

Two Articles on Panama Papers

1. [US Mulls New Rule for Banks to Identify Shell Co Owners](#)
2. TAX TROUBLES - The Unintended Consequences of Panama Papers

Apr 08 2016 : The Economic Times (Delhi)

## [US Mulls New Rule for Banks to Identify Shell Co Owners](#)

LALIT K JHA

Washington:

PTI

In the wake of the Panama Papers leak, the US is mulling introduction of a new rule that would require banks to identify owners of shell companies as part of efforts to plug a major loophole in its banking system, according to a media report.

“The rule is meant to close a major loophole in the American banking system that enables the sorts of secretive financial manoeuvres that were thrust into the spotlight this week with the leak of millions of documents from a law firm in Panama,” The New York Times reported on Wednesday.

Under existing federal regulations, banks with American branches in the US are required to “know their customers“ who open accounts in the country. “But those rules have been significantly weakened because banks have not been required to know the identities of customers who set up accounts in names of shell companies,” the daily said.

The proposed Customer Due Diligence rule is an attempt to close that loophole, a treasury official said.

The new rule will require banks to find out the identities of any individual who owns 25% or more of corporate entities that open bank accounts, as well as any individual exercising control over those entities, the report said.

The White House, meanwhile, differed with Democratic presidential aspirant Bernie Sanders who had warned that it would be a stamp of approval for Panama as a tax shelter while opposing the US-Panama Free Trade Agreement. “The US-Panama Free Trade Agreement did not apply to tax measures and one reason for that is that in 2011, under President (Barack) Obama's leadership, the US and Panama did conclude a Tax Information Exchange Agreement,” White House press secretary Josh Earnest told reporters.

These are the kinds of agreements that the US maintains with other countries to promote tax transparency in creating a major disincentive for US citizens to use a country like Panama, in this case, to circumvent tax laws, he said. “All of this has promoted greater transparency in the context of international financial transactions. That is important because it will allow the international community and the US to do things like fight corruption, to crack down on individuals who are trying to use shell corporations to avoid paying their fair share in taxes. It also is a way for us to detect individuals or entities that are trying to circumvent US financial sanctions,” Earnest added.

### [Iceland Appoints New PM](#)

Reykjavik: The Iceland government appointed former agriculture and fisheries minister Sigurdur Ingi as prime minister, and pledged to hold early parliamentary elections before the end of this year.

The move on Wednesday came after former PM and ruling Progressive Party Chairman Sigmundur Gunnlaugsson stepped down in the wake of the leaked Panama Papers, BBC reported on Thursday.

The leaks, from Panama law firm Mossack Fonseca, showed Gunnlaugsson owned an offshore firm with his wife. However, Gunnlaugsson said he sold his

shares to his wife and denies any wrongdoing. But he is accused of concealing millions of dollars' worth of family assets.

Apr 12 2016 : The Economic Times (Delhi)

[TAX TROUBLES - The Unintended Consequences of Panama Papers](#)

MOHAMED A EL-ERIAN

Bloomberg

The revelations about offshore accounts that came to light in the so called Panama Papers [will reinvigorate government efforts](#) to rein in [not just tax evasion](#), which is illegal, [but tax avoidance, too](#).

They will also [add to popular frustration](#) that will challenge the authority of some government officials. The uproar [will bring about enhanced enforcement measures](#). yet there also will be unintended consequences that will [further erode the credibility and effectiveness of the political establishment](#), including its ability to govern from the centre, which is already being tested.

In the wake of [the global financial crisis](#), and given [the alarming surge in wealth inequality](#), the governed will prove far less accepting of the legal distinction between tax evasion and tax avoidance. Both are now viewed not just as 'tax dodges,' but also as the unfair perks of the better-off and more connected members of society in many countries.

Enter last week's "Panama Papers," the trove of [more than 11 million pages of documents from Mossack Fonseca](#). The documents suggest that in both advanced and developing countries, some of those who hold power, and those with access to them along with the "rich and famous," used the firm to establish and manage offshore entities that are designed to protect capital and minimise taxation.

[The political repercussions were immediate](#), and are likely to spread. Already, the scandal has led to the [resignation of Iceland's PM](#), to [a political](#)

outcry that has [required UK PM David Cameron to release his tax returns](#), and has abruptly [ended](#) the political honeymoon of [Argentina's new president, Mauricio Macri](#).

In addition, countries including Germany are stepping up efforts to look into curbs on legal, but morally questionable tax avoidance schemes that benefit the wealthiest. As with earlier steps to limit money laundering, the focus will be on more stringent reporting requirements and better international sharing of data.

These changes will be quite visible; and will have a meaningful impact for those who, until now, have found it easy to use offshore financial vehicles to reduce their tax payments. The measures' effects on politics and governance, while they will be less visible, could be more consequential for broader segments of society.

The Panama Papers are [yet another blow](#) to the political establishment. They [amplify popular resentment toward governments](#) that already are perceived by a segment of the population as turning a blind eye to tax-dodging. Though no laws were broken in most cases, the documents will feed the perception that the privileged are allowed to play by different rules.

There's no doubt that the Panama Papers will produce greater efforts to reduce tax minimisation. That is good news for liberal democratic systems. But in the short-term this will be accompanied by even stronger resistance to the kind of political unity that is needed in several countries to deliver high growth and genuine financial stability.