**SCMP Article**

**Businesspeople in public bodies: asset or liability**

One month ago, a major news story broke. Over 11 million documents had been leaked from a Panamanian law firm that specialised in setting up offshore companies. Reporters around the world had been searching through the papers. Now they were releasing the names of public figures from many countries who owned companies in places like the British Virgin Islands.

In the public’s mind, offshore companies are associated with wealthy tax evaders, money launderers and people with something to hide. Several national leaders and former leaders from various countries were named, along with many of their friends and relatives. The media also reported that Hong Kong was home to the largest number of banks and law firms connected with these offshore companies.

Within days, my phone started to ring. Hong Kong reporters involved in searching through the leaked data had found names of local people holding public office. I was one of them.

One reporter thought he had found something: the Companies Registry shows me as a director of a couple of companies that are not mentioned on my declaration of interests as a non-official member of the Executive Council. I was able to tell him that disclosure is not necessary for positions – like these – that are not remunerated or if you own less than 1 per cent of the company.

The reporter moved on to two British Virgin Island (BVI) companies (which are on the Exco declaration of interests). I explained that they are holding companies for the family business, and my holdings are only 0.09 per cent of one, and 1.3 per cent of the other. He was trying to find an angle for his story. Because any mention of “offshore companies” makes people think of wrongdoing, he brought up the subjects of tax-evasion and abuse of offshore centres’ privacy laws.

There was a time when offshore companies offered various – legal – tax benefits. But since Hong Kong now taxes all locally sourced income, there is no tax advantage for someone in Hong Kong to have an offshore holding company. (Also, Hong Kong’s taxes are so low that there is far less incentive to reduce your tax exposure than in many other business centres.)

The situation is similar with privacy. Nowadays, banks in Hong Kong have to comply with “know your customer” procedures to verify identities and detect money laundering and other criminal activities. We sometimes read about the mega wealthy hiding assets from spouses. But I can’t see how, today, an offshore holding company gives a Hong Kong business any benefits in terms of anonymity.

The truth is pretty boring. Lawyers and bankers set up holding companies in places like the BVI because it is quick, simple, secure and the holding easy to transfer. Some of these BVI companies probably just hold club memberships or motor vehicles.

The reporter did have another angle. He asked whether Exco members should disclose not only their own holdings but the names of fellow directors or owners of companies, and interests held by family members. At the moment, Exco members must disclose joint ownership of companies with their spouse or children – but not other family members, let alone non-relatives. I told him I could see why some people might support such an idea in the interests of full transparency. But I also doubted whether it could work in practice. What if other co-owners did not want their names revealed? How would an Exco member know what assets his sister owned at any time? What if the sister kept the information to herself?

I told him that if such rules were introduced, compliance could become difficult or even impractical. For me, it would probably make more sense just to resign from Exco. His patience paid off – this became the story. Not surprisingly, it vanished from the media within a couple of days.

However, this does raise some quite important questions for anyone in business and holding public office. Indeed, it is something the whole community needs to ask. Do we want people in business to be able to serve on public bodies? Or would we prefer to keep them out in order to guard against possible conflicts of interest?