

## **British bankers would be wise to fear Germany – what the Continent’s huge cum-ex’ scandal means for the City of London**

*By Andrew Katzen*

As the trial of Deutsche Bank's former Frankfurt-based managing director Andreas Hauschild get under way in London, Britain's financiers may face a more serious risk of prosecution in Germany rather than Britain.

Perhaps it's the odd name, but the so-called "cum-ex" ("with-without" in Latin) dividend stripping scandal has not received anywhere near as much attention in the UK as it ought to. That may soon change.

It is among the biggest alleged frauds to hit continental Europe in decades – up to 55 billion euros has allegedly been defrauded from various governments - and criminal investigations in to it are beginning to affect dozens in the City of London, with potentially devastating results.

The allegations, in brief, are that tax rebates on share dividends were claimed when no tax had been paid in the first place or that claims for tax rebates were made on the basis of share trading which had no proper commercial basis.

This share trading, it's alleged, was done simply to generate tax credits. These accusations are hotly contested and many institutions took legal advice at the time which backed the legitimacy of these trades.

Dividend stripping happened all over Europe before tax loopholes were closed. Denmark, Belgium, France and Italy were all affected but it is Germany where cum-ex has had the most impact.

For Germany, this is like LIBOR but arguably on a bigger scale. A parliamentary enquiry has taken place there and a trial has already started involving at least two London based bankers. Many more individuals are under investigation including, reportedly, Garth Ritchie, the head of Deutsche Bank's investment banking arm.

While the action is centred on Germany, London is firmly in the German prosecutor's sights. As Europe's financial hub, the City was not only where many of these suspicious trades were carried out but where these practices may have been planned in the first place.

HMRC has recently received from Germany dozens of requests for legal assistance (known as European Investigation Orders) in relation to numerous current and former City traders. In some cases these relate to share transactions conducted well over a decade ago. Many of the individuals left their positions years ago and may have difficulties getting access to material which may exonerate them. It is an invidious position for them – they are being accused of serious offences a long time ago in a foreign country.

This issue is likely to run to and run. Whatever happens in the Euribor trial at Southwark, Germany could be the place where British bankers have most to fear.

***This article was originally published in The Times and can be viewed here:***

<https://www.thetimes.co.uk/article/british-bankers-would-be-wise-to-fear-germany-6s9jwkbosc>

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