

Panama Papers: How assets are hidden and taxes dodged

BBC NEWS

The revelations in the millions of papers leaked from the Panamanian law firm Mossack Fonseca uncovering a suspected money laundering ring run by close associates of Vladimir Putin may leave readers drowning in a sea of confusing terms and phrases.

Although there are legitimate ways of using tax havens, most of what has been going on is about hiding the true owners of money, the origin of the money and avoiding paying tax on the money.

If you are a wealthy business owner in Germany who has decided to evade tax, an international drugs dealer or the head of a brutal regime, the methods are all pretty similar.

Mossack Fonseca says it has always complied with international protocols to ensure the companies it incorporates are not used for tax evasion, money-laundering, terrorist finance or other illicit purposes.

Shell companies

A shell company has the outward appearance of being a legitimate business. But it is just an empty shell. It does nothing but manage the money in it, while hiding who owns the money. Its management is made up of lawyers,

accountants or even the office cleaner, who do little more than sign documents and allow their names to appear on the letterhead. When the authorities try to find out who really owns or controls the money in the company, they are told the management does, but it is all just a front. Someone else is just paying them so they can hide their money from the authorities or in some cases their ex-wives. Shell companies can also be called "letterbox" companies, as they consist of little more than an address to post documents to.

Offshore Financial Centre

If you have a shell company, you don't want it based in London or Paris where the authorities can normally find out who owns it, if they really want to. You need an Offshore Financial Centre, or what is often called a tax haven. These are normally based in small island countries (hence the name), with a great deal of banking secrecy and very low or non-existent taxes on financial transactions. There are many such countries or authorities around the world, from the British Virgin Islands, to Macao, the Bahamas and Panama. Even in such places most of the financial services are perfectly legal: it is just the

secret which also makes them very attractive to tax evaders and crooks the world over, especially if the regulators are weak or turning a blind eye.

Bearer shares and bonds

For that extra layer of anonymity and so that you can move large amounts of money around easily, bearer shares and bonds are an obvious answer. Every British £5 note has the words "I promise to pay the bearer on demand the sum of five pounds". That means if it is in your pocket it is yours: the person "bearing" or carrying the cash owns it, can spend it or do what they like with it. Bearer shares and bonds work in the same way, the person who has it in their pocket, briefcase or safety deposit box owns it. But they aren't worth £5. Bearer bonds normally come in nice round figures like £10,000. Very handy if you want to move vast amounts of money around and great if you want to deny ownership. If the bond is kept at a lawyer's office in Panama, who is to know whether it is yours, or even that it exists? This helps to explain why the US government stopped selling bearer bonds in 1982. They were just too easy for crooks to use.

Money laundering

Money laundering involves cleaning "dirty" money so that you can use it

without arousing suspicion. If you are a drug dealer, fraudster or, let's say, a corrupt politician you will have a lot of cash and no way of spending it or hiding it for a rainy day, without giving the game away. The money needs cleaning, so you can ship it to a dodgy firm in an Offshore Financial Centre and they might help you convert it into bearer bonds, owned by a shell company that no one knows about. You could also use it to buy a bolt-hole in London or the South of France in case of a coup, maybe pay the kids' school fees or fund a great aunt's shopping trips to Paris.

Sanctions and sanctions busting

One of the ways of punishing and trying to limit the power of notorious regimes around the world is sanctions. These can involve limits on the importation of military equipment or ammunition, bans on the exports of oil and other goods, and personal sanctions; closing the bank accounts of dictators and their friends, families and supporters. The British government currently imposes thousands of sanctions against countries, their businesses, banks and many named individuals.

But the more onerous the sanctions on a regime the more money is to be

made by breaking or busting them. Providing secret bank accounts for torturers and mass murderers, supplying weapons to one or even both sides in a civil war or funding the nuclear ambitions of isolated regimes. The profits are huge and, of course, lots of secretive bank accounts and shell companies in parts of the world where officials turn a blind eye, is key to making sanction busting profitable and safe.

The European Savings Directive

To try to stop people hiding money from the tax authorities the European Union introduced the European Savings Directive (ESD). Basically, banks in EU countries collect the tax due on bank accounts held by citizens of other EU countries. So you can't be an Irish person with a Dutch bank account and hope the Irish tax authorities won't find out about it or collect the tax owed. The ESD made it much more difficult to hide your money in Europe. It is interesting because when the ESD was being discussed and introduced there was a sudden increase in people who wanted to open bank accounts outside Europe, hence the surge of interest in places like Panama and the British Virgin Islands.

ACC arrests official of BASIC Bank over loan scam

STAR BUSINESS REPORT

The Anti-Corruption Commission yesterday arrested Zainul Abedin Choudhury, a general manager of BASIC Bank, for his alleged involvement in a loan scam.

An ACC team led by its director Syed Iqbal Hossain picked up Choudhury from Motijheel at around 2:30pm.

The commission will produce him before the Chief Metropolitan Magistrate's Court, seeking a 10-day remand for interrogation, said an ACC official.

The anti-graft watchdog filed 56 cases last year, accusing 110 people and organisations for irregularities in loans worth about Tk 4,500 crore.

Of the accused, 27 were bank officials and the rest were borrowers and surveyors, according to the ACC.

So far this year, the commission arrested eight individuals, including BASIC Bank officials and borrowers, over the loan scams.



Khondoker Monir Uddin, managing director of STS Holdings, speaks during a roadshow organised by the company for being listed on the stockmarket under book building method, at Radisson Blu hotel in Dhaka on Monday. Bhagwan W Kundanmal, chairman, was also present.



Nihal Shantha Aruna De Silva, executive director of Posmi Sweaters; Md Mahbubul Haq, head of compliance; and Md Hedayatul Islam Khan, coordinator of management training at Skills for Employment Investment Programme-BGMEA, launch a month-long training on fire safety and compliance. The 56-hour programme, jointly funded by the finance ministry and Asian Development Bank, is being coordinated by the Bangladesh Garments Manufacturers and Exporters Association (BGMEA).

Green Delta re-elects chairman, vice chairman



Abdul Hafiz Choudhury



Kamran Idris Chowdhury

STAR BUSINESS DESK

Abdul Hafiz Choudhury and Kamran Idris Chowdhury have been re-elected as chairman and vice chairman of Green Delta Insurance.

Abdul Hafiz Choudhury is a former senior partner of Rahman Rahman Huq, a member firm of KPMG International, Green Delta said in a statement.

He was also the president of the Institute of Chartered Accountants of Bangladesh and a member of the Institute of Chartered Accountants in England and Wales.

He worked as a nominated conciliator for the Centre for Settlement of Investment Disputes, as an affiliate of World Bank based in Washington and served on the board of Bangladesh Bank for more than three years.

He is also a former president of the Metropolitan Chamber of Commerce and Industry.

Kamran Idris Chowdhury is also a chartered accountant and a fellow member of the Institute of Chartered Accountants in England and Wales, and the Institute of Chartered Accountants of Bangladesh (ICAB).

He worked for Touche Ross in London, now Deloitte Touche Tohmatsu, and later joined A Qasem & Co, a member firm of Ernst and Young International in Bangladesh.

One Bank re-elects chairman

STAR BUSINESS DESK

Sayed H Chowdhury has been re-elected as the chairman of One Bank for another year.

The bank's board also re-elected Asoke Das Gupta as vice chairman and Zahur Ullah as chairman of the executive committee, One bank said in a statement.

Chowdhury is the founder, chairman and chief executive of the HRC conglomerate, and a member of the British Institute of Management, according to the statement. He is also chairman of Media New Age Ltd, and Information Services Network Ltd.



Sayed H Chowdhury

Customs intelligence cracks down on illegally imported cars

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Saiful Haque, chairman of Sky Aviation Services, the general sales agent of Flydubai, said the cars were taken away for the sake of a proper investigation. He said he now wants to send the cars out of Bangladesh.

Khan said those who are using illegally imported cars should surrender to the customs intelligence to avoid stern legal measures.

"We have taken steps to seize the cars that are yet to be taken back. We encourage people to surrender the vehicles voluntarily. If we seize the cars we will take stern legal action."

Inflation edges up

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However, the International Monetary Fund in a recent report said inflation is expected to edge up in fiscal 2016 to fiscal 2018 on account of higher public sector wages and a one-off effect from the introduction of the new VAT law.

The report, which was released in the first week of February, also said headline inflation should fall gradually toward 6 percent by fiscal 2019-20, assuming that monetary policy stays prudent and supply bottlenecks ease.

ArcelorMittal hits \$3b rights issue

AFP, Paris

Steel giant ArcelorMittal said Tuesday it had successfully completed a three-billion-dollar (2.64-billion-euro) rights issue aimed at cutting its debt pile amid a global steel glut.

The group, the world's largest steelmaker, announced a total subscription rate of 126.9 percent and issued 1.6 billion new shares in an issue after strong investor support.

ArcelorMittal announced the rights issue in February, saying it would use net proceeds to reduce indebtedness and bolster its balance sheet.

The company posted a \$6.7 billion loss in the fourth quarter amid falling commodity prices for a 2015 net loss of

\$7.95 billion.

Over half of the loss emanated from a writedown in the value of its mining operations to reflect the lower value of its iron ore.

Chief executive Lakshmi Mittal said in February that "2015 was a very difficult year" for the industry, given price falls on excess capacity in China.

But he added that the mining business had focused on adapting to lower prices and has reduced cash costs by 20 percent, beating an initial target of 15 percent.

ArcelorMittal said following the rights issue its share capital will consist of 3,065,710,869 shares without nominal value and added surplus shares will be allocated to holders that submitted oversubscription requests on a pro-rata basis.

India's sugar exports halt as prices surge on lower output forecast

REUTERS

India's sugar exports have come to a halt as dealers have not signed new contracts in the past five days after local prices surged on expectations of lower output, trade sources said on Tuesday.

India, the world's biggest sugar producer after Brazil, has contracted to export 1.6 million tonnes since the season began on Oct. 1. Dealers have shipped out 1.3 million tonnes so far.

Local prices have surged nearly 8 percent in the past 10 days after India, also the world's top consumer of the sweetener, cut its output estimate by 1.4 percent from an earlier forecast. Output is expected to fall this season after six straight years of surplus production.

The government was instrumental in persuading mills to agree to a target of 3.2 million tonnes of sugar exports in 2015/16. With forecasts of lower output and higher local prices, traders say India may not be able to meet its export target.

Stocks slip back into red after five days

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Summit Alliance Port was the day's best performer with 9.48 percent in gains, while Shasha Denims was the worst loser, shedding 4.08 percent.

Chittagong stocks also fell yesterday with the bourse's benchmark index, CSCX, declining 38.06 points or 0.45 percent to finish the day at 8,253.64 points.

Losers beat gainers, as 139 declined and 59 advanced with 43 finishing unchanged on the Chittagong Stock Exchange. The port city bourse traded 79.07 lakh shares and mutual fund units worth Tk 21.23 crore in turnover.

Linde starts construction of new plant

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Linde Bangladesh's product portfolio and services include liquids and gases such as oxygen and nitrogen, argon, acetylene, carbon dioxide, dry ice, refrigerant gases, lamp gas and other gas mixtures and medical oxygen.

Listed in 1976 on the stockmarket, each share of Linde Bangladesh traded between Tk 1,084 and Tk 1,122 before closing at Tk 1,106.6 on Dhaka Stock Exchange yesterday. The company logged in net profit of Tk 65 crore in 2015, up from Tk 62 crore a year earlier.



Kazi Mahmood Karim, head of SME banking at Prime Bank, and AHM Mokbul Hossain, chief executive of Bengal Vacation Club, pose at the signing of an agreement. Prime Bank cardholders will enjoy monthly installment facility at zero percent interest for up to 18 months on products and services of Bengal Vacation Club.



Md Mahmudur Rahman, commissioner of taxes for Sylhet zone, opens the booth of NRB Commercial Bank, at the Sylhet International Trade Fair-2016 organised by Sylhet Metropolitan Chamber of Commerce and Industry. Toufique Rahman Chowdhury, vice chairman of the bank, was also present.



Kanak Kumar Purkayastha, deputy managing director of BASIC Bank, poses with the participants of a daylong workshop on prevention of money laundering and combatting terror financing, at the bank's training institute.