

## Wealth managers provide “law avoidance” to the rich, PANA MEPs hear

**Large-scale tax avoidance and evasion would be impossible without the help of “enablers” such as lawyers, accountants, bankers and other “wealth managers,” MEPs are told during a hearing of PANA Committee organised to investigate the role of intermediaries in the Panama Papers.**

Between 10-12 percent of total global wealth is located offshore, facilitated by intermediaries suggested Professor Ronen Palan, Senior advisor at Tax Justice Network. But he said that the volume of tax evasion revealed by the Panama Papers probably represented a relatively small amount compared to the amount evaded and avoided, globally.

### **More arbitrage, complex financial instruments for tax avoidance**

“In terms of sheer volume of tax avoided, I suspect that Panama is relatively small.” said Prof Palan. He added that over the last few years, the strategies used by high-net worth individuals (HNWI) to avoid paying tax had shifted to arbitrage -- the use of loopholes or tax breaks to dodge international tax rules -- or the use of sophisticated financial products.

He said that the four largest accountancy firms were “at the core” in providing such services and added that the attitude of “faint surprise” by professional service when their involvement was revealed “was not helpful.”

### **Illegality not pervasive among lawyers**

But later, during the hearing, Rupert Manhart, Chair of the Anti-money laundering Committee of The Council of Bars and Law Societies of Europe (CCBE), echoed other representatives from the banking, legal and accountancy sectors who asserted that they abided by the law and adhered to the highest professional standards.

Mr Manhart dismissed suggestions that illegality was pervasive within the profession. “We would never condone the activity of any lawyer when involved in illegal activity,” he said. “While individual corrupt lawyers may exist, this has to be kept in context,” he said pointing to the low levels of prosecutions of lawyers.

“law avoidance”

MEPs heard from Professor Brooke Harrington, author of “Capital without Borders, Wealth Managers and the One Percent,” who said that a whole industry of lawyers, financial advisors and personal bankers had emerged to “give rich people what they want, which is law avoidance.”

“The modus operandi [of “wealth managers”] is to evade the spirit of the law, without stepping outside of it,” she said. The researcher stressed the need to target the intermediaries in tax avoidance and evasion, and not the wealthy owners.

Wim Mijs, Chief Executive Officer of European Banking Federation (EBF) which represents most commercial banks in Europe, said the revelations ignited by the Panama Papers provided guidance into how to deal with money laundering. He voiced support for ongoing measures to counter the practice. “Money Laundering and tax evasion are global problems, so we need a global approach,” he said.

### “Raise the costs for intermediaries”

Daniel Hall of Burford Capital, a finance and professional services company, who has worked on asset recovery for his company, suggested the problem of money laundering and tax avoidance was “probably larger than it has ever been.” He pointed to the gulf between the trillions of dollars which were hidden, versus the billions which was eventually recovered.

Mr Hall suggested that it was essential to raise the costs for intermediaries involved in money laundering and tax evasion, with measures such as the threat of severe scrutiny, personal financial penalties, and the threat of being struck from having their professional licenses revoked if involvement is revealed. “As long as wilful blindness is acceptable, the risk will be worth the reward -- that’s the calculus we have to change,” he said

### Further information

[See the debate again \(VOD\)](#)  
[Committee on Economic and Monetary Affairs](#)

### Contacts

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Hyun-Sung KHANG

Press Service

☎ +32 2 28 34710 (BXL)

☎ (+33) 3 881 72420 (STR)

🐦 [@EP\\_Economics](#)

✉ [hyun-sung.khang@europarl.europa.eu](mailto:hyun-sung.khang@europarl.europa.eu)

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