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OFFSHORE PILOT QUARTERLY

Published since 1997



Providing a helping hand for those navigating the hazardous reefs and shoals of international business structures

December, 2020

Volume 23
Number 4

Persian Rugs and Professionalism

The Offshore Pilot Quarterly, since its first issue in 1997, has always intended to provide a helping hand for those navigating the hazardous reefs and shoals of offshore, as opposed to domestic, structures. That helping hand has become of greater importance today as we contemplate what 2021 might bring.

Guidance, indeed, is in demand. Unfortunately, this becomes fertile ground for the opportunist. I live by the motto of the Royal Society, chartered by Charles the Second in 1660, for the advancement of natural knowledge: “Nullius in verba” (take nobody’s word for it). It is a timely warning when some fallacies and perceptions have been exposed to the harsh light of day during this pandemic. In America, for example, this year’s presidential election has turned “The land of the free” into “The land of the free-for-all”, and Mr. Trump looked

more like the impeder, rather than the leader, of the free world. November was a month of great significance for both Americans and, specifically, those countries which, along with America, comprise collectively “the West”. When American’s celebrated Thanksgiving this year some will have found little to be thankful for, outside their family and circle of friends. The Presidential election may be over, but the problems besetting America, and in consequence the West, are not.

Looking at the broader picture, as the world – eventually – recovers from the pandemic, never before has the Royal Society’s motto been more apposite and the importance of honesty and competency more crucial. This is the second time that such considerations have been put in the spotlight during the 21st century. The first time was during the financial fiasco at the start of the century, an event I termed the Great Recession.

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Little did I know, or did anyone else for that matter, what was round the corner.

Some things will always be worth repeating. In the early part of the last century, J.P. Morgan, the American banker, was questioned by a congressional committee about the workings of Wall Street. To the question of whether commercial credit should first and foremost be based on money or property he replied: “No Sir: first thing is character”. In business it is the people behind the logo that count. Professionalism (in every sense of that word), not Persian carpets (a useful facade), is what matters.

As businesses in the financial services industry (embracing lawyers, bankers and accountants) attempt to stay afloat, new services, to supplement or replace the old, are being offered to clients. The presumption, however, that they will be delivered with equal quality as the core services on offer are, should not be assumed. We know, for instance, from past experiences just how disastrous it was for some top tier accounting firms to include consultancy services in conjunction with their basic accountancy operations, and if their sets of accounts added up, some of their consultancy skills certainly did not. Chasing profit saw lawyers chasing them.

Professor Roger Kneebone, author and surgeon, says that becoming an expert of any kind takes years and requires dedication to mind-numbing, repetitive work. Like many words today, the word “expert” has been devalued – especially in the financial services industry. Still, there are four fundamental values you need to look for: ethics, efficiency, ability and craftsmanship. Although the first three qualities need no explanation, craftsmanship is not a word commonly associated with financial services; it is normally thought to be more of a manual, not mental, nature. You can be assured, however, if it ever gains common usage in the financial field, it will be eventually diluted in strength in the same way that “expert” has been. There are many craftsmen who, over the centuries, have stuck to their knitting. I think of Faber-Castell,

enjoying a reputation for quality pencils since 1856; Vincent van Gogh extolled their virtues. This old-fashioned family firm has not moved from its core business – and presumably would never dream of commenting on how Vincent van Gogh drew with its pencils. The firm has stayed within its sphere of competence and has not strayed into businesses that could put its reputation at risk.

The Walking Wounded

Importantly, you have to realise (and many people do, of course) that competence comes at a cost, and for those setting up a financial structure it is most important for them to understand that. Parsimony, as opposed to prudence, can be false economy if the sticking point is fees; if the only difference between two professionals is costs, then who wouldn't take the lower fees? It seems, however, that often the research into the professionals concerned does not go beyond comparing fee schedules, which would account for many of the casualties of bad planning out there. These misguided souls I describe as the walking wounded. Sadly, I have met many in my office over the years. The key is research.

I will never underestimate the power of a personal recommendation from a trusted source, but in its absence, how many times are practitioners asked to provide testimonials? You can, granted, read the unsolicited references on some practitioners' websites (including our own), but not often enough. You may well tell the world just how wonderful your service is, but it's best if someone else voluntarily does it for you. Hard sell does not equate to hard facts.

This is where craftsmanship comes in. There is a gardening tip that reveals how to produce perfect asparagus: “first dig a trench three years ago”. Perfection takes time; so does the process to become skilled in a craft. Unfortunately, regardless of quality, there are those practitioners jumping over the trench, planting nothing, and calling themselves experts. If you doubt this, just consider



the sudden number of experts appearing since the 2020 pandemic. They are read, listened to and watched nearly every day of the week.

Professor Kneebone reminds us that “the essence of being expert” endows you with wisdom which allows you to get to the heart of a problem and fix it “with skill, judgment and care”. Experience, the bedrock of skill, comes from a process of slow filtration: knowledge that is filtered gradually and absorbed by the brain. Do not, therefore, put the same degree of faith in the instant expert as you might in your instant coffee. The former can leave a sour taste in your mouth.

Unfortunately, the tension, stress and uncertainty which this pandemic has caused has compounded a problem which has been getting worse for years. I wrote about it in an article for the United Kingdom’s IFC Media in 2009; the title of the article resonates even more so now: “Rudeness in Troubled Times”. Troubled times abound us today from the North to the South Pole. That said, the crisis through which we are living has brought about a greater awareness of the importance of consideration, courtesy and politeness in business. Adam Galinsky of the Kellogg School of Management at Northwestern University in America says that in times of crisis, with all the attendant uncertainty, “the best strategy is to be civil to everyone”. With all due respect to Professor Galinsky, civility, whatever the circumstances, is always the best strategy.

Allied with this rougher edge to social discourse during these dismal days has been a shift from long-term financial planning by individuals to a grasping, short-termism which has been fuelled, to a great extent, by less opportunities for safe investments, and which has led to sheer recklessness on the part of individuals. In such a climate not just instant experts thrive, but so do con men. In times of stress, of course, man’s uglier traits are exposed. This was understood by Ayn Rand who, in her novel, “The Fountainhead”, (no, not her oft-quoted classic, “Atlas Shrugged”), explored themes of selfishness and greed. One of

the main characters in her book declares: “I am the most offensively possessive man on earth. I do something to things.” There are global examples of this as the divide between rich and poor grows, a fact already apparent one hundred years ago when the song “Ain’t We Got Fun” was composed which included these lyrics: “There’s nothing surer/ The rich get rich and the poor get poorer”. F. Scott Fitzgerald understood this in his novel, “The Great Gatsby”, as America and the writer lived through the Roaring (still) Twenties.

Consider the remarks made about Britain’s industrial revolution by John Stuart Mill, a philosopher and economist, concerning its growing, at that time, middle class: “The virtues of a middle class are those which conduce to getting rich – integrity, economy and enterprise”. As we have seen, integrity today has been another casualty, not to mention prudence, about which Adam Smith observed that the prudent man should “not go in quest of new enterprises and adventures, which might endanger, but could not well increase, the secure tranquility which he actually enjoys...” Wise words, indeed, for today’s increasingly muddled, rather than middle, class, and for many of whom such secure tranquility would seem to be light years away. In America the elite 1 per cent control US\$30 trillion of assets, while the bottom half of society have more debt than assets; the three richest Americans have more money than the poorest 160 million of the population. Perhaps extreme, but this deep divide is not just to be found in America and stretches across the globe.

Wait and Hope

It appears to me that people are looking for havens, not just for themselves, but certainly for their wealth, regardless of whether taxes can be reduced or not. Half a loaf, after all, is better than none. There is a need to find a secure bolt hole to store wealth that has been threatened by a microscopic parasite 10,000 times smaller than a



grain of salt. Meanwhile, there are those who cast their fate to the wind and hope, like people who organise hurricane parties in the face of an impending monster storm. They represent those who Bertrand Russell identified when he observed that "...most people would sooner die than think; in fact, they do so."

What is clear is that the final outcome (whenever that is) of the pandemic will have been a turning point in the affairs of man, just as the 1914 assassination of Archduke Ferdinand, the stock market crash of 1929, and the 1933 rise of Adolf Hitler was during the previous century. Sadly, no longer can the West look with confidence to America, with its many states anything but united. It has become a political tinder box albeit a box much smaller than those that can be found in Africa or South America. It is a disturbing development, and one must ask: if Donald Trump was going to empty the swamp, will a President Biden finally drain, or sustain, it? Whatever the case, we have wandered far from President Roosevelt's promise that his country would be the arsenal of democracy. With Americans divided as never before since the civil war, making a mockery of standards that once stood as an exemplar for the West, the country has become a democracy. I leave you with a footnote on the continuing distortions between reality and illusion within my own industry. The hackneyed term, "offshore tax haven", where the wealthy protect their assets, is a

convenient, diversionary narrative, but I would suggest you consider another location, one far from being offshore: 175 Darkes Lane, Potters Bar, in the United Kingdom - much in the same way as you would 29, Harley Street, London, and which I wrote about exactly one year ago in the OPQ (issue 4).

Suite 2B on the second floor of the red brick building at the Potters Bar address, just 13 miles north of London, was the registered home, at the time, of more than 1,000 UK-registered companies, some of which, allegedly, were used to move billions of US dollars' worth of illicit funds across borders, according to a leak coming from the US Financial Crimes Enforcement Network (FinCEN). A UK address gives the outward appearance of legitimacy and probity, unlike one, say, in the Caribbean. It only goes to show how dangerous perceptions can be. From some 20,000 companies of a similar type to those operating in Potters Bar that were registered in the UK in 2004, the figure had reached 100,000 by 2017. It begs the question.

If my narrative this quarter invokes cynicism and despondency, take the advice of Alexandre Dumas, the 19th-century French author: "Until the day when God shall deign to reveal the future to man, all human wisdom is summed up in these two words, wait and hope." It's all we can do.

Offshore Pilot Quarterly (independent writing for independent thinkers) has been published since 1997 by Trust Services, S. A. which is the British face of international business in Panama. It is written by Derek Sambrook, our Managing Director, a member of the Society of Trust and Estate Practitioners and a Fellow of the Institute of Bankers in South Africa who was both a member of the former Latin America and Caribbean Banking Commission and an offshore banking, trust company and insurance regulator. He has over 50 years combined private and public sector experience in the financial services industry about which he has written extensively and our website provides a broad range of related essays.

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