

Transparency in a post-Panama Papers world

Stefan Kuhn of Credit Suisse shares some of his views of the (minimal) impact of the Panama Papers incident on the practices followed by the private banking industry.

Some of the key questions raised in the wake of the Panama Papers incident go to the heart of what has been commonplace in offshore private banking in Asia. These include: can we still use offshore companies, or shell companies, to avoid or withhold taxes?

However, some of the public discussion has been a bit sensationalist, says Stefan Kuhn, head of compliance, private banking, at Credit Suisse in South-east Asia, since there is a search for big or well-known names to highlight as users of such structuring vehicles.

WHAT CHANGES?

For private banks, the difference has been the method they need to take to deal with new clients versus those who have existing accounts, given that the standards by which the banks look at these two types of clients are different, says Kuhn.

Essentially, whether to on-board an individual, or a BVI company, banks should

look through to the source of wealth. However, it makes no difference, explains Kuhn, as long as clients can prove where the assets come from, to ensure that the wealth is legitimate.

Therefore, the Panama Papers, on this context, has little impact on which clients should be on-boarded. Further, when looking at recent KYC and client on-boarding practices, Kuhn believes there have been tremendous improvements over the last couple of years.

The question for banks is not so much about who to on-board today, but more about who are on the books already as legacy clients, to determine which clients the banks might need to check on.

He adds that banks have their own classification of what is a high-risk client, and usually banks will start from the tax rate.

So if a client is from a country with a high tax rate, banks assume there is a higher incentive for the client to hide assets, or



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set up accounts in another country. Another aspect highlighted via the Panama Papers is that better client education is coming via automatic exchange of information. ■