

Tax havens and Offshore Finance: The Netherlands

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What is an Offshore Financial Center?

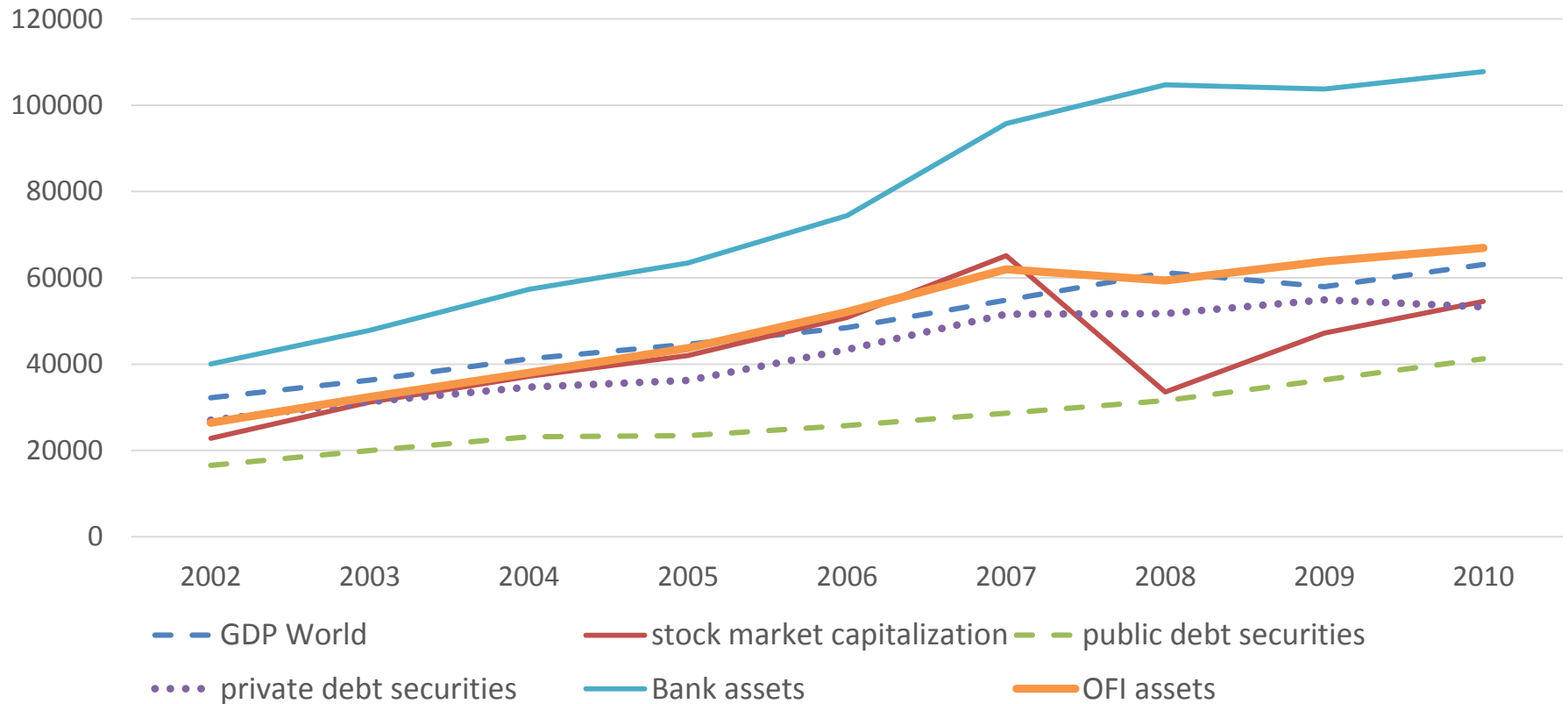
- ❑ “An OFC is a country or jurisdiction that provides financial services to nonresidents on a scale that is incommensurate with the size and the financing of its domestic economy.” **IMF 2007**
- ❑ “An OFC may be defined as a jurisdiction in which transactions with non-residents far outweigh transactions related to the domestic economy” **Bank of England 2001**

Why does it matter

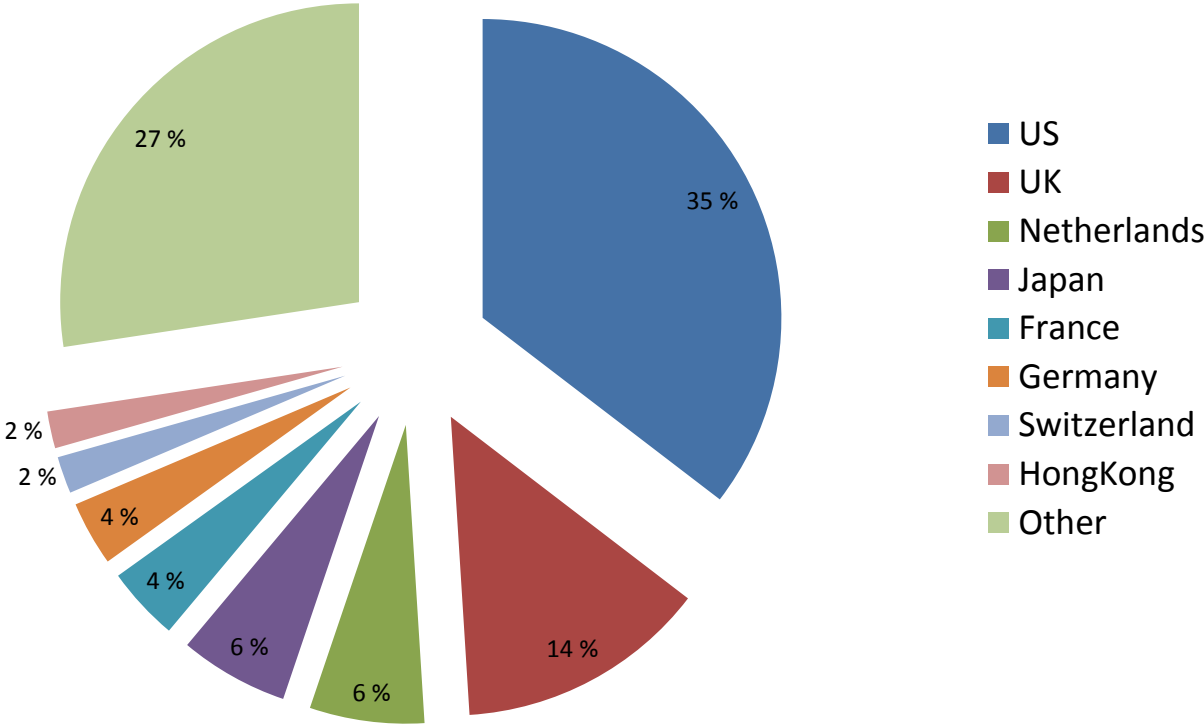
OFC's enable capital to move out of the regulated environment of the nation state, which leads to:

- Eroding the regulatory capacity of nation states
 - Re-scaling of finance
 - Regulatory arbitrage
- Eroding the sovereignty of nation states
 - Tax evasion
 - Tax avoidance

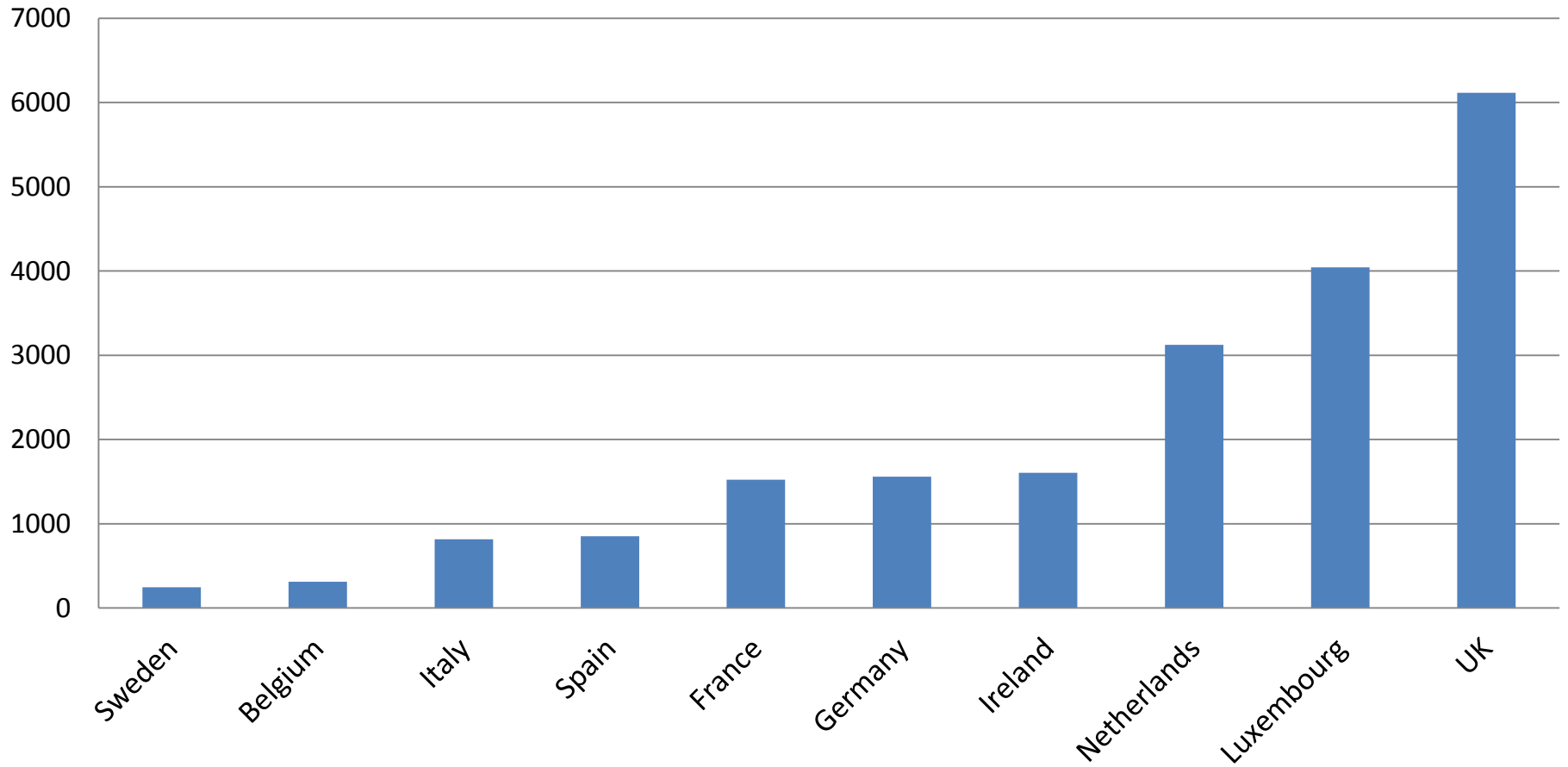
Selected global financial indicators, Billions of Dollar, 2002-2010



Size of OFI sector across FSB members in 2011

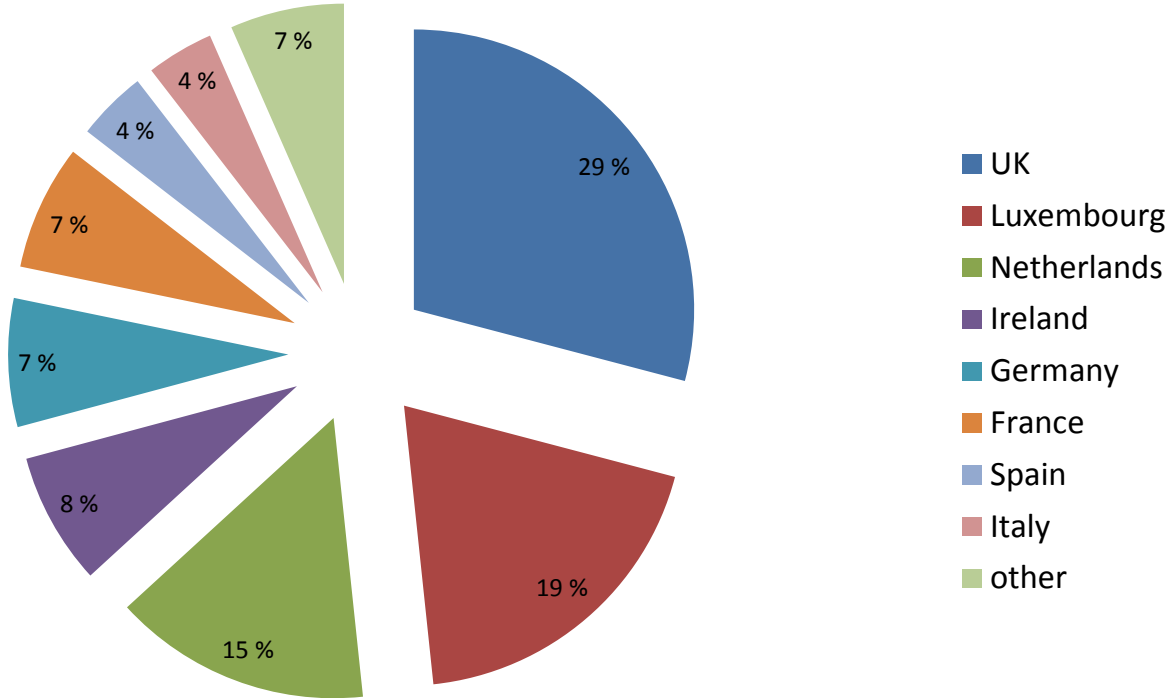


Size of OFI sector in the EU in 2010, in Billion of Euro



Shadow banking concentrated in Ire, NL and LUX

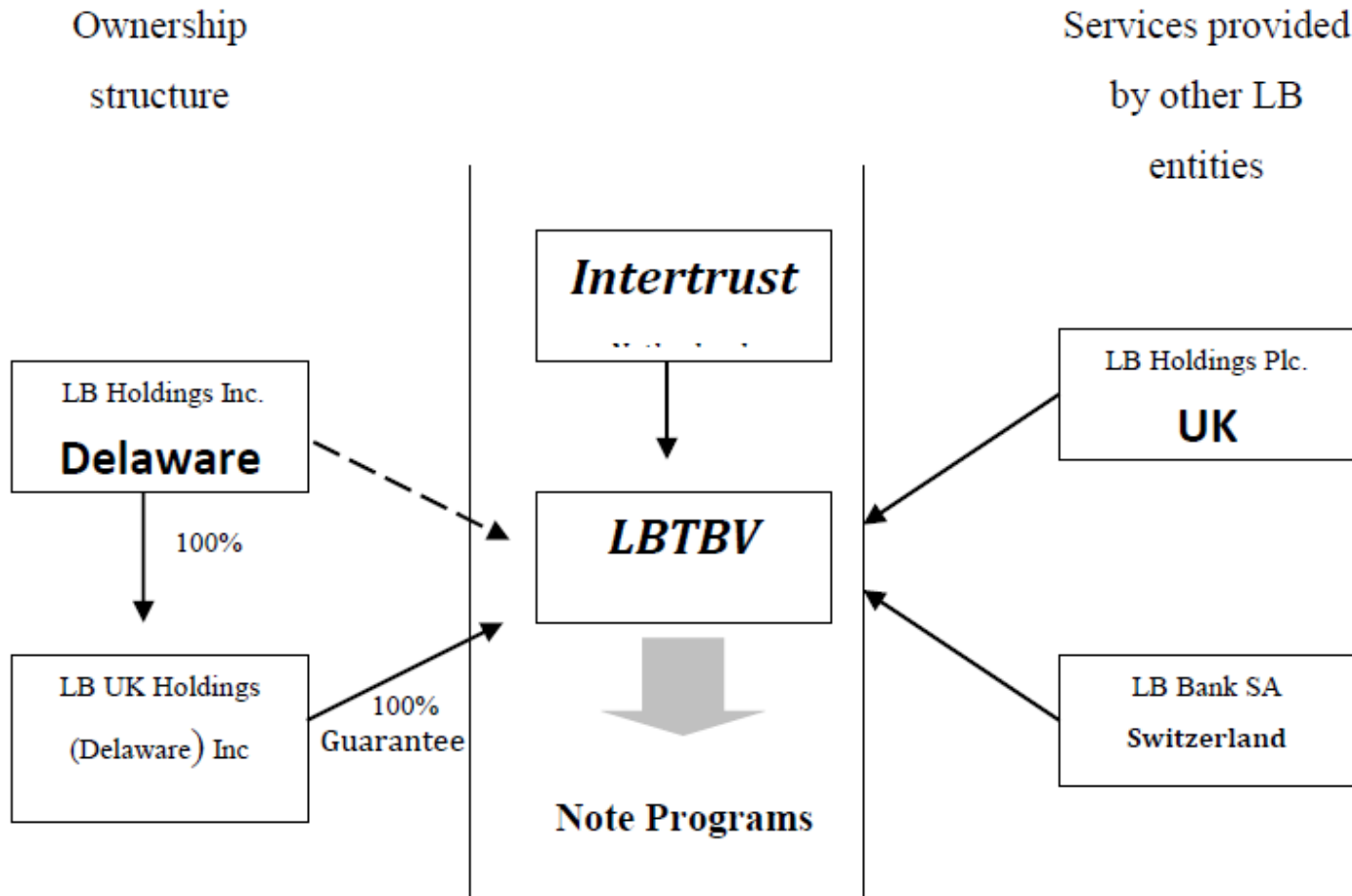
Size of OFI sector across EU 27 in 2010



Offshore Architecture of the 'Holland Route'

- ❑ The London branch of the globally active bank acts as lead manager and arranger
- ❑ The Dutch SFI is a shell company and formally acts as issuer of the notes
- ❑ A large Dutch trust firm is responsible for all local administrative tasks and responsibilities that are related to a Dutch domicile and tax ruling
- ❑ Administrative functions related to the note program, are conducted by one or more banks located in the UK
- ❑ The notes are listed on the exchanges of Ireland, Luxembourg, or both, but are also sold OTC

Locating the Amsterdam based Lehman brothers entity in the wider corporate structure



Conclusion

- OFC's are part of a broader international financial architecture that has been in the making for more than 40 years
- It allows for tax and regulatory arbitrage
- We need to include the problem of regulatory arbitrage in debates on tax havens
- We need to find effective ways to re-regulate private actors in order to restore sovereignty