

The French banking reform and the Cayman Islands

Un article dans le *Financial Times* du 18 janvier a attiré l'attention de Pascal Poupelle. Les îles Caïman annoncent le big bang. Fini le secret, les noms des entreprises domiciliées sur leur territoire et ceux de leurs dirigeants vont être rendus publics. Mieux encore, les autorités locales vont s'attribuer un droit de veto sur les administrateurs de ces entreprises. Une réforme spectaculaire qui pourrait inspirer le Parlement français lors du débat sur la loi bancaire. Une tribune de Pascal Poupelle.



Quite an interesting article in today's *Financial Times* this Friday, January 18th : **the Cayman Islands are poised to break with decades of secrecy** by making public the name of the companies of all sort domiciled in the islands, including holdings and hedge funds, and revealing the names of their directors. This is of course **good news for the progressive (and arduous, as we know) march towards a more transparent financial world**, even if a few other islands, some closer to our shores (but in truth with a much less desirable climate), remain seemingly still far from being ready to "shed the veil of secrecy", to quote the *FT's* efficient headline.

Exotic, but not always bad...

By the way, should you discover a friend of yours in the to-be-disclosed list of directors, you may still want to shake their hand and share a cup of tea or a cigar in public. These things are exotic for sure, but not always for bad reasons. I have been a director of several Cayman Islands shell companies in my younger days, and it was merely **to facilitate the structuring of complex cross-border transactions** for the financing of large commercial aircraft. **It was a matter of efficiency** (no withholding tax, no need for physical board meetings, *de minimis* administrative costs) **and nothing more**. This is yet another thing which I have done as a banker and which I will be more than happy and proud to share with my grand-children, when the time for story-telling will have come.

A welcome piece of good news

Alongside this welcome piece of good news, there is another noteworthy piece of information in the *FT* article: it says that **the local supervisor will have a vetting right over the nomination of all directors of the locally incorporated companies**, so that proper governance and accountability can be reinforced.

The French banking reform to come

Let's go back now to the greyness of our winter in France: **soon the French Parliament will discuss the proposed new piece of legislation regarding banking** (our Vickers reform, our Dodd Franck Act,...). Some will say that the proposal is too lenient and that the banking lobby in Paris has prevailed; some will argue that the French banks have not cost anything to the taxpayer since 2008 and have continued to finance the French economy, actually more effectively than in any other European country, so why change something which works ? Others, however, will point out that Dexia, though officially Belgian, did have also large French operations, French executive and non executive directors and stands as a living (or dying, rather) example of a bank's cataclysmic failure.

Each of these voices is somewhat right and somewhat wrong of course. That is why it may sometimes be useful to have big debates in parliaments for such complex matters (otherwise why bother...).

No vetting right in France

Now, in my view, **there is something bizarre when comparing the Cayman Islands story this morning and the proposed French bill on banking**. Why is it that the Cayman authorities will have a vetting rights on the nomination of directors (for entities which are not even regulated in their islands), when **the French legislator does not even propose to give a vetting right to the Banque de France** on the same subject? Ouuups, here is a good topic to be discussed in Parliament.

I have been a banker for 25 years and I have seen good banking practices and less good ones. I do believe that **governance matters for such complex activities** and that technically advanced, experienced and ethical management and directors do make a difference.

The need for properly qualified directors

You need a proper qualification to be a driving instructor, a lifeguard at a swimming pool or a notary public. **Why is it then that you can be a director of a deposit taking institution without having to prove your credentials and moral stature?** This for me remains a well kept secret, that, taking the lead from the Cayman Islands authorities, the French members of the parliament may want to address when discussing the draft of legislation soon to be put in their good hands.