



Pacific Media Watch

Title – 5950 COOK ISLANDS: Editorial – We were gagged!

Date – 14 February 2009

Byline – None

Origin – Pacific Media Watch

Source – Cook Islands News, 13/02/09

Copyright – CIN

Status – Unabridged

Editorial: WE WERE GAGGED!

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Plus:

'Irresponsible journalism'

5 banks affected

AVARUA, Rarotonga (*CIN Online/Pacific Media Watch*): Emotive, exaggerated and vacuous slanging of the kind dished out by [Trustee Companies Association president] Brian Mason is self-serving tripe.

I am referring to his media statement (front page) casting aspersions and drawing wild conclusions on our story about the offshore banking industry.

Our story was very clear that the new law will abolish just the offshore banking industry. It explicitly stated that the law change will not affect the remainder of the offshore sector, and specifically said that international trusts and companies are not involved.

We accept that some people may not distinguish between offshore banks and offshore trusts, but that is not our doing.

Everything else Mr Mason says about our story is wrong.

We did not insinuate and do not believe that the FSC and FIU or the Financial Action Task Force are corrupt. Nor do we believe that honest local offshore bankers with a proven track record have been up to no good.

We stand by the comment that offshore banks are privileged to operate behind a law which gives them absolute privacy and secrecy, and which enables corrupt operators to get away with money laundering and providing funds for terrorism.

Ironically, it is the very secrecy afforded to this industry under Section 227 of the International Companies Act 1981-82 that prevents us from publishing the evidence that Mr Mason suggests, wrongly, we do not have.

Cook Islands News has been investigating claims of corruption and terrorism financing by one offshore bank for the past three years, and we have seen a good deal of sensitive information that we are not at liberty to disclose. Lawyers acting for this bank have threatened and forced us to sit on this information since July 2006.

While we do not expect the president of the Trustee Companies Association to be aware of these matters, he should be supportive of the changes which will remove all possibility of the taint of corruption to his industry.

John Woods
Editor, Cook Islands News

'Irresponsible journalism'

News of [the Cook Islands] government's intention to abolish the offshore banking industry ruffled lots of feathers yesterday, with one person in the industry calling the *Cook Islands News* report that broke the story 'irresponsible journalism'.

The Trustee Companies Association took major issue with a statement in the final paragraph of the article by *CINews* editor John Woods.

The offending statement said that behind a screen of privacy and protection, offshore banks are able to get away with corrupt practices such as money laundering and providing funds for terrorism.

Association president Brian Mason issued a statement saying it was disgraceful that Woods should suggest that the offshore banks, the Financial Intelligence Unit which collects intelligence on money laundering and terrorist financing, the Financial Supervisory Commission which regulates offshore banks, major international auditing firms which audit the accounts of offshore banks, and the Financial Action Task Force, an international body, are all corrupt.

"This is the inevitable conclusion in an article that says the costs of regulation are high but these financial institutions are still corrupt.

"If the offshore banks in the Cook Islands are involved in providing funds for terrorism, then all of these agencies are either complicit in it or are not doing their jobs."

Mason said that was not the case. "Rather we have an ill informed, gratuitous and baseless opinion from the editor of a newspaper."

Mason went on to say that offshore banks are regulated under the Banking Act in exactly the same way that banks such as Westpac, ANZ and Bank of Cook Islands are regulated, and all banks in the Cook Islands are subject to stringent anti-money laundering regulations squarely aimed at preventing corruption and financing of terrorism.

Mason's statement concluded by describing the *CINews* article as "the height of irresponsible journalism".

Editor: *We take exception to Mr Mason's assertions, and refute all points of his argument except one. We accept it is possible that readers may mistakenly believe it is the entire offshore finance industry that is to be abolished, whereas it is only the offshore banking sector. See Editorial, page 3.*

5 banks affected

By Helen Greig

The five companies with offshore banking licences in the country had a net worth of \$43 million as at December 31, 2008.

This is according to the Financial Supervisory Commission which says these offshore banking companies also had total reported assets of \$448 million and liabilities of \$405 million in December.

The offshore banks included ANZ Banking Group, Banktec Cook Islands Ltd, WSBC Bank, Capital Security Bank Ltd and Pacific Trade Bank Ltd.

The offshore banking industry – excluding international trusts and international companies – will be abolished when the Banking Amendment Bill is passed and comes into force.

With the exception of ANZ bank (a domestic bank with a both a domestic banking licence and an offshore banking licence), the offshore banks will have nine months after the date the act comes into force to close up their operations here.

The bill, tabled in Parliament on Wednesday, is due to be passed by Parliament and will come into force as soon as the Queen's Representative gives his assent to it. The Banking Act 2003 will be changed to remove any reference to offshore banks and the restricted licences they are issued.

The FSC says the offshore banks typically employ very few staff, not many of which are Cook Islanders.

While offshore banks pay licence fees each year, Finance Minister Sir Terepai Maoate says they are actually costing the country money.

It is understood the high costs of a legal fight over registration of WSBC Bank is the main factor behind the move.

Offshore banks pay a restricted licence application fee of US\$1000 and then US\$6000 a year for their registration.

FSC commissioner Lorraine Allen has said the offshore banking industry has been around for many years but the cost of regulating and supervising the industry has outweighed the benefits to the country.

Research and educational resource provided by the Pacific Media Centre | Creative Industries Research Institute
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