flows into western Nations like the US and the UK, enabling their currencies to stay strong, whilst developing countries' currencies remain weak.

### **Financilisation and De-industrialisation**

Illicit flows into western nations had another unexpected side effect. The economies of Britain and the US began to financialize. The origins of this financialisation or de-industrialisation go back to the 1960s. In the 1960s US Dollars were being exchanged for gold. In 1967 the State Department began to look for ways to transform the US into the Switzerland of the world, meaning a destination for flight capital.



39:00 The plan was to organize offshore banking centres in the Caribbean and elsewhere. The inflow into these Caribbean banks was then deposited by the banks in the US Head Office. By moving offshore dollars back into the US, the US was able to stop the outflow of dollars and support the value of its currency.

In the 1960s and 1970s Britain was faced with a similar dilemma as the US. Money was flowing out and this decreased the value of the pound, Britain realized that it too could support the value of its currency by opening its domestic markets to the dollars passing through its offshore havens. But just as in the US this had an unexpected side effect.

Michael Hudson (US economist and former Chase Manhattan banker in the 1960s):  
*British banks today don't put their money into British manufacturing. They put their money into real estate speculation, financial speculation, foreign currency trading. So the financialisation of London has helped to de-industrialize the country, because it has enabled sterling to be supported by this huge inflow of hot money. This inflow of drug money, criminal money and tax evasion money from all over the world is going to London rather than Switzerland, Liechtenstein or the Caribbean."*

With the silent backing of the US, Britain's offshore havens grew rapidly to become the world's dominant international financial market.

### **Secrecy jurisdictions and criminal activity?**

42:50 John Christensen: *I went offshore specifically to work in that area. That way I could see from working inside a big global accounting firm (Deloitte Touche) exactly what the clients were doing....I investigated over 100 of Deloitte;s clients and this is what I found. Not a single client was involved on what I would describe as genuinely legitimate activity, they were all involved in tax dodging or worse.*

44:00 Eva Joly MEP: *I met with Carl Levin, he used to be a US Senator. He made a lot of inquiries into private banking, asking the bankers: "what percentage of your clients do you think is using these companies for legitimate purposes?" The answer was: "I believe that 99.9% of my clients are using these companies for illicit purposes." This is the reality. This is American bankers telling what they are doing and it is exactly the same thing with UK bankers.*

Today close to half of the world's secrecy jurisdictions are British dependencies.

In 2011 journalist Nicholas Shaxson released "Treasure Islands", a ground-breaking book about the offshore system.

Nicholas Shaxson: When I went to the Cayman Islands in 2008 I called the government spokesman and he said: "We have had an order from on high that nobody is allowed to speak to you, you are off-limits."

**The Cayman Islands is the fifth largest financial centre in the world. It hosts 80 000 registered companies, over three quarters of the world's hedge funds and 1.9 trillion USD in deposits. It has a population of 60 000.**

54:00 The promotional literature of "Jersey Finance" states: *Jersey represents an extension of the City of London.*



John Christensen: It is where the City of London chooses to do many of the activities which they could not do in London itself.

### **The relationship between the financial services industry and the tax authorities**

54:30 Susan Steed (Guide of the Occupy Tour of the City of London):

*We are here to talk about Appleby (one of the world's largest providers of offshore legal services). I'll read what they say on their website. "Members of Appleby have gone on not only to political office, but also in an number of centres Bermuda, Jersey, the Isle of Man and the Cayman Islands to become senior judicial officials. Essentially they are boasting of the fact that their staff and their partners have a real interchange between the people that are in power in these offshore financial centres."*

The same lawyers and accountants who set up and administer offshore trusts also occupy senior political positions. In Britain's offshore world most politicians are in business, they lobby for business and promote business interests. They draft and pass legislation. Politicians sit on the boards of the companies they are supposed to regulate.

55:45 In public, British politicians claim they are cracking down on secrecy jurisdictions and corruption, but in practice they do the opposite.

John Christensen: *When I talk to politicians in Brussels, they say that they have had more lobbyists from London, including politicians, come to them to protect the City of London's interests than they have had from every other member state combined, which gives you some idea of the extent to which British politicians see themselves as essentially lobbyists for the City of London.*

(for an example of how important the defence of the City of London is to British politicians see footnote 2.)

Many British politicians have personal and business ties with the City of London and British secrecy jurisdictions. Former British prime Minister David Cameron's father, Ian Cameron, was an expert on offshore funds and was involved in offshore trusts from the 1980s onwards.

(The present prime Minister Theresa May worked for the Bank of England between 1977 and 1983 after leaving Oxford University and following that from 1985 to 1997 as a financial consultant and senior advisor in International Affairs at the [Association for Payment Clearing Services](#).)

**The British establishment, a network of privileged elites had carved out a lucrative niche for themselves in the offshore world. They transformed themselves from administrators of Empire into financial handlers for the global elite and multinational corporations.**

Eva Joly (MEP): *The reality is not what you believe, that your Prime Minister has the power to decide on the future of your country. The Power is hidden here.*

Alex Cobham: *We have country after country around the world where the lack of financial transparency about taxation, about ownership, about corruption has undermined the extent to which governments deliver representative policy-making for their citizens. We have extreme cases like the hiding of tax evasion by people in finance ministries in France, in Greece, but we also have this system that in general is geared towards anonymous company ownership. The anonymous ownership of properties across London, of half of the land in Scotland.*



*Do we really think that there are any circumstances in which governments work better, in which markets work better, in which the distribution of income and assets is better, when we allow so much to be hidden?*

*Who wants their government to have people working for it or to be led by people whose assets are hidden. This is a bad direction for the world.*

Eva Joly (MEP): *We need the citizens to understand what is happening, that they are the ones who are carrying the burden and that some individuals with power are exonerating themselves from having to pay tax. Ordinary people are paying taxes, rich people are not. This is inequality, this leads to populism because it shows so clearly that the people leading the world are not able to take care of the interests of ordinary people.*

Today, offshore is the way elites and multinationals conduct their affairs. Tax evasion is the way business is done.

John Christensen: *This kind of sophisticated cheating requires a huge infrastructure of highly educated people who think it is their right to help others cheat society.*

**Prem Sikka (Emeritus Professor of Accounting, Essex University):**

**We have a new mafia in town. It does not actually shoot people, but its trade is just as deadly. It deprives people of opportunities to have health care, education, security, justice and a fulfilling life.**

**Accountants form the backbone of the offshore system, they administer the structures that allow individuals and corporations to shift their money offshore.**

**There are about 2.5 million professionally qualified accountants on the planet, of those 330,000 are in the UK.**

**1:03:00**

Prem Sikka: *We can all elect a government and the next day an accountant says “sorry folks, you elected this government, but we actually have a tax avoidance scheme and firms like Amazon and Google won’t be paying any taxes in your jurisdiction.” So it’s a crazy world. Part of the business model of big accountancy firms is how to limit public services by erosion of tax revenues.*

*And these firms are then rewarded with government funded contracts, and the same firms are then advising local government and central government and the same firms report on company accounts and tell us all is well.*

**1:04**

In Britain a new breed of civil servant was rising to the top. One such was Dave Hartnett, who rose to the top of HMRC, the UK tax authority.

[Hartnett joined the then [Inland Revenue](#) in 1976. He advanced to the position of Director of Capital and Savings in 1998, one year after the New Labour government was formed in 1997. He was one of Her Majesty’s Commissioners of Revenue and Customs, the formal governing board of HMRC, from the board’s creation in 2005 until his retirement. Hartnett was appointed Permanent Secretary for Tax on 13 October 2008 and worked on this capacity until his retirement in July 2012.

Following his retirement he advised [HSBC](#) on financial crime governance alongside former Director General of the [Serious Organised Crime Agency](#), [Bill Hughes](#). In May 2013, Hartnett became a consultant to the tax firm [Deloitte](#). ]



1:03:30

Dave Hartnett had a new way of collecting tax: deals would be negotiated on an individual basis behind closed doors. In the case of the largest clients Dave Hartnett led the process himself. British Telecom was one of the first companies through the program and received a refund of over 1 Billion pounds. BT's chief executive wrote:

“Earnings per share up 14% and nice to know that we have a £1 billion credit from the taxman.”

Dave Hartnett claimed this approach was more efficient.

Dave Hartnett: *Litigation in the courts is phenomenally expensive in this day and age all over the world and I think is to be avoided where possible. The art is to persuade people to pay by strength of argument and the like.*

After protests in 2011, the Treasury Select Committee of the House of Commons questioned Dave Hartnett. **He claimed he could not give any information due to tax payer confidentiality. Dave failed to reveal to Parliament that the legal advice he had received stated that the disclosure of information was at the discretion of the head of HMRC. The head of HMRC was Dave Hartnett himself.**

Prem Sikka: *Just like the Mafia have penetrated the state, accountancy firms have also penetrated the state. The head of anti-avoidance in the UK tax authority is from one of these firms. The newly appointed chairman of HMRC is a partner of KPMG. Their partners have penetrated the state. They are running the treasury.*

(For a more detailed description of the links between private financial service companies and the british tax authorities and see footnote 3.)

Britain's financial services industry had penetrated the state and began to shape its laws for their benefit.

1:07

John Christensen: *The degree of political capture by the City of London, by the big banks and big law firms is so enormous that the politicians have effectively become their spokespeople.*

After his retirement, Dave Hartnett moved to the private sector, to Deloitte where he advises foreign governments on corporate taxation.

Prem Sikka: *We have former ministers acting as advisers to accountancy firms. Accountancy firms provide jobs and consultancies for potential ministers. To my mind, it is an indication of corrupt structures. People are buying and selling influence. When a former minister works for an accountancy form, he is not providing any accounting knowledge, he is opening political opportunities at home and abroad.*

In Britain, secrecy and complexity in finance and government help to obscure corruption in public office. Financial structures are often so complex that even after they are publicly revealed, they are not widely recognized for what they are. An example of this is PFI, the Private Finance Initiative.

Joel Benjamin (The People v PFI): *PFI is a way of financing public infrastructure like hospitals, schools and roads via the private sector rather than the historical method via central government. Over a period of 30 or 40 years the amount of repayment costs will be higher overall than if you had borrowed the money from the government on the first place. So*



*it is basically a giant accounting scam. Once the PFI policy has been set up, you find that the big four accountancy firms have paid members of staff within the Treasury Department, who are going round and selling and advising upon the implementation of PFI contracts by public authorities. In other words advising on how to derive the most benefit from it.*

***Even the offices of the state tax authority are now owned offshore. HMRC's offices are owned in Bernuda by a company called Mapley Steps.***

**This company, which owns the PFI contract to run HMRC's head office, borrowed money from offshore investors at 15% interest. Because the interest was so high, the company was losing money, therefore it did not pay tax. In 2011 HMRC could not prove that any PFI company was paying any tax in the UK.**

*Joel Benjamin: The reason we protested outside the Africa PPP (Public Private Partnership) conference (in London in 2016) was that we wanted citizens back in Africa to hear that such policies had been a complete failure in the UK. The only motivation is to spread the reach of financial services into new markets. It is all being promoted in the interests of the City of London. What you are seeing is effectively a second form of colonisation.*

## **Conclusion**

As Britain's empire declined, the City transformed itself into a global financial centre. Formerly insignificant outposts of the Empire became the basis for a spider's web of offshore secrecy jurisdictions that captured wealth from across the globe and funnelled it to the City of London.

**Today 25% of international finance is conducted on British Territory.  
Almost half of the world's secrecy jurisdictions are under British protection.  
Up to half of all offshore wealth may be hidden in Britain's offshore havens.  
Financial services is how Britain's elites make their money.**

It is also where former government ministers, senior civil servants and retired spies from MI5 and MI6 receive lucrative consulting positions after their time in public service.

**Together they have transformed Britain and its dependencies into the world's biggest tax haven, harming development throughout the world and turning Britain itself into a country that serves above all else the interests of its financial elite.**

**We can end tax havens and financial secrecy jurisdictions with the following five steps:**

- 1. Stop local councils from issuing contracts to companies operating out of tax havens.**
- 2. Create public registries of beneficial owners of companies, trusts and foundations.**
- 3. Introduce full transparency of deals and secret agreements between companies and governments.**
- 4. Introduce public country by country reporting by multinational companies**
- 5. Introduce automatic information exchange between all countries**

## **Footnotes**

- 1. Bank for Credit and Commerce International**



For detailed information on BCCI see: <http://www.apfn.org/apfn/BCCI.htm>

**16. INVESTIGATIONS OF BCCI TO DATE REMAIN INCOMPLETE, AND MANY LEADS CANNOT BE FOLLOWED UP, AS THE RESULT OF DOCUMENTS BEING WITHHELD FROM US INVESTIGATORS BY THE BRITISH GOVERNMENT, AND DOCUMENTS AND WITNESSES BEING WITHHELD FROM US INVESTIGATORS BY THE GOVERNMENT OF ABU DHABI.**

*Many of the specific criminal transactions engaged in by BCCI's customers remain hidden from investigation as the result of bank secrecy laws in many jurisdictions, British national security laws, and the holding of key witnesses and documents by the Government of Abu Dhabi. Documents pertaining to BCCI's use to finance terrorism, to assist the builders of a Pakistani nuclear bomb, to finance Iranian arms deals, and related matters have been sealed in the United Kingdom by British intelligence and remain unavailable to U.S. investigators. Many other basic matters pertaining to BCCI's criminality, including any list that may exist of BCCI's political payoffs and bribes, remain sequestered in Abu Dhabi and unavailable to U.S. investigators.*

*Many investigative leads remain to be explored, but cannot be answered with devoting substantial additional sources that to date no agency of government has been in a position to provide.*

*Unanswered questions include, but are not limited to, the relationship between BCCI and the Banco Nazionale del Lavoro; the alleged relationship between the late CIA director William Casey and BCCI; the extent of BCCI's involvement in Pakistan's nuclear program; BCCI's manipulation of commodities and securities markets in Europe and Canada; BCCI's activities in India, including its relationship with the business empire of the Hinduja family; BCCI's relationships with convicted Iraqi arms dealer Sarkis Sarkenalian, Syrian drug trafficker, terrorist, and arms trafficker Monzer Al-Kassar, and other major arms dealers; the use of BCCI by central figures in the alleged "October Surprise," BCCI's activities with the Central Bank of Syria and with the Foreign Trade Mission of the Soviet Union in London; its involvement with foreign intelligence agencies; the financial dealings of BCCI directors with Charles Keating and several Keating affiliates and front-companies, including the possibility that BCCI related entities may have laundered funds for Keating to move them outside the United States; BCCI's financing of commodities and other business dealings of international criminal financier Marc Rich; the nature, extent and meaning of the ownership of other major U.S. financial institutions by Middle Eastern political figures; the nature, extent, and meaning of real estate and financial investments in the United States by major shareholders of BCCI; the sale of BCCI affiliate Banque de Commerce et Placement in Geneva, to the Cukorova Group of Turkey, which owned an entity involved in the BNL Iraqi arms sales, among others. ]*

**2. British Politicians as defenders of the City of London**

<https://www.zeit.de/news/2011-11/02/eu-analyse-london---bollwerk-gegen-bankenregulierung-02153606>

***London (dpa) - London erweist sich immer mehr als Bremschuh bei der Regulierung der europäischen Banken. Von der Themse kommt massiver Gegenwind, wenn es um die Regulierung der europäischen Finanzmärkte geht. Die Politik zum Premier Cameron wird von den mächtigen Banken massiv unter Druck gesetzt. Die Banken wollen keine neuen Gesetze und Cameron will keinen Wegzug von Banken.***

*Und selbst die sozialdemokratische Opposition kämpft für die City. «Wir müssen in der Europäischen Union für die britischen Interessen kämpfen», schrieb der Finanzexperte der Labour-Partei, Ed Balls, in einem Gastbeitrag für den «Evening Standard».*

*«Obwohl ich für eine Finanz-Transaktionssteuer bin: Es nur in Europa zu tun und große Finanzzentren wie New York außen vor zu lassen, bedeutet ein Risiko, echten Schaden in der Londoner City anzurichten», schreibt Balls weiter. Seinen Politiker-Kollegen jenseits der Insel lassen solche Worte die Haare zu Berge zu stehen.*



*Wollten nach dem G20-Gipfel von 2009 in London im Angesicht der schlimmen Finanzkrise nicht alle an einem Strang ziehen? Frankreichs Präsident Nicolas Sarkozy hat seinem Kollegen Cameron wutentbrannt gar schon einmal bedeutet, er möge doch einfach «den Mund halten».*

<https://www.theguardian.com/business/2013/may/09/eurozone-crisis-bank-of-england-unemployment>

***Germany's finance minister, Wolfgang Schäuble, moved to calm the row between the EU and the UK over plans for a eurozone financial transaction tax. Schäuble told a high-level conference in London that the FTT could be years away. Schäuble's comments came after prime minister David Cameron attacked the plans for an FTT this morning.***

*The 11 countries who have signed up for the FTT could implement it from 2014. But Britain fears it will have a major impact on City firms, as a large slice of the total market for transactions conducted in euros takes place through London. Britain has launched a legal challenge to the plan.*

***Schäuble's*** suggestion that final agreement is a long way away does look like an attempt to cool the issue. Hours earlier, David Cameron had launched a full-blooded attack on the plan. Cameron added that Europe would not make the financial system fairer by simply forcing financial firms to relocate to Hong Kong, and pointed out that 40% of all EU financial services activity happens in the City.

### **3. Examples of the interchange of employees between private financial service providers and the tax and financial authorities of the United Kingdom.**

*(Anm der Red: it was not possible to identify exactly who Prem Sikka was referring tot this point in the film.)*  
**Former KPMG partner** Ian Barlow was appointed lead non-executive director of HMRC in 2012. The newly appointed successor to [David Hartnett](#) as the [Tax Assurance Commissioner](#) and [Second Permanent Secretary](#) at HMRC in September 2012 was Edward Troup.

#### **David Hartnett**

[Hartnett joined the then [Inland Revenue](#) in 1976. He spent his first 10 years in Birmingham. He advanced to the position of Director of Capital and Savings in 1998, one year after the New Labour government was formed in 1997. Following the creation of the new tax authority Her Majesty's Revenue and Customs (HMRC) in 2004, he became HMRC's Director General for Customer Contact and Compliance Strategy and then Director General for Business.

He was one of Her Majesty's Commissioners of Revenue and Customs, the formal governing board of HMRC, from the board's creation in 2005 until his retirement. Hartnett was appointed Permanent Secretary for Tax on 13 October 2008 and worked on this capacity until his retirement in July 2012. He was the senior tax professional in HM Revenue & Customs (HMRC). His Executive Committee portfolio included Central Policy and Knowledge, Analysis and Intelligence.

Following his retirement he advised [HSBC](#) on financial crime governance alongside former Director General of the [Serious Organised Crime Agency](#), [Bill Hughes](#). In May 2013, Hartnett became a consultant to the tax firm [Deloitte](#).<sup>[6]</sup> ]

#### **Edward Troup**

Edward Troup joined [Simmons & Simmons](#) in 1979, qualifying as a [solicitor](#) in 1981, and became an Associate of the [Chartered Institute of Taxation](#) in 1983.

He became a Freeman at the [Worshipful Company of Grocers](#), a guild of the City of London in 1980. According to [The Guardian](#) in April 2016, "Troup ... built a career advising corporations on how to reduce their tax bills".<sup>[5]</sup>



From 1985 to 1995, Troup was a tax partner at Simmons & Simmons. He joined the Treasury as a special adviser to Chancellor of the Exchequer [Kenneth Clarke](#) and returned to Simmons & Simmons as its head of tax strategy after the [1997 general election](#).<sup>[9]</sup> Shortly afterwards, Troup wrote a series of *Personal View* commentaries for the *Financial Times*, including one titled "Double trouble over tax"<sup>[10]</sup> on the problems caused because the UK has two separate tax authorities, the [Inland Revenue](#) and [HM Customs & Excise](#), and the advantages of merging them.

Another piece, *Why the chancellor is missing the point*, on the flaws in the tax system and the importance of the [rule of law](#) in taxation, in which he expressed the opinion that "[tax avoidance is not a moral issue](#)" and described tax itself as "[legalised extortion](#)":

*Faith in a general anti-avoidance provision is based on a lack of understanding of the real nature of tax avoidance. The popular idea is too often confused with the claim that "tax avoiders are paying less tax than they should", even though is no objective way of determining how much they "should" be paying. Taxation is legalised extortion and is valid only to the extent of the law. ...*

— "Why the chancellor is missing the point", *Personal view: Edward Troup*, [Financial Times](#), 15 July 1997.<sup>[12]</sup>

Appearing before the [Treasury Select Committee](#) on the subject of tax havens in 1999, Troup immediately had to declare an interest with regards to the Code of Conduct, saying: "In relation to the offshore jurisdictions, [I am involved with] assisting them [and] putting their representations to the OECD".<sup>[15]</sup> Asked if tax havens "mobilise capital which would not otherwise get itself mobilised and so increase international economic activity", Troup replied that "If it did not assist people would not pay for the use of those jurisdictions and those centres. My intuitive response must be yes, it does assist tremendously... It is difficult to see the world without many of these jurisdictions.

Troup advised on the [management buyout](#) of part of [hedge fund Man Group](#) in 2000, The new business owners of the company ended up holding their shares through a [trust company](#) in [Jersey](#).<sup>[4]</sup>

Documents included in the [Panama Papers](#) leak demonstrated that Simmons & Simmons dealt with the Panama law firm [Mossack Fonseca](#),<sup>[19]</sup> at the centre of an international scandal on tax havens, tax avoidance and corruption.<sup>[20]</sup> Papers obtained by the [Süddeutsche Zeitung](#) and the [International Consortium of Investigative Journalists](#) also reveal Simmons & Simmons' close relationship with running offshore companies and major overseas property owners, including an investment company run on behalf of Sheikh [Hamad bin Abdullah Al Thani](#), while Troup was a tax partner.<sup>[21]</sup>

*Troup returned to HM Treasury as a civil servant in 2004 to take on the position of Director of Business and Indirect Tax, and became Director General of Tax and Welfare at HM Treasury in 2010.*<sup>[22]</sup> *In March 2016, [Private Eye](#) characterized Troup 'S time in the Treasury as including a series of relaxations to laws regarding multinational corporations and alleged tax havens.*<sup>[4]</sup>

He succeeded [David Hartnett](#) as the [Tax Assurance Commissioner](#) and [Second Permanent Secretary](#) at HMRC in September 2012.<sup>[23][24]</sup> The last months of Hartnett's career were tainted with allegations of "[sweetheart deals](#)" involving [Vodafone](#) and [Goldman Sachs](#).<sup>[4][25]</sup> Troup was appointed as Executive Chair and First Permanent Secretary at HMRC from April 2016.<sup>[26][27]</sup> He retired in 2017

Troup was appointed a [Knight Bachelor](#) in the [2018 New Year Honours](#) for "public service to taxpayers and the tax system".<sup>[29]</sup> ]



## Contributors



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John Christensen is the co-founder and executive director of the Tax Justice Network. His investigations into the role of tax havens in the globalised economy started in 1978, and have included fourteen years working on the tax haven of Jersey. He is a vocal critic of tax havens and is today described as Jersey's most prominent dissident.



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Nicholas Shaxson is the author of the acclaimed book *Treasure Islands*, an extensive exposé on the global consequences of tax havens. He has written for The Financial Times, Reuters, Vanity Fair, the Economist and the BBC, as well as many other publications.



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