LEGAL ASTUTENESS OF EXECUTIVE DIRECTORS AND FIRM TRANSPARENCY IN OFFSHORE ECONOMIES

1 INTRODUCTION

A "golden age" for the hiring of lawyers as directors has been attributed to a "rise in regulatory forces" on firms in the US (Baxter, 2023) while their recruitment is increasingly common in emerging economies too (Basham, 2022). Lawyers also play an important role within offshore economies (Harrington, 2021) which are associated with the provision of regulatory arbitrage (Moriss, 2007; Moriss & Henson, 2013) and opacity alongside negligible taxation. Several prior studies have sought to shed light on the role undertaken by lawyers serving as directors and the consequential transparency (Krishnan, Wen & Zhao, 2011; Hopkins, Maydew & Venkatachalam, 2015) and performance (Pham, 2020; Henderson, Hutton, Jiang & Pierson, 2023) implications for their firms. Such considerations are especially important in terms of resource acquisition within emerging and offshore economies which are subject to formal institutional voids and typically subsumed within localised networks. These constrain access and availability of resources necessitating potential future supplementary resource infusions externally to facilitate firms' growth and expansion. Our study aims to advance a novel theoretical framework which accommodates both the compliance (e.g., DiMaggio & Powell, 1983; Scott, 1987; Suchman, 1995) and the enabling aspects (Bagley, 2008, Bagley, Roellig & Massameno, 2016; Morse, Wang & Wu, 2016) of the law's influence on firms in determining their transparency which is essential shaping their competitive strategic advantage.

The "legal astuteness" of firm's executive leadership centres on the accumulated competency from increasing proportions of legally qualified individual executive directors. It arises from the melding of professional legal training with tacit, intimate business knowledge of the operations of a given firm leading to its idiosyncratic firm specific nature. We follow Bagley (2008) in defining legal astuteness of executive directors as their ability to communicate effectively with outside legal counsel while working together to solve complex managerial problems. As such, legal

astuteness constitutes a valuable capability which is essential to the acquisition, coordination and deployment of further resources and capabilities within the firm. Its value arises from it being a dynamic capability that enhances firm's ability to continually innovate to remain abreast of changing technological, market, and institutional contingencies (Teece, Pisano & Shuen, 1997). The full value of legal astuteness is then in its seamless integration into an individual's day-to-day decision making and strategy execution. Our approach advances the novel theoretical framework of Oliver (1997) which accommodates both the resource-based and institutional views as complimentary to one another. The former centres on the rarity, inimitability and non-substitutability of legal astuteness underscoring its unique value which in turn differentiates the firm from its rivals. Contrastingly, the latter emphasises the social compatibility of resources with cultural belief systems prevalent within a given firm and the importance of conformity between the firm and its environment as well as politically powerful actors embedded within it.

In this paper, we focus on a comprehensive sample of 183 indigenous listed firms drawn from across the Caribbean region which is uniquely divided between offshore and emerging economies. The region hosts the biggest offshore finance centres worldwide while the divide in the region facilitates the differentiation of offshore governance from that prevalent in their emerging economy counterparts. This leads to our study uncovering some of the uniquely valuable attributes of firm's governance specific to offshore jurisdictional contexts. Our empirical findings yield insights into the importance of lawyers within offshore jurisdictions both in the Caribbean as well as worldwide. We find legally astute executive directors orientate their firms towards increased transparency with this accentuated in the context of opaquer offshore jurisdictions. However, our rationale for this seemingly counterintuitive finding draws on the profound importance of offshore jurisdictions themselves in maintaining unblemished reputations. The jurisdiction itself acts as a cornerstone in facilitating the competitive attraction of business from the target onshore economy. Our study is the first of its kind to focus on the composition of board of directors within offshore economies and contributes to the handful of nascent studies on the institutional determinants of the supply of offshore services.

2 THEORETICAL MODEL

Our starting point is in outlining legal astuteness as a capability (Bagley et al, 2016) of firm's executive leadership and their top management teams. Capabilities are defined by Oliver (1997) as capacities to coordinate and deploy resources essential to the undertaking of tasks while resources themselves are input factors controlled and used by firms to develop and implement their strategies. Both capabilities and resources are valued and sought after by firms (Bagley et al, 2016) in relation to their potential contribution to their competitive advantage. Both are either acquired from factor markets or built up cumulatively through path dependent processes akin to "learning by doing". Legal astuteness is a dynamic capability which is idiosyncratic to individual firms in its detail and path dependent in its emergence. It is exemplified through its unique value being accumulated over many individual transactions between the firm and stakeholders wherein the legally infused morality defining the boundaries of roles and appropriate actions of contractual participants crystallizes over time.

Our approach draws on two distinct theoretical perspectives, namely those of the resource-based view and institutional theory, in rationalizing legal astuteness' influence on executive discretion towards their firm's increased transparency and disclosure. We outline three levels of analysis, with these being an individual level, then at firm and inter-firm levels.

2.1 Resource-based view

Individual level decision making by firm's executive leadership is centred on economic rationality. This emphasises the efficiency in maximising value while minimising cost in exercising decisions regarding the acquisition and deployment of resources and capabilities to ultimately enhance the sustainable competitive advantage of firms. Decisions are effectively bounded by conditions of informational asymmetry, differences in cognitive ability and uncertainty over future outcomes. This underscores the susceptibility to decision biases, competitive blind spots (Amit and Shoemaker, 1993, Zajac, 1992). Executive leadership's legal astuteness is facilitative of their widening

communication with stakeholders which underscores a broadening of possibilities for accessing resources and capabilities as well as the range of their potential combination in creating value. Much of the enhanced communication arises from a more proactive approach to law in being seen as a business opportunity rather than restrictive constraint, some commonality in legal-business vocabulary and deep knowledge of contractual options alongside the legal tools with which to create and exploit those options. These traits reduce the uncertainties in engaging with stakeholders while reducing causal ambiguity in ascertaining the relation between a firm's bundle of resources and its performance.

Firm level resource selection draws on legally astute executive leadership in determining their acquiring or imitating resources and capabilities to create a sustainable competitive advantage. While legal astuteness itself is a rare, inimitable and non-substitutable capability, it is essential as a precursor capability in shaping further future executive decisions regarding the acquisition or imitation of additional supplementary resources and capabilities. However, in an emerging economy context an additional consideration is their being typically beset by formal institutional voids. These provide at best inadequate support for third-party contracting and the external acquisition of resources and capabilities as well as often being associated with institutionalized corruption including paucity in protections for intellectual property rights. These are essential for firms to protect their technological innovations arising from their unique resource and capability endowments and the competencies in visualizing their combination to create value.

Together, these environmental traits allude to a necessity in legal astuteness amongst executives in terms of facilitating their navigation of the often complex, dense social networks underpinning national polities. Polities are typically subject to demographic narrowness, negligible social legitimacy, subsummation under hegemonic influence of vested interests and institutionalized stymieing of political processes that would otherwise precipitate equitable reforms. The resulting formal institutional deficiencies leads to a typical reliance on dense social networks that are often centred on the vested interests controlling polities which are essential in mitigating otherwise

prohibitively high transaction costs in resource intermediation. Access to and the ability to acquire factors, resources and capabilities are all determined by constituency within the network. Moreover, networks are inculcated with socio-cultural values drawn from the informal institutional framework while a range of sanctions, including ostracism and even social exclusion from the network itself, acting as powerful deterrents to opportunistic behaviours.

Legal astuteness of a firm's executive leadership is important in such emerging economy contexts since it facilitates effective communication with a wide range of stakeholder constituencies while retaining cognisance of power dependencies embedded in stakeholder relationships. Moreover, the morality and prudence in judgement inherent within legal astuteness are especially beneficial in navigating social networks as well as the rudimentary elements of formal institutional frameworks functioning at a national level. However, despite these potential benefits, a major shortcoming of such dense, localised networks within emerging economies are their limitations in availability of resources and capabilities necessary to facilitate a firm's broader expansion and growth – especially outside of national territorial or jurisdictional limits. We argue legally astute executive leadership in firms is aware of the contextual limitations in accessibility and availability of resources in emerging economies and has valuable awareness and focus on potential supplementary external sources.

Inter firm level of analysis emphasises the idiosyncratic value attributable to firms in terms of their capability and resource endowments in the context of incomplete factor markets with this underscoring firm's heterogeneity and competitive advantage. Emerging economies are subject to formal institutional voids regarding deficiencies in the strength of protections afforded to property rights which inhibits external resource acquisition. This typically leads to a reliance on dense social networks as a means of resource intermediation though these are susceptible to informal institutional voids. These arise from social networks being centred on vested interests prevalent within emerging economies, such as locally powerful families, or empowered members of demographically narrow national polities that often have questionable legitimacy. Such informal

voids manifest themselves through the warping of otherwise benevolent relational contracting schemas embedded within the networks in terms of favouritism, nepotism and cronyism. While such institutionalized corruption undermines the effectiveness of networks, an important aspect of the network's constituents is that of common, shared socio-cultural values or at least conformity with these which is essential in underpinning the socialized trust fundamental to the network.

Given the prevalence of dense social networks within emerging economies, there is a high degree of socialization amongst executives and top management teams. Moreover, the formal institutional deficiencies are associated with typically smaller potential reservoirs of suitably qualified and experienced managerial talent coupled with their hiring being undertaken through the networks that form the backbone of emerging economies. Firms' access to capabilities and resources is almost wholly subsumed within the same networks too which are under the hegemonic influence of locally powerful vested interests. We argue that legally astute executive leadership are particularly valuable within such contexts. Legal astuteness is a higher order capability which determines the acquisition, path dependent accumulation and deployment of further additional resources and capabilities. Furthermore, it facilitates effective discourse amongst executive leadership, between them and locally powerful constituencies, as well as external legal counsel. It also underscores executive's awareness of the shortcomings of resource procurement within the local context and leads to their adeptness in engaging with external stakeholders. These may be in product markets as well as resource and capability providers. As such, legal astuteness is a versatile capability that underscores flexibility of executive management as well as their adeptness in engaging with a wider range of external stakeholder constituencies to acquire and imitate resources.

2.2 Institutional perspective

The *individual level* of analysis centres on the concept of bounded rationality. This comprises the three dimensions of limitations in cognitive informational processing, heuristics and biases related to these heuristics. All three dimensions are shaped by the degree of embeddedness of the actor within a historically contingent social context. They also reflect decision-making being inherently

nonrational with actors being intendedly rational while bounded by social judgement, historical limitations and the inertial force of habit. Choices are therefore induced by historical precedent and social justification as opposed to rational efficiency and profitability considerations. Executive's visualization of the potential value of various resource and capability combinations rests on their conformity with prevailing internal firm culture and societal social frameworks rather than on rationality. However, these traits do lead to executive discretion being susceptible to "cognitive sunk costs" in relation to persistence in their conformity with "taken for granted" firm cultural belief systems.

Firm level analysis extends the concept of cognitive sunk costs in focussing on the importance of conformity and socialized fit in determining the broader legitimacy of a given resource or capability and the degree to which it is optimized within firms. Legal astuteness amongst executive decision makers enhances their communication amongst non-legally trains business managers, outside legal counsel and a wider range of contextually embedded stakeholder constituencies. Legally astute executives recognize the importance of socialized compatibility of resources and capabilities they seek to acquire for the firm with the prevailing political and cultural influences within the firm. Such incompatibility leads to either the resource or capability not being acquired or accumulated over time or alternatively it's sub-optimal utilization following coordination within the firm. Decisions regarding capability and resource acquisition and development centre primarily on their compatibility and therefore the legitimacy accorded to them within the firm. We argue that legally astute executives have greater awareness of potentially powerful countervailing influences external to the firm from within its environment and are therefore less subject to cognitive sunk costs. In particular, the deference to formally codified legal and regulatory frameworks associated with legal astuteness underscores a reduction in the hegemonic influence of vested interests within firm or its internal cultural belief system.

The legal astuteness of executives is also beneficial in mitigating losses of legitimacy from incompatibility with societal institutional norms and political interests which are involuntary and

exogenous to the firm. Such a lack of compatibility leads to either resources not being acquired or deployed with resource mobility being low not because the resources lack value or are difficult to acquire or replicate. Instead, it is because the resources are inconsistent with the firm's historical, cultural or political context. We argue legal astuteness is beneficial in the light of its facilitation of communication and broader engagement with stakeholders external to the firm as well as those within the firm in enhancing intra-firm communication and the accumulation of social trust. Moreover, legally astute executives have greater awareness of formal regulatory institutional frameworks and the necessity of communicative engagements with a broader range of stakeholder constituencies. Legal astuteness is especially important in minimizing transaction costs associated with the measurement and definition of contracts written to engage stakeholders as well as the firm's governance structure.

The *inter firm* level of analysis emphasise the multiple overlapping influence of external institutional frameworks and politically powerful constituencies embedded within them in motivating firms to conform thereby attaining legitimacy. Executive's legal astuteness underscores their orientation towards seeking supplementary resource and capability infusions from external stakeholder constituencies as well as the effectiveness of their engagement. Firms are contextually embedded within the socio-cultural fabric of emerging economies while also being subject to the coercive influence of formal institutional architecture. In particular, the demographic narrowness of national polities, their subsummation under locally powerful vested interests, with these typically being empowered elites and their kin or extended families in emerging economies, leads to "capture" of formal and regulatory frameworks. While this undermines their effectiveness, it also leads to a dominance on social networks to facilitate resource intermediation. This has important implications for the social fit and conformity of resource infusions into the firm. The limitations of the network with this restricted to the local context together with formal institutional voids impeding external resource intermediation leads to reduced availability of resources. Networks are also contextually embedded within the underlying socio-cultural societal fabric while they typically

centre on locally powerful vested interests. We argue that rather than seeking to biomorphically conform with indigenous political interests and institutional frameworks, executives can utilize their legal astuteness in guiding their firms towards conformity with international investor norms, including enhanced transparency. In this way, firms evade the resource constraints of indigenous environment and instead engage with a far wider range of external constituencies who can provide a broader remit of resources and capabilities.

2.3 Legal astuteness and firm transparency

Our last step in our theorization is in proposing an integration of the two rival influences on firms that leads to their heterogeneity and then their homogeneity, in rationalizing the firm's competitive positioning based on its transparency. We follow Oliver (1997) in conceiving firms as possessing both resource capital and institutional capital. The term "capital", as used here, is referred to as executive director legal astuteness and is defined as a durable intangible capability that yield services over its lifetime that contribute to sustainable competitive advantage. Resource capital is itself defined as the competency associated with legal astuteness that enhances firm value. Institutional capital is defined as the firm's capability through exercising legal astuteness to support additional supplementary value-enhancing assets and competencies. Institutional capital is the context surrounding resources and capabilities that enhances or inhibits the optimal use of valued resource capital. These definitions parsimoniously tie resource capital and institutional capital together and as being complementary rather than substitutes to one another.

In this light, we argue executives utilize their legal astuteness in gaining awareness of their resource constraints within emerging economies. Moreover, their legal astuteness underscores their effective communication and engagement with a broader range of stakeholders both internally and externally. Firm's both seek to benefit from their heterogeneity in adopting enhanced transparency to further benefit from engaging with stakeholders while also seeking heightened conformity with external stakeholder expectations regarding their governance and adherence to common international norms. Theoretically, we argue firms draw on both resource capital and institutional

capital in strategically adopting transparency with this decision guided by executives' legal astuteness. Together, these theoretical arguments lead us to propose the following hypothesis:

Hypothesis 1. *Increasing proportions of lawyers serving as executive directors on firms' boards of directors is positively associated with firm transparency.*

2.4 Offshore jurisdictional contingencies

Offshore economies are differentiated from their developed and developing economy counterparts through their typically extremely small size leading to their political systems essential for legal and regulatory design being proactive as opposed to reactive in nature. Larger economies are denoted by more politically active electorates facilitating institutional reforms through essentially reactive political processes involving parliamentary and legal processes. While these may be stymied in developing economy contexts through the subversion of polities under hegemonic influence of vested interests, the resulting indigenous political process maintains it's central role in initiating reforms. Offshore economies are largely unique by their extremely small size underscoring the prevalence of locally powerful vested interests, typically extended families, whose influence transcends every realm within their societies including across public-private sector boundaries. Political processes for reform are therefore wholly subsumed within these overarching locally dominant networks.

The extreme smallness of offshore territories underscores the seamless interaction between members of public and private sectors as well as the prevalence of vested interests such as extended multibranch families whose members and consequent influence transcends public-private sector boundaries. As such, indigenous private sector can shape its' own legal and regulatory frameworks which is constitutive of far greater influence than political lobbying (Agrawal & Knoeber, 2001; Khanna & Yafeh, 2007) as is prevalent in larger economies. This constitutes the basis of a more proactive approach to law making. Outside of the indigenous public and private sectors, a third dimension is essential for the formation of offshore jurisdictional capability. This is the indigenous

jurisdiction's ability to access international capital markets and especially large, onshore economies. Such access is provided by international business service providers whose own global networks of subsidiaries, offices and affiliates both facilitates access to large, proximate onshore economies but also to a much broader range of potential target economies for offshore financial service provision. International business service providers are entities such as international law and insurance firms or the "Big Four" multinational auditing firms. These have intimate knowledge of areas within the regulatory frameworks of onshore economies which are subject to either unduly heavy or over regulation. Their business networks then act as informational conduits in facilitating their advising offshore jurisdictions in the regulatory areas they need to strategically reform to attract business away from their onshore counterparts. The competitive luring of business away from onshore economies necessitates offshore jurisdictions to maintain essentially bifurcated frameworks. One the one hand these provide the "regulatory light" regimes which reduce costs for business, with this typically involving secrecy and reduced transparency. On the other hand, these paradoxically provide high protections of property rights and unblemished reputations in regards rule of law and corruption. The capacity of offshore jurisdictions to maintain reputations alongside often binding macroeconomic ties such as fixed exchange rates with onshore target economies is critical in signalling their quality.

The paradoxical juxtaposition of offshore jurisdictions in exhibiting high quality formal institutional frameworks while simultaneously accommodating their infringement in the form of secrecy underscores the importance of legally astute executive leadership of firms. High formal institutional quality is essential in providing reputational assurances to a clientele comprising the largest firms and wealthiest individuals in developed onshore target economies. These are drawn by the prospect of benefitting from protections afforded for their inward investments while exploiting the benefits of offshore finance. While these often involve negligible tax rates, arguably of equal or greater importance is a raft of organizational structures underwritten by extensive legal contracting eschewing opacity and obfuscating ultimate controlling ownership. In such offshore contexts there is an accentuated need for legal astuteness in order to navigate the sophisticated

offshore jurisdictional environment and effective communication with external legal counsel. Moreover, we argue such legal astuteness is accompanied with increased awareness of the necessity in compliance with higher firm level transparency and disclosure. This serves to differentiate the focal firm from rivals in competitively attracting cost-effective offshore resource infusions, which draw on elevated relational capital of the firm and its executives. Legally astute executive leadership in offshore jurisdictions is especially valuable given the potentially huge range of extra-territorial legal contractual forms and organizational structures available. The necessitate enhanced legal literacy and a proactive approach to business law. Simultaneously, it also serves to accentuate institutional capital inasmuch the firm needs to attain isomorphic conformity with expectations of international investment community to achieve legitimacy. International offshore investors are acutely aware of the informational asymmetries that are the cornerstone of opaquer offshore jurisdictions. Firm's isomorphic conformity with international investment norms in the form of transparency facilitate the firm's attainment of enhanced legitimacy. Legally astute executives adopting higher transparency for their firms thereby access a far wider range of offshore resources than would otherwise be possible with lower disclosure.

Contrastingly, in non-offshore jurisdictional contexts which are defined by low formal institutional quality accompanied by low secrecy or opacity within the national regulatory framework, we argue executives' legal astuteness has negligible influence on their firm's transparency. Lower formal institutional quality, alongside low legally mandated financial secrecy, is associated with the formal institutional voids prevalent in developing economies. Here, paucity in protections afforded to the protection of property rights is associated with stymied political systems essential in the precipitation of equitable institutional reforms. National polities are typically demographically narrow, exclusive and comprised of empowered elites and their kin with little inclination to stimulate wider equitable reform. Moreover, their hegemonic influence is largely institutionalized which stymies reform while economies are subsumed within extensive networks. Despite the prevalence of investment promotion agencies and state sponsored focus in attracting inward foreign investment to supplement domestic savings-investment schedules, the

regulatory reform process is reactive in nature and centred on albeit cumbersome political systems. Here, there is little necessity for legally astute executive leadership teams in firms. This is because firms' relational capital arises from their differentiation within indigenous network economies with networks wholly subsuming factor markets under the extended control of polity elites. Moreover, firms' institutional capital is similarly inward focussed in emphasising the importance of securing legitimacy through conformity with an indigenous opaque network governance model centred on relational governance and minimal transparency. Consequently, we suggest the following hypothesis:

Hypothesis 2. *In emerging economies, firms' location in offshore financial centres (OFCs), in jurisdictions with (higher) financial secrecy or jurisdictions with (higher) institutional quality positively moderates the main positive association between the proportion of lawyers serving as executive directors and firm transparency*

To summarise our theoretical arguments, we propose a contingency model with a main effect and contingency (moderating) effects, as outlined in Figure 1.

Figure 1

3 METHODS

3.1 Sample

The sample is formed from the national securities exchanges across the Caribbean region which attract firms from the domestic economy to list their ordinary shares, or equity. These comprise the exchanges of Bermuda, The Bahamas, Cayman Islands, Haiti, Jamaica, the Eastern Caribbean securities exchange which being a distinct regional market is itself comprised of St Kitts & Nevis, Dominica, St Vincent & the Grenadines, St Lucia and Grenada, then Barbados, Trinidad & Tobago, Guyana and Surinam. The nascent exchanges in Dominican Republic and Curaçao, Netherlands

Antilles are omitted owing to the lack of any equity listings in the former while the latter is exclusively focussed on foreign overseas listings.

The dataset is formed from two consecutive screening stages. The first step involved a compilation of a comprehensive list of firms who have listed ordinary shares. These are single class voting rights, namely one share – one vote. Thus, entities which only had primary listings of dual or multiple class shares, preference shares, convertible instruments were omitted. Lists of listed firms were compiled for each Caribbean stock exchange from year 2000 or inception, whichever date is earliest. These lists also considered new listings, suspensions and de-listings that occurred during the period of 2000-2017 inclusive, to account for potential survivorship bias in final dataset. Such listing data was obtained from the national stock exchanges (see Appendix Table 1). This resulted in 183 listed firms.

The second step involved the procurement of individual listed firms' annual reports and financial statements for each year from 2000 to 2017 inclusive. Firm's annual reports were obtained from the websites of national securities exchanges in the case of The Bahamas, Bermuda, Jamaica, Trinidad & Tobago and Surinam. Next, firm annual reports were obtained direct from the national securities exchanges themselves in the case of Barbados and the Eastern Caribbean regional securities exchange, located in Basseterre, St Kitts & Nevis. Annual reports were obtained from the national regulator (GASCI) in the case of Guyana, while they were sourced from individual firms and their websites in the case of Haiti and the Cayman Islands, where this was relatively time efficient given the handful of listings. Additional recourse to individual listed firms was also undertaken across the Caribbean region to supplement original data collection and augment any missing values (annual reports). This led to an unbalanced panel sample of 183 listed firm's annual reports. All firm-specific balance sheet and governance variables were then sourced direct from collected annual reports. All data was converted to US$ end-of-period equivalent values to facilitate comparison in a multi-country sample. This led to a final sample cross section of 183 listed firms with a time series of up to 17 years for each firm and an unbalanced panel of 1,776 firm-year observations.

3.2 Measures

Dependent variable

The dependent variable is a 32-element index capturing the transparency of the firm. The index elements are drawn from the disclosure sub-index of the Organisation for Economic Co-operation and Development or OECD (2004) "principles of good governance" index[1]. All are manually sourced from individual firm annual reports, and all are measured as binary effect Yes/No which is coded as 1/0. Our index does not differentiate between voluntary and mandatory disclosure requirements since the national securities exchanges within our sample all have very low disclosure requirements (e.g., Lardon & Deloof, 2014). This arises from considerable institutional voids within emerging economies impeding political influence eschewing mandatory disclosure (Doshi, Dowell & Toffel, 2014) and its active enforcement while their offshore jurisdiction while a cornerstone of their offshore jurisdictional counterparts is legally mandated opacity (Allred et al, 2017).

Explanatory variable

Our study has one explanatory variable, namely the proportion of executive directors who are commercial or offshore lawyers within listed firms. This corresponds to our main effect outlined in *Hypothesis 1*. Identification of lawyer-directors entails in-depth study of director biographical sections of annual reports and listings filings. Following Agrawal & Knoeber (2001), lawyer-directors are defined as those who hold professional law degrees (such as LLB, BCL, LLM, LLD, or JD), as reported in their biographies within the annual reports. However, following Krishnan et al. (2011) and Hopkins et al. (2015), we also include those currently practising in law firms and acting as legal counsel, as recorded in their biographical descriptions. Notably, where biographical descriptions were not available, the lists of board members at the front of annual reports were consulted, which list professional qualifications alongside each director's name. However, the

[1] See: http://www.oecd.org/corporate/principles-corporate-governance/

detail within director biographies is at best minimal in the Bahamas, Bermuda and Cayman, with this necessitating recourse to local sources outlined in Appendix Table 1.

Moderating variables

We use four moderating variables to interact with our main effect between the proportion of lawyer executive directors and firm's transparency. The first is a binary effect taking the value of one if the listing jurisdiction is an offshore financial centre, or OFC, and zero otherwise. This corresponds to *Hypothesis 2*. This draws on the US state department's 2017[2] list of recognized offshore jurisdictions in the Latin American and Caribbean region. An especially useful characteristic of the Caribbean region is in its dichotomous divide between constituent territories either being offshore jurisdictions or being developing economies with no developed economies present. Therefore, our binary OFC moderator facilitates distinction between offshore and developing economy jurisdictions.

The second is a novel and recently established index capturing financial secrecy of a jurisdiction introduced by the Tax Justice Network[3]. This also corresponds to *Hypothesis 2'*. The financial secrecy index is a result of a national jurisdictional secrecy index weighted by the size of the national exports of financial services to the global total of exported financial services and cross border financial flows as reported by International Monetary Fund (IMF). A detailed description of the index construction is provided in Appendix Table 3. The importance of financial weighting is that while many jurisdictions exhibit significant secrecy embedded within their formal institutional frameworks, they vary considerably in their relative importance and usage within the global financial community. In practice, the financial secrecy index provides a means of capturing the biggest and most prolific offshore jurisdictions.

The third moderator is national institutional quality in the form of an equal weighted average of the six Worldwide Governance indicators (see Kaufman et al., 2009). This additionally

[2] See: https://2009-2017.state.gov/j/inl/rls/nrcrpt/2003/vol2/html/29918.htm
[3] See: https://fsi.taxjustice.net/secrecy-indicators/

corresponds to *Hypothesis 2*. The six WGI indicators have universal coverage worldwide which includes all Caribbean territories following a recent expansion to include all territories and backdate these to provide a historical time series dimension. Consequently, these six indicators provide an essential insight into institutional quality given the typical secrecy and often extremely small size of offshore jurisdictions worldwide which undermine data collection efforts that would otherwise be anticipated to lead to their inclusion in a much wider range of institutional indices.

Given the extremely high correlation and variance inflation factors for these variables which is indicative of their collinearity, joint inclusion in models is avoided in favour of their being added recursively. Moreover, inclusion of all moderating variables is accompanied by checking variance inflation factors (VIFs), where these are under value of 5 in all models.

Controls

We adopt five categories of control variables. The first of these are *institutional controls*. This comprises the natural logarithmically transformed GDP per capita, denominated in US$, which is indicative of the wealth of indigenous economies.

The second is *board controls* which comprises seven variables. The first is logarithmically transformed board size, defined as total number of both nonexecutive and executive directors, and controls for differences in communication and decision making effectiveness where larger boards are argued to be less effective in achieving consensus and formulating strategy (Boyd, 1994) while at same time their larger size better enables them to accommodate wider outside block and stakeholder interests prevalent in non-shareholder value governance systems such as those related to family. The second is the ratio of independent nonexecutive directors which is defined as the proportion of independent nonexecutive directors to the total number of directors serving on board. This captures the degree to which the board is utilized as a monitoring and surveillance mechanism rather than co-opting stakeholder constituencies and resource contingencies through strategic hiring of directors. The third is a modified Herfindahl index of board ethno-cultural diversity which accommodates three categories of social heritage, namely European, African and Asian with this

latter category comprising Arabian as well as East and South Asian. The modified Herfindahl board diversity index is formed from the sum of each of these three proportions (s) squared, namely in Eq. 1 below:

$$Herfindahl\ board\ diversity\ index_{i,t-1} = \sum_{1}^{N} s_{i,t-1}^{2} \quad (1)$$

where s is the proportion of one of the three ethno-cultural backgrounds on firm's board of directors, and i and t indicate the firm and year respectively. High values of a modified Herfindahl index reflect homogeneity while the opposite is true for lower index values. This accounts for social networks which transcend the firm, and which provide relational contracting access to resources with the social trust emanating from within them being the result of shared socio-cultural values and norms. Shared cultural heritage therefore facilitates the formation of networks and fostering of socialised trust (Garg, Lin and Yang, 2023; Mendiratta and Tasheva, 2025). The fourth and fifth are the ratio of governmental elites and then the ratio of commercial elites to the total number of nonexecutive directors serving on board of directors (see Hearn, Strange & Piesse, 2017). Government elites are defined as those directors with backgrounds in senior governmental roles, with these being ministerial, including president or prime minister and the national executive, as well as ambassadorial roles overseas. Commercial elites include serving in chambers of commerce, national commercial attaché, senior regulatory agencies and governmental industry committees. These control for firm's co-optation of environmental contingencies (e.g. Zhu and Yoshikawa, 2016) relating to two prominent dimensions of national polities (e.g., Gupta, Wowak and Boeker, 2022) which are specific to the offshore jurisdictional context. The dynamic innovative nature of offshore jurisdictional architecture is wholly contingent on the intimate interaction between indigenous governmental and commercial elites drawn from local polities and international business service providers, such as "Big Four" international accounting firms and international lawyers. The interaction between governmental and commercial social elites drawn from polities is essential in the formulation of offshore regulatory frameworks which target overly bureaucratic regulatory

regimes in target onshore economies. In this way, they competitively attract lucrative business and financing away from onshore to the offshore domain. This justifies our controlling for these two critical dimensions of offshore polities: governmental and commercial elites. Our sixth variable is that of gender diversity with the ratio of female directors to total board of directors' size. Our fifth board control is that of the ratio of female directors to total number of directors, which captures gender diversity. Theory suggests that increased female participation on boards induces improved informational variety and processing (Mendiratta and Tasheva, 2025) with female directors argued to yield improved and broader stakeholder engagement (Marano, Sauerwald and Van Essen, 2022) while enhancing the monitoring and discretionary internal surveillance aspects of boards of directors (Adams and Ferreira, 2009; Wiersema and Mors, 2023). However, a burgeoning literature reports issues such as social categorization, stereotype formation, and biases collectively undermining the potential benefits from diversity amongst boards of directors (see, e.g., Nielsen & Huse, 2010; Tuggle et al., 2022; Weck et al., 2021; Westphal & Milton, 2000; Wiersema & Mors, 2023). Our seventh variable is a ratio of directors with elite education to board size, where this captures the proportion of directors who have been educated at elite educational secondary and tertiary establishments, including prestigious schools and universities. This provides a measure of social capital derived from these entities through enhanced networks and recognition-based trust.

The third is *firm controls* which comprise three variables. The first of these uses the natural logarithm of firm's pre-tax revenues (or sales) as proxy for size assumed to control for the complexity of a given firm's operations and thus mirroring complexity of the task environment (Sanders & Carpenter 1998) which would be anticipated to mirror an increased need for additional skills and talents to be hired to board of directors resulting in increased quality of its corporate governance. We adopt the accounting return on assets (ROA)[4] as a measure of firm performance in line with Finkelstein & Boyd (1998). We also control for firm age where older firms are anticipated

[4] ROA is conventionally defined as ROA = (Net Income + Interest*(1 – Tax Rate))/ Total Assets (see Khanna and Palepu, 2000). However, due to significant variation in the data arising from varying reporting standards across Africa, with frequent omission of reported interest income and corporate taxation rates from listings prospectuses, we used a modified version of this, namely ROA = Net Income / Total Assets. However, while both measures suffer from business cycle effects and are not forward-looking, they do provide a representative indication of firm performance subject to the data limitations prevalent in emerging economies.

to have larger, more complex operations mirroring more complex task environments. The variable also controls for the "liability of newness" and the considerable information asymmetries generated by a lack of operational and performance history (Arthurs et al., 2008).

Next, we outline two *capital controls*. These are the ratio of equity to total assets and then the ratio of liabilities to total assets. All are sourced from balance sheet sections of annual reports and are denominated in US$m. The former controls for the proportion of capital infusions derived from "risky financing" or equity which involves the exertion of voting control to influence firm's internal managerial discourse and strategic orientation. The latter captures the governance implications arising from the necessity of firms' internal management to irrevocably service a steady stream of restitution payments on debt, namely interest service repayments. This has been attributed to exerting a disciplinary influence on senior management of firms.

Lastly, we consider *ownership controls* based on five categories of owner. These are state, business group (BG), foreign multinational enterprise (MNE), director and private equity. State and Foreign MNE owners are identified through their reporting within a shareholders' section, or in the annexures of the financial statements. BG ownership is sourced from perusal of the ownership section of each annual report augmented by referral to the non-exhaustive list of additional sources outlined in Appendix Table 1 given the informal nature of BGs and potential confusion arising from multiple overlapping control from BGs and wider external constituencies such as dominant families within islands. Director holdings are reported either in a dedicated director ownership subsection adjacent to their biographies, in a shareholders' section, or in the annexures of the financial statements. Private equity ownership is sourced following detailed study of shareholders' section, or in the annexures of the financial statements augmented by an identification of each owner utilizing a non-exhaustive list of sources documented in Appendix Table 1. Importantly, private equity includes informal business angel investors as well as their formalized private equity counterparts.

Finally, we include three groups of fixed effect controls. These are all binary in taking the value one if a condition is satisfied and zero otherwise. The first of these is time (year) effects

which control for differences in business cycle across years and periods of recession and economic downturn. The second is industry[i] effects which control for potential shocks within industries impacting on firms. The third are country effects which control for latent differences in regulatory environment between sample group economies.

3.3 Analysis

To test our hypotheses, we employed multivariate pooled OLS regressions specified in Eq. (2) for Hypothesis 1, while Eq. (3) specifies the general interactive model which includes moderation effects. The pooled estimators draw on both cross-sectional (firms) and time-series dimensions and we address potential autocorrelation and heteroskedastic issues regarding the time-series component in the errors by adopting industry[5], and time (year) binary effects. Our models address potential autocorrelation and heteroskedastic issues regarding the time-series component in the errors by adopting the three groups of country, industry and time (year) fixed effects controls.

$$\begin{aligned} Firm\ transparency\ index_{i,t} &= \alpha + \beta_1 Ratio\ lawyer\ executive\ directors_{i,t-1} \\ &+ \beta_2 Moderator_{i,t-1} + \beta_3 Institutional\ controls_{i,t-1} \\ &+ \beta_4 Board\ controls_{i,t-1} + \beta_5 Firm\ controls_{i,t-1} \\ &+ \beta_6 Capital\ controls_{i,t-1} + \beta_7 Ownership\ controls_{i,t-1} \\ &+ \sum_{t=2003}^{2017} \gamma_t Year_t + \sum_{j=1}^{20} \delta_j Industry_j + \sum_{c=1}^{8} \varphi_c Country_c \end{aligned} \quad (2)$$

[5]Binary 1/0 dummy accounting for country or jurisdiction of primary listing and binary 1/0 dummy for 24 industry categories as defined in Global Industry Classification (GICS) codes developed by MSCI (see https://www.msci.com/gics). Four of these contain no firms from our sample, resulting in 20 industry categories being used in our study.

$$
\begin{aligned}
&Firm\ transparency\ index_{i,t} \\
&\quad = \alpha + \beta_1 (Ratio\ lawyer\ executive\ directors_{i,t-1} \\
&\quad * Moderator_{i,t-1}) \\
&\quad + \beta_2 Ratio\ lawyer\ executive\ directors_{i,t-1} \\
&\quad + \beta_3 Moderator_{i,t-1} + \beta_4 Institutional\ controls_{i,t-1} \\
&\quad + \beta_5 Board\ controls_{i,t-1} + \beta_6 Firm\ controls_{i,t-1} \\
&\quad + \beta_7 Capital\ controls_{i,t-1} + \beta_8 Ownership\ controls_{i,t-1} \\
&\quad + \sum_{t=2003}^{2017} \gamma_t Year_t + \sum_{j=1}^{20} \delta_j Industry_j + \sum_{c=1}^{8} \varphi_c Country_c
\end{aligned}
\tag{3}
$$

where i, j, c, and t denote company, industry, country, and year, respectively, moderator corresponds to one of the four interactive variables, namely OFC, national financial secrecy index, and national institutional quality. All explanatory and control variables lagged by 1 year to deal with potential reverse causality. Then, we apply robust standard errors based on Huber/White/sandwich estimator. Error distributions are assumed independently distributed while it is not necessary for errors to follow a normal distribution, nor that they are required to be identically distributed from one observation to the next. Thus, the robustness in errors is robust to heteroskedasticity of the errors.

4. EMPIRICAL RESULTS

4.1 Descriptive statistics and correlation

Table 1 reveals bivariate Pearson correlations amongst all variables used in modelling. These are generally negligible in size although statistically significant ($p \leq 0.05$). However, there are three visible exceptions with these being amongst the institutional controls. Specifically, there are high and statistically significant ($p \leq 0.05$) correlations between financial secrecy index and OFC (0.688), between Ln (GDP per capita) and both OFC (0.713) and then financial secrecy index (0.728). These high correlations are anticipated given the relative smallness of number of territories included in study. Moreover, there is considerable wealth accumulated through offshore jurisdictional capabilities albeit with this subject to often significant inequalities. While the generally negligible correlations mitigate concerns over potential collinearity, this is further mitigated by variance

inflation factors (VIFs) being less than 5 for all variables. Moreover, this evidence further justifies our recursive as opposed to joint inclusion of the institutional variables in later modelling.

Table 1

4.2 Hypothesis testing

The empirical evidence relating to the causal influence of controls and then main effects on top of the controls on firms' transparency or disclosure levels is provided in Table 2. Model 1 provides the regression results from the control variables alone in rationalizing transparency of firms. Model 2 presents the main effects in terms of the association between the ratio of lawyer executive directors on firm's board of directors with their levels of transparency.

The evidence from model 2 reveals that the ratio of lawyer executive directors on firm's board of directors (+0.105, $p \leq 0.000$) is positively and statistically significant in rationalizing firm transparency. In terms of economic significance derived from marginal effects and the evidence from OLS regressions in model 2 imply that a one percent change in the ratio of lawyer executive directors leads to a 10.5% increase in firm-level transparency. This evidence is supportive of *Hypothesis 1*.

In terms of control variables and firm transparency is associated with less likelihood of their being located in offshore jurisdictions (OFCs) as opposed to developing economies ($p \leq 0.000$) which is also reflected in their being poorer societies, in terms of GDP per capita ($p \leq 0.01$). Transparency is higher in firms with larger boards of directors ($p \leq 0.000$), which are comprised with higher proportions of independent nonexecutive directors ($p \leq 0.000$), lower proportions of nonexecutive directors drawn from government elites within national polity ($p \leq 0.000$) while the opposite is true for commercial elites ($p \leq 0.01$). Transparency is also accompanied by higher proportions of nonexecutive directors who have elite educational backgrounds ($p \leq 0.000$). Moreover, transparency is higher in firms which are larger in gross revenue size and consequential complexity of managerial task environments ($p \leq 0.000$) yet have lower performance ($p \leq 0.000$) and those that are younger ($p \leq 0.05$). Transparency is prevalent in firms with higher debt or

liabilities to total assets ($p \leq 0.001$) as well as in being positively influenced by higher levels of ownership by state, foreign MNEs and private equity but lower level of ownership by the firm's own directors.

In terms of diagnostic statistics, the F-statistics of all models are very large in absolute size with high statistical significance ($p \leq 0.000$) indicating unanimous explanatory power associated with all variables in each model. The root mean square error (MSE) decreases albeit marginally from model 1 with controls only to the main effect model 2. This is mirrored by an increase in adjusted R^2 or explanatory power in model 2 with the main effects of an additional 1% over the controls only in model 1. This statistical evidence further substantiates our proposed main effects outlined in *Hypothesis 1*.

Table 2

The evidence from the moderation of our main effects by three dimensions of institutional context within which firms are embedded are outlined in Table 3. The first of these dimensions relates to moderation by the binary condition of whether the firm's listing jurisdiction is (or is not) an OFC with these results reported in model 3. Notably, there is consistency amongst main effects with the ratio of lawyer executive directors (+0.095, $p \leq 0.000$) being positively and statistically significant in their causal association with firm transparency. However, location in an OFC positively moderates the ratio of lawyer executive directors' main effect (+0.161, $p \leq 0.000$). In terms of the economic impact arising from marginal effects and these findings imply a one percentile change in the ratio of lawyer executive directors leads to a net 25.6% increase in firm transparency. These findings statistically support the maintenance of *Hypothesis 2*.

The second dimension capturing offshore institutional context is that of moderation by the national financial secrecy index, which is a continuous moderating variable with these results reported in model 4, Table 3. The main effect relating to ratio of lawyer executive directors (+0.087, $p \leq 0.000$) is positive and highly statistically significant. This main effect is further positively moderated by national financial secrecy index (+1.107, $p \leq 0.000$). In terms of the

economic impact arising from marginal effects and these findings from model 4 imply that in the context of firms located in high (as opposed to low) financial secrecy jurisdiction a one percent change in ratio of lawyer executive directors leads to a net increase of 119.4% in enhanced transparency. Next, we consider moderation by national institutional quality in model 5, Table 3. Consistent with preceding models, there is a positive and highly statistically significant main effect between the ratio of lawyer executive directors (+0.086, $p \leq 0.000$) with firm transparency. In line with the direction and statistical significance of preceding moderating effects, moderation by national institutional quality of ratio of lawyer executive directors leads to a large, positive and statistically significant coefficient (+0.107, $p \leq 0.007$). In terms of the economic impact arising from marginal effects and these findings from model 5 imply that in the context of firms located in high (as opposed to low) institutional quality jurisdiction a one percent change in the ratio of lawyer executive directors leads to a net decrease of 19.3% in firm transparency. Together, the main effects and moderating coefficients are consistent in direction and statistical significance with those of the preceding model 3 and 4 and provide further statistical support for the maintenance of *Hypothesis 2*.

In terms of controls and their individual associations with the dependent variable are as reported above for the underlying main effect models 1 and 2. More broadly in terms of diagnostic statistics, F-statistics are consistently large and highly statistically significant ($p \leq 0.000$) across all three interactive models 3 to 5. This is indicative of the joint statistical significance and relevance of all variables contained within the models in causally rationalizing the dependent variable. Finally, the adjusted R^2's of all three models reflects an incremental increase in explanatory power from models 1 and 2 containing controls only and the main effects. This is indicative of at least a marginal increase in explanatory power, alongside strong joint statistical significance of all variables together with statistical significance of individual main effect and moderating coefficients.

Table 3

As an extension of our main analysis, we undertook a visualization of the interaction effects associated with our four moderation variables, namely OFC jurisdiction (model 3), then national financial secrecy index (model 4), and lastly national institutional quality (model 5). The first, illustrated in Figure 2, plots the predicted values of firm transparency at each combination of OFC (equal to 1 if firm located in an OFC and 0 otherwise) and the ratio of lawyer executive directors. The linear plot of ratio of lawyer executive directors against predicted firm transparency are upward sloping. This upward slope merely increases for firms located in OFC vis-à-vis those not in an OFC. This visually corroborates our statistical analysis support for maintenance of *Hypothesis 2*.

The second and third repeat this exercise in visualizing the interaction effect from the moderating influence of national financial secrecy index and national institutional quality on the ratio of lawyer executive directors' influence on the predicted values of transparency. These result in three-dimensional probability surfaces visible in Figures 3 and 4. The profiles of both are very similar revealing that as both financial secrecy and also institutional quality increase alongside increasing proportions of lawyer executive directors on board of directors then transparency also substantially increases. This evidence reflects the closeness of association between offshore jurisdictional secrecy and paradoxically the enhanced quality of contractual protections afforded by the institutional framework. This visual evidence provides further support for *Hypothesis 2* as well as for *Hypothesis 3*.

Figures 2 to 4

4.3 Robustness and extensions

We undertook two additional empirical extensions to our analysis. The first involved repeating all of our statistical analysis and models though replacing our original main effect which was the ratio of lawyer executive directors with a binary condition of whether the CEO is (is not) a lawyer. All results are qualitatively similar to those obtained in our main analysis albeit with larger effects in size and statistical significance thereby further verifying our initial analysis.

The second involved a disaggregation of the national institutional quality into its constituent six WGI dimensions and then subsequently moderating the main associations between the ratio of lawyer executive directors and firm transparency by each dimension in turn. The results reveal that the dimensions of political stability & absence from violence, rule of law, and corruption control have moderating and main effect coefficients which are largest in size and statistical significance. This is reflective of these three moderating effects being dominant in driving moderation by generic institutional quality.

Next, we undertook an endogeneity test. This involves a two-step regression procedure from Heflin & Shaw (2000). In the initial regression, the ratio of lawyer executive directors is regressed on to firm transparency index, as explanatory variable, and all controls with the residuals saved. The next regression then regresses firm transparency index, this time as dependent variable, against ratio of lawyer executive directors plus the residuals from initial regression alongside all controls. The evidence from latter step reveals the coefficient of association of inserted initial step residuals wholly lacks statistical significance thereby providing statistical support for a lack of endogeneity. The empirical findings mitigate concerns over potential endogeneity.

5 DISCUSSION AND CONCLUSION

The study of the implications for firms arising from lawyers strategically hired to their boards of directors has received very little attention from strategic management or corporate governance scholars. Generally, much of this small literature has focussed on lawyers playing a role of "counsel" or advisor, "gatekeeper" or cop (Coffee, 2003) in relation to their influence on firm's disclosure quality (Krishnan, Wen & Zhao, 2011; Hopkins, Maydew & Venkatachalam, 2015), breaches in monitoring or formal regulatory compliance (Morse, Wang & Wu, 2015), the firm's susceptibility to litigation (Kaplan & Harrison, 1993) and even stock market valuation and transaction costs (Pham, 2020; Henderson, Hutton, Jiang & Pierson, 2023). Our study contributes to this background literature in emphasising the understudied "entrepreneurial" role of lawyer-directors which loosely translates as legally infused business-mindedness (Bagley, 2008; Bagley,

Roellig & Massameno, 2016). Specifically, we advance a view of lawyer-directors in having marked dexterity in awareness as well as communicative engagement with their firms' environments and locally powerful actors embedded with it. This refocuses the view of lawyers in terms of constraining their firms into that of enabling strategy and competitive advantage.

6.1 Theoretical contributions

Our principal theoretical contribution is in advancing an integrated theoretical model of the capabilities of a firm's executive leadership in determining its strategic competitive position. This draws together seemingly opposing resource-based and institutional views within a dynamic framework emphasising their complementarity to one another. This provides the means to capture firm's unique value attributable to its differentiable capabilities and resources on the one hand with the visible similarity, conformity and degree of uniformity amongst firms on the other hand. Specifically, we additionally integrate this dual-theoretic model in accounting for the legal astuteness of firms' executive leadership as a critical capability. This then determines the evolution, acquisition, coordination and deployment of all subsequent capabilities and resources in subsequent strategic competitive positioning of the firm. Our advancement of this dynamic dual-theoretic framework provides a flexible means with which to accommodate institutional influences and the contextual embeddedness of firms. Our theorization overcomes shortcomings in prior studies on lawyer-directors which is almost wholly based on agency theory and is inherently under socialized. These notably focus on a more constraining role of lawyer-directors as counsel or gatekeeper in ensuring their firm's conformity with formal regulations.

Our second theoretical contribution arises from our model addressing shortcomings relating to over-socialized institutional theoretical approaches applied singularly. This centres on firms' deterministic conformity with the expectations of locally powerful and contextually embedded external constituencies. In this way, firms are merely innate entities solely striving for uniformity within their governance to attain social legitimacy and accompanying access to resources. Lawyer-directors' utilize their moral attitudinal awareness and communication competencies to merely

facilitate their firm's conformity with their environmental cues. In this way, lawyer-directors are facilitators in their firm's acquiescence to isomorphic pressures influencing conformity with either informal cognitive and normative institutional domains or alternative formal regulatory frameworks.

Our third theoretical contribution is in advancing Bagley's (2008) resource-based view of executive directors' legal astuteness as a critical capability of firms yet incorporating the flexibility of Oliver's (1997) dynamic model integrating the insights of both the resource-based view and rival institutional perspective. This accommodates firm's unique value attributable to their differentiable heterogeneity in competitive strategic positioning alongside firm's need for conformity and homogeneity to benefit from enhanced legitimacy. In this way, our theoretical model dynamically captures lawyer-executive director's legal astuteness both as an enabling and a constraining capability. A key benefit of our model is that while accommodating the social influences of contextual embeddedness it avoids shortcomings from either under or over socialization ubiquitous with singular theoretical approaches.

6.2 Limitations and further research

The main limitation with our study is in it being constrained to offshore and emerging economies within the Caribbean region. A major concern regarding the expansion of dataset to include a far broader range of offshore and possibly emerging economies worldwide is that the lack of data is a function of the secrecy which constitutes the cornerstone upon which offshore jurisdictional capability is reliant. Data limitation issues notwithstanding and an interesting extension of our study would be to focus on differentiating between offshore finance firms and all other firms.

Our approach has emphasised the importance of lawyer-director's awareness of moral, ethical and attitudinal cognisance of broader external stakeholder constituencies as well as their communicative and engagement competencies. These traits lead to lawyers facilitating the co-optation of environmental contingencies which is particularly important within emerging and offshore economies beset by institutional voids. Further study could be directed to contrast the usefulness of firms strategically hiring lawyers to their boards of directors as opposed to social

elites drawn from areas of the national polity such as military (e.g., Pavićević & Keil, 2024), government (e.g., Zhu & Yoshikawa, 2016) or political architecture e.g., Gupta, Wowak & Boeker, 2019).

Given the limitations on secondary data acquisition within offshore jurisdictions, an alternative would be to adopt anonymous survey techniques or alternatively qualitative interviews. Such methods have been used successfully by Allred et al (2017). Such techniques could adopt an exploratory dimension to elaborate on jurisdictional legal and managerial complexities specific to offshore contexts.

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Table 1. Sample variable and correlations.

Table outlining Pearson correlations between all variables. Transparency index is the 32-element index constructed from elements (as documented in Appendix Table 2) extracted from individual firm annual reports. Ratio lawyer executives is the ratio of number of executive directors who are qualified lawyers, as obtained from director biographical sections of annual reports, in relation to total number of executive directors. OFC is binary effect taking value of one if listing jurisdiction is an offshore financial centre (OFC) and zero otherwise. Financial secrecy index is compiled and reported by Tax Justice Network with component elements alongside their sourcing as outlined in Appendix Table 3. Ln (GDP per capita US$) is the natural log transformed GDP per capita, in US$. Ln (Board size) is natural log transformed total number of executive and nonexecutive directors while ratio independent directors is proportion of independent directors unaffiliated with owners or internal stakeholder interests to total number of directors. Ethnic diversity index is a modified Herfindal index capturing heterogeneity versus homogeneity amongst directors who are categorized broadly in terms of their ethno-cultural heritage in African-, European- or Asian-backgrounds. Ratio gov. elite directors is the proportion of all directors who have or have had a senior government role to all directors. Ratio comm. elite directors is the proportion of all directors who have or have had a senior commercial role to all directors. Ratio female directors is proportion of board of directors who are female while ratio elite education directors are the proportion of nonexecutive directors who have education at elite educational institutions to all nonexecutive directors. Ln (gross revenues US$) are natural log transformed gross revenue sales of firm, expressed in US$. ROA is accounting net return on total assets, both expressed in US$. Ln (firm age) is natural log transformed firm age in years. Equity/Total assets is ratio of equity, in US$, to total assets, in US$. Liabilities/ Total assets is ratio of all liabilities of firm, in US$, to total assets, in US$. State, BG, foreign MNE, director and private equity ownership are the percentage ownership of the state, business groups (BGs), foreign multinational enterprises (MNEs), all directors, and private equity. Bold indicates p value ≤ 0.01

		Mean	Std. Dev.	1	2	3	4	5	6	7	8	9
1	Transparency index	0.617	0.190	1.000								
2	Ratio lawyer executives	0.031	0.146	**0.157**	1.000							
3	OFC	0.344	0.475	**-0.631**	**-0.135**	1.000						
4	Financial secrecy index	0.074	0.133	**-0.564**	**-0.099**	**0.688**	1.000					
5	Ln (GDP per capita US$)	9.300	0.951	**-0.559**	**-0.122**	**0.713**	**0.728**	1.000				
6	Ln (Board size)	2.147	0.302	**0.234**	0.074	0.042	-0.013	**0.078**	1.000			
7	Ratio independent directors	0.193	0.164	**0.162**	-0.005	0.013	-0.014	**-0.052**	**0.193**	1.000		
8	Ethnic diversity index	0.622	0.190	**-0.309**	-0.048	**0.238**	**0.311**	**0.286**	**-0.101**	**-0.110**	1.000	
9	Ratio gov. elite directors	0.119	0.136	**-0.105**	**0.101**	**0.198**	**0.073**	**0.053**	**0.113**	**0.131**	**-0.152**	1.000
10	Ratio comm. elite directors	0.261	0.216	**0.147**	**0.219**	**-0.196**	**-0.082**	**-0.112**	**0.117**	-0.020	-0.039	**0.081**
11	Ratio female directors	0.136	0.135	**0.116**	**0.091**	**-0.057**	**-0.056**	**-0.088**	**0.077**	**0.227**	-0.034	0.036
12	Ratio elite education non exec.	0.214	0.285	**0.286**	**0.166**	**-0.132**	**-0.170**	**-0.214**	**0.131**	**0.089**	**-0.057**	**0.061**
13	Ln (gross revenues, US$)	17.262	1.921	**0.238**	0.031	**0.079**	0.048	**0.183**	**0.514**	**0.055**	**-0.099**	**0.066**
14	ROA	-0.001	0.051	0.005	0.008	-0.031	-0.042	**-0.058**	**0.069**	0.021	**-0.056**	0.013
15	Ln (Firm age)	3.442	0.989	**0.124**	**0.134**	**-0.131**	**-0.118**	**-0.055**	**0.235**	**-0.099**	**-0.082**	**-0.068**
16	Equity/Total assets	0.411	3.891	-0.052	-0.009	-0.016	-0.017	**-0.056**	**-0.124**	0.007	0.040	0.039
17	Liabilities/ Total assets	1.112	22.714	0.024	-0.007	0.026	0.028	0.020	0.025	0.009	-0.011	-0.002
18	State ownership	0.065	0.163	**0.085**	-0.017	-0.016	**-0.140**	-0.011	**0.063**	-0.032	0.016	-0.046
19	BG ownership	0.331	0.333	-0.026	**0.140**	**-0.078**	-0.054	**-0.043**	**0.145**	-0.049	**-0.089**	0.007
20	Foreign MNE ownership	0.098	0.236	**0.129**	**-0.087**	**0.117**	0.035	0.029	**-0.089**	0.016	**-0.121**	**0.049**
21	Director ownership	2.095	7.511	**-0.105**	-0.047	**0.081**	**0.064**	**0.056**	**-0.068**	**-0.135**	**-0.102**	**-0.053**
22	Private equity ownership	0.037	0.080	**0.220**	0.021	**-0.232**	**-0.190**	**-0.217**	-0.042	**0.151**	-0.031	-0.024

Table 1 continued.

		10	11	12	13	14	15	16	17	18	19	20	21	22
1	Transparency index													
2	Ratio lawyer executives													
3	OFC													
4	Financial secrecy index													
5	Ln (GDP per capita US$)													
6	Ln (Board size)													
7	Ratio independent directors													
8	Ethnic diversity index													
9	Ratio gov. elite directors													
10	Ratio comm. elite directors	1.000												
11	Ratio female directors	-0.022	1.000											
12	Ratio elite education non exec.	**0.294**	**0.163**	1.000										
13	Ln (gross revenues, US$)	0.032	0.043	**0.088**	1.000									
14	ROA	0.027	**0.028**	**-0.074**	0.035	1.000								
15	Ln (Firm age)	**0.089**	-0.074	-0.017	**0.371**	**0.065**	1.000							
16	Equity/Total assets	0.019	-0.042	0.013	**-0.185**	**0.096**	**-0.064**	1.000						
17	Liabilities/ Total assets	-0.018	0.046	-0.012	0.014	0.010	**-0.085**	0.009	1.000					
18	State ownership	**-0.137**	-0.018	**0.056**	-0.002	0.010	-0.008	-0.020	-0.009	1.000				
19	BG ownership	**0.213**	-0.024	**-0.085**	**0.071**	0.024	**0.135**	0.024	-0.026	**-0.258**	1.000			
20	Foreign MNE ownership	**-0.146**	**0.155**	**0.075**	**0.200**	0.024	**-0.077**	-0.026	**0.086**	**-0.084**	**-0.381**	1.000		
21	Director ownership	-0.037	**-0.082**	**-0.102**	**-0.065**	0.009	0.008	-0.018	-0.008	**-0.080**	**-0.175**	**-0.067**	1.000	
22	Private equity ownership	**0.093**	-0.045	**0.123**	**-0.155**	-0.024	**-0.067**	**0.083**	-0.009	**-0.136**	**-0.143**	**-0.065**	0.004	1.000

Table 2. OLS regressions

Table reporting OLS regression coefficients from transparency index as dependent variable regressed on range of independent variables plus control variables whose detailed definitions are provided in Table 1. Robust standard errors in square brackets, *p* values in round brackets. Industry, time (year) and country binary fixed effects in all models.

	Dependent variable: Transparency index	
	Model 1	Model 2
Intercept	0.756 [0.158] (0.000)	0.771 [0.158] (0.000)
Explanatory variables		
H1: Ratio lawyer executives	-- --	+0.105 [0.016] (0.000)
H2: Ratio lawyer executives x OFC	-- --	-- --
H2': Ratio lawyer executives x financial secrecy index	-- --	-- --
H2'': Ratio lawyer executives x institutional quality	-- --	-- --
OFC	-0.204 [0.053] (0.000)	-0.199 [0.053] (0.000)
Financial secrecy index	-- --	-- --
Institutional quality	-- --	-- --
Institutional controls		
Ln (GDP per capita US$)	-0.048 [0.019] (0.011)	-0.049 [0.019] (0.009)
Board controls		
Ln (Board size)	0.069 [0.013] (0.000)	0.068 [0.013] (0.000)
Ratio independent directors	0.103 [0.018] (0.000)	0.107 [0.018] (0.000)
Ethnic diversity index	-0.027 [0.017] (0.102)	-0.022 [0.016] (0.188)
Ratio government elite directors	-0.059 [0.021] (0.005)	-0.073 [0.022] (0.001)
Ratio commercial elite directors	0.046 [0.014] (0.001)	0.036 [0.014] (0.011)
Ratio female directors	-0.011 [0.021] (0.595)	-0.037 [0.022] (0.098)
Ratio elite education nonexecutives	0.068 [0.012] (0.000)	0.062 [0.012] (0.000)
Firm controls		
Ln (gross revenues, US$)	0.014 [0.002] (0.000)	0.015 [0.002] (0.000)
ROA	-0.126 [0.026] (0.000)	-0.123 [0.025] (0.000)
Ln (Firm age)	-0.003 [0.003] (0.298)	-0.006 [0.003] (0.053)
Capital controls		
Equity/Total assets	0.003 [0.001] (0.774)	0.004 [0.001] (0.736)
Liabilities/ Total assets	0.002 [0.000] (0.000)	0.002 [0.000] (0.000)
Ownership controls		
State ownership	0.048 [0.018] (0.007)	0.039 [0.018] (0.027)
BG ownership	0.014 [0.009] (0.118)	0.008 [0.009] (0.391)
Foreign MNE ownership	0.153 [0.012] (0.000)	0.151 [0.013] (0.000)
Director ownership	-0.001 [0.000] (0.011)	-0.001 [0.000] (0.022)
Private equity ownership	0.101 [0.049] (0.040)	0.082 [0.050] (0.103)
No. obs.	1,776	1,776
No. Firms	183	183
F-statistic (prob.)	525.880 [0.000]	504.800 [0.000]
Root MSE	0.093	0.092
Adjusted R^2	0.758	0.764

Table 3. OLS regressions

Table reporting OLS regression coefficients from transparency index as dependent variable regressed on range of independent variables plus control variables whose detailed definitions are provided in Table 1. Additional main effect only regressions which include the interactive variable on its own and not it's extra moderated counterpart for models 4 and 5. These main effect regressions, including financial secrecy index (in reference to model 4) and then institutional quality (in reference to model 5) are reported in online supplementary appendices and not included here for brevity. Robust standard errors in square brackets, *p* values in round brackets. Industry, time (year) and country binary fixed effects in all models.

	Dependent variable: Transparency index		
	Model 3	Model 4	Model 5
Intercept	0.784 [0.158] (0.000)	1.338 [0.058] (0.000)	1.420 [0.075] (0.000)
Explanatory variables			
H1: Ratio lawyer executives	+0.095 [0.017] (0.000)	+0.087 [0.018] (0.000)	+0.086 [0.020] (0.000)
H2: Ratio lawyer executives x OFC	+0.161 [0.044] (0.000)	-- --	-- --
H2': Ratio lawyer executives x financial secrecy index	-- --	+1.107 [0.290] (0.000)	-- --
H2'': Ratio lawyer executives x institutional quality	-- --	-- --	+0.107 [0.039] (0.007)
OFC	-0.198 [0.052] (0.000)	-- --	-- --
Financial secrecy index	-- --	-0.020 [0.023] (0.385)	-- --
Institutional quality	-- --	-- --	+0.025 [0.020] (0.216)
Institutional controls			
Ln (GDP per capita US$)	-0.051 [0.019] (0.007)	-0.117 [0.005] (0.000)	-0.129 [0.008] (0.000)
Board controls			
Ln (Board size)	0.068 [0.013] (0.000)	0.068 [0.013] (0.000)	0.081 [0.014] (0.000)
Ratio independent directors	0.115 [0.018] (0.000)	0.116 [0.018] (0.000)	0.106 [0.018] (0.000)
Ethnic diversity index	-0.016 [0.017] (0.357)	-0.012 [0.017] (0.465)	-0.021 [0.017] (0.208)
Ratio government elite directors	-0.071 [0.022] (0.001)	-0.064 [0.021] (0.003)	-0.063 [0.022] (0.003)
Ratio commercial elite directors	0.035 [0.014] (0.015)	0.039 [0.014] (0.006)	0.045 [0.014] (0.001)
Ratio female directors	-0.036 [0.022] (0.102)	-0.028 [0.023] (0.218)	-0.028 [0.022] (0.202)
Ratio elite education nonexecutives	0.056 [0.012] (0.000)	0.054 [0.013] (0.000)	0.046 [0.012] (0.000)
Firm controls			
Ln (gross revenues, US$)	0.015 [0.002] (0.000)	0.014 [0.002] (0.000)	0.013 [0.002] (0.000)
ROA	-0.125 [0.025] (0.000)	-0.127 [0.025] (0.000)	-0.360 [0.609] (0.555)
Ln (Firm age)	-0.006 [0.003] (0.040)	-0.006 [0.003] (0.042)	-0.005 [0.003] (0.103)
Capital controls			
Equity/Total assets	0.004 [0.001] (0.762)	0.003 [0.001] (0.781)	-0.006 [0.002] (0.000)
Liabilities/ Total assets	0.002 [0.000] (0.000)	0.002 [0.000] (0.000)	-0.005 [0.003] (0.154)
Ownership controls			
State ownership	0.041 [0.018] (0.021)	0.036 [0.018] (0.046)	0.034 [0.018] (0.060)
BG ownership	0.013 [0.009] (0.164)	0.011 [0.009] (0.257)	0.012 [0.009] (0.215)
Foreign MNE ownership	0.158 [0.013] (0.000)	0.156 [0.013] (0.000)	0.159 [0.013] (0.000)
Director ownership	-0.001 [0.000] (0.057)	-0.001 [0.000] (0.074)	-0.073 [0.027] (0.006)
Private equity ownership	0.089 [0.051] (0.083)	0.099 [0.051] (0.050)	0.118 [0.049] (0.016)
No. obs.	1,776	1,776	1,776
No. Firms	183	183	183
F-statistic (prob.)	502.180 [0.000]	436.440 [0.000]	365.360 [0.000]
Root MSE	0.092	0.092	0.092
Adjusted R^2	0.765	0.763	0.767

Figure 1. Theoretical framework

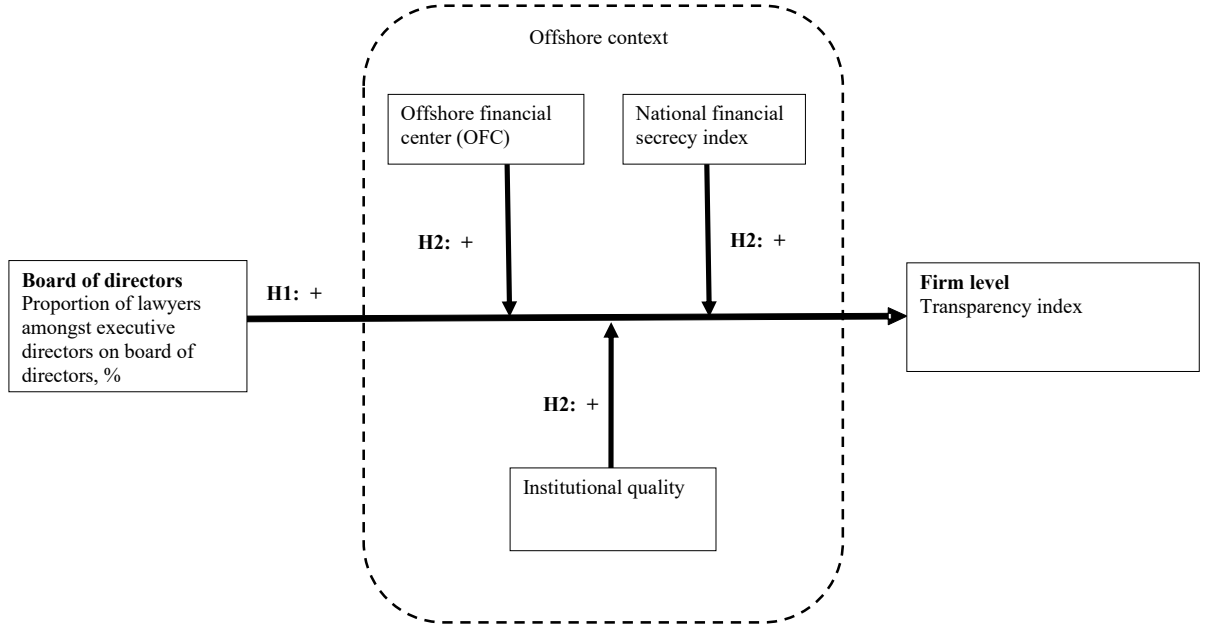


Figure 2. Moderation by OFC

Note: Error bars are based on standard error at $p \leq 0.05$ confidence margin

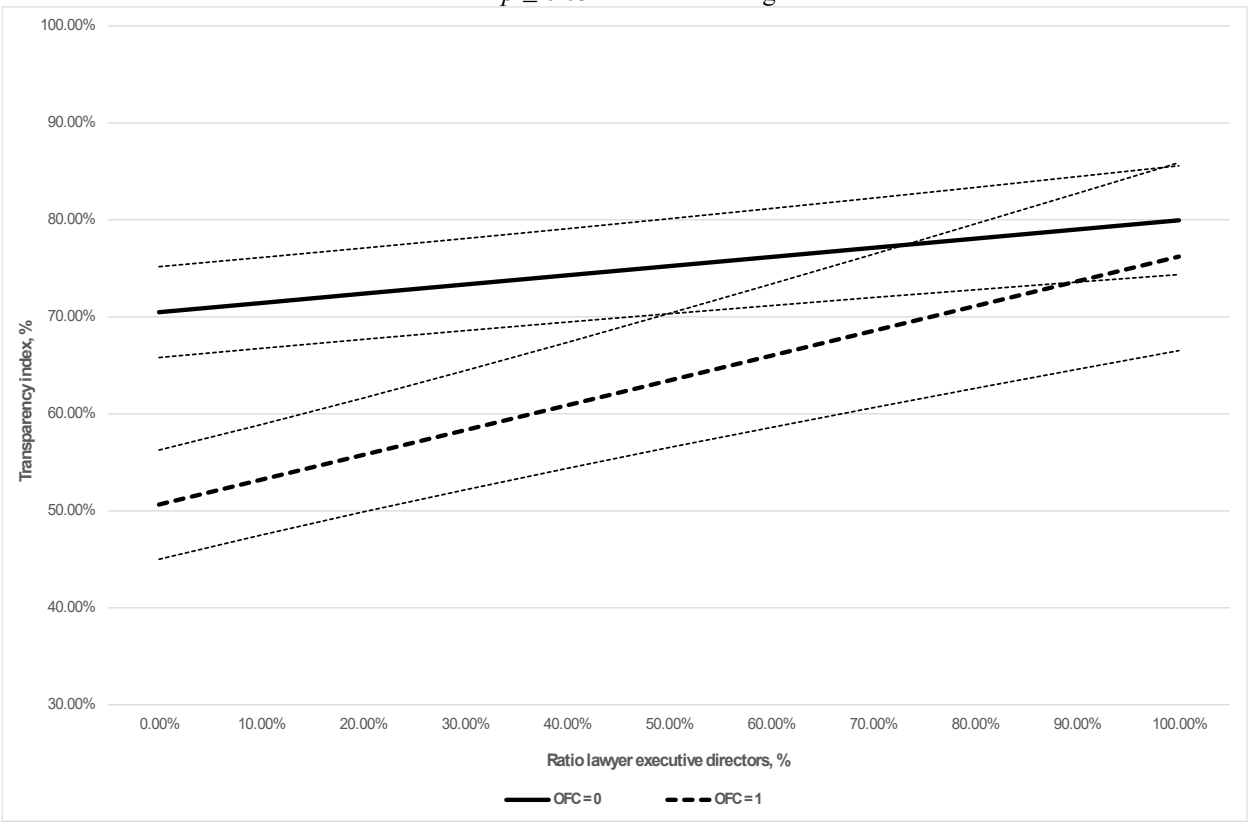


Figure 3. Moderation by national financial secrecy index

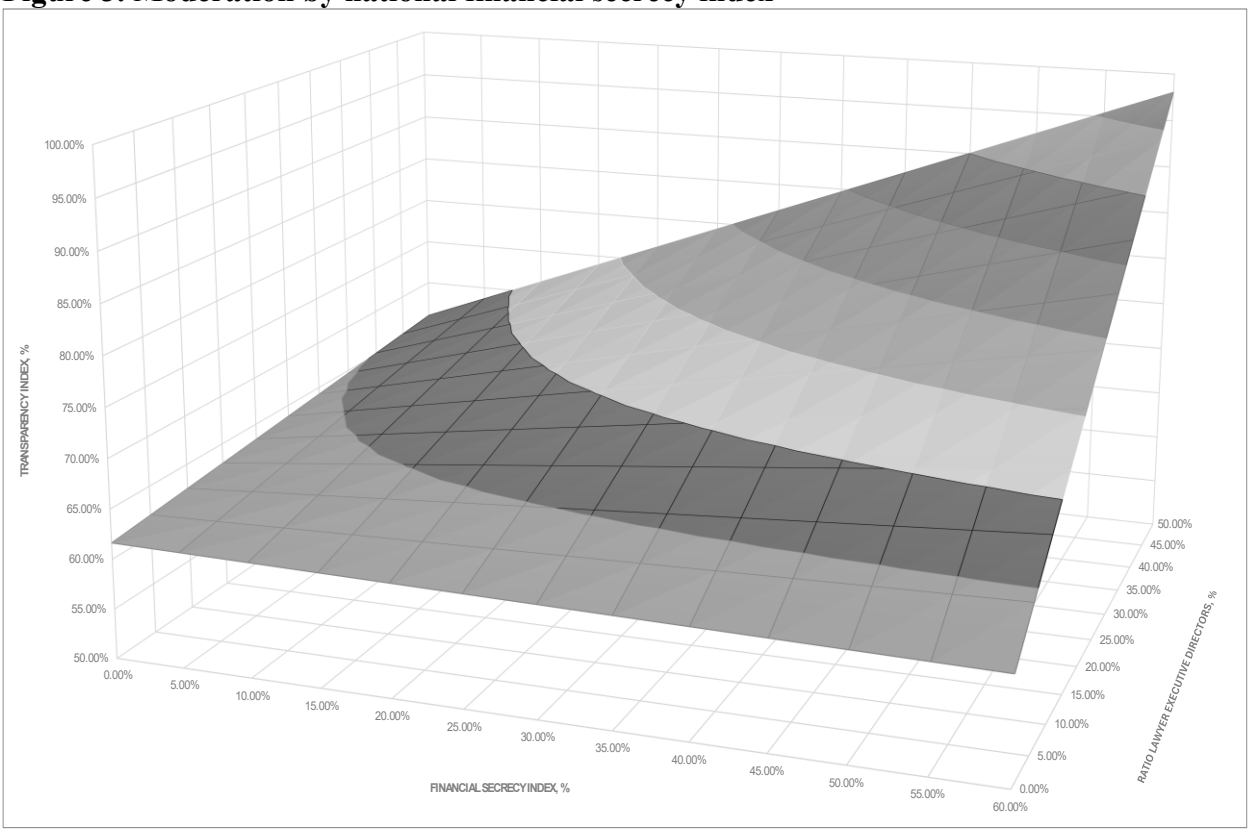
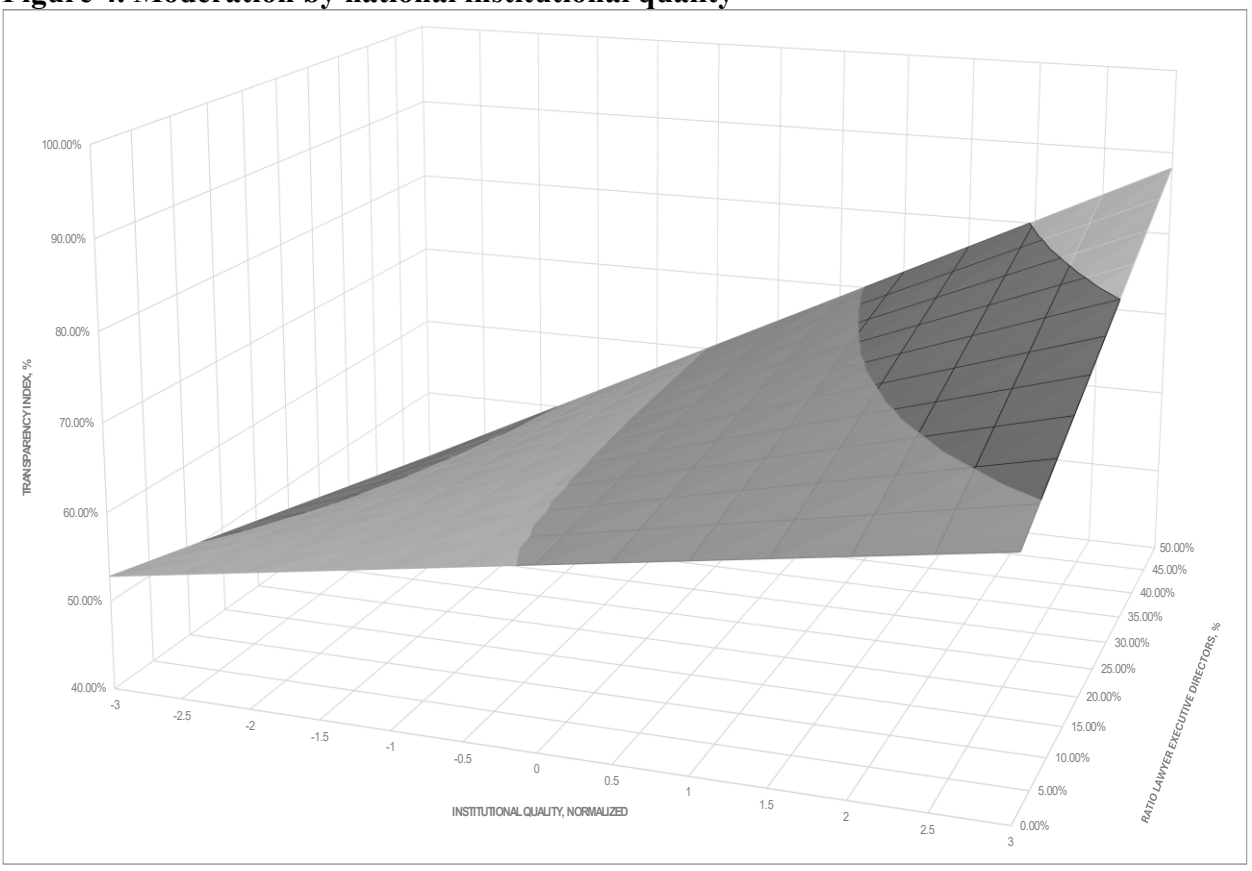


Figure 4. Moderation by national institutional quality



Appendix Table 1. Data sources

Table documenting a non-exhaustive representation of data and information sources from across Caribbean region.

Market	Information source
Caribbean	Databases: Bloomberg LLP; Thomson Perfect Information portal & Datastream
Bermuda	Bermuda stock exchange library, Hamilton, Bermuda and website: http://www.bsx.com/ Hamilton-based interviews (11/2016 & 05/2019): Bermuda stock exchange: James S. McKirdy (Chief Compliance Officer) Bermuda Monetary Authority (BMA): Tessa Ingham (Analyst) Bermuda Chamber of Commerce: Kendaree Burgess (Executive Director) Bermuda Government: Victoria Taylor, Executive Officer Listed firm: Ozics Holdings Ltd (Auvo Kaikkonen, CEO); Cohort Ltd (Tracey Packwood); Bermuda Commercial Bank Ltd (Charlene Gilbert)
Barbados	Barbados stock exchange, Bridgetown, Barbados and websites: http://www.bse.com.bb/ Bridgetown-based interviews (07/2011 and 11/2016): Barbados exchange: Marlon E. Yarde (GM); Barry Blenham (Operations); Donna Hope (Operations Manager) Central Bank of Barbados: Financial Division
Bahamas	Bahamas stock exchange, Nassau, The Bahamas and websites: http://bisxbahamas.com/ Nassau-based interviews (05/2019): Bahamas international securities exchange [BISX]: Keith Davies (CEO); Holland Grant (COO) Chamber of Commerce: Jeffrey N. Beckles (CEO) Securities Exchange Commission of the Bahamas (Senior Analysts) Bahamas Venture Capital Fund c/o Baker Tilly Managers: Joan Octaviano (Head of Audit) Bahamas Development Bank: Director (Mme Pelicanos) University of the Bahamas graduate school of business: Remelda Moxley (Dean) Listed firm: Bank of Bahamas (Leashawn McPhee); Emera (Dina Bartolacci Seely); Commonwealth Bank (Gina Greene); ICBL (Jenifer Clarke); Doctors Hospital (Joanne Lowe)
Cayman Islands	CISX, Cayman Islands exchange, Georgetown, Grand Cayman and websites: http://www.csx.ky Georgetown, Grand Cayman-based interviews (05/2019): Cayman Islands exchange: Sandy McFarlane (Operations Manageress) Cayman Islands Development Bank: Tracy Ebanks (General Manager/CEO) Cayman National Securities: Erol Babayigit (Vice President)
Jamaica	JSE, Jamaican stock exchange, Kingston, Jamaica and website: https://www.jamstockex.com/ Kingston-based interviews (07/2016): Jamaican stock exchange: Marlene J. Street Forrest (General Manager); Sandra Shirley (Principal e-campus); Charlette Eddie-Nugent (Listings Manager); Neville R. Ellis (Operations Manager) JSE electronic media marketing event (07/2016): Spanish Court Hotel Annex, Kingston, Jamaica Bank of Jamaica: Financial services division interviews
Eastern Caribbean	ECSE, Basseterre, St Kitts & Nevis and website: http://www.ecseonline.com/ Basseterre-based interviews (11/2011): Eastern Caribbean stock exchange: Trevor E. Blake (GM); Sherizan Mills (Operations Officer) Eastern Caribbean Central Bank visit (11/2011) Telephone-based interviews (06/2016 - 08/2016): Eastern Caribbean stock exchange: Trevor E. Blake (GM); Sherizan Mills (Operations Officer) Nevis, Charlestown-based interviews (11/2011): Financial district in Charlestown, Nevis; St Lucia-based interviews (11/2011): Financial district, Castries, St Lucia
Guyana	GASCI, Guyana Securities Council, Georgetown and website: http://www.gasci.com/ Telephone-based interviews (08/2015 – 01/2017): Cheryl Ibbott (CEO, Guyana Securities Council c/o Bank of Guyana); Vick (Compliance Officer, Guyana Securities Council)
Trinidad & Tobago	TTSE, Trinidad & Tobago stock exchange, Port of Spain and website: http://ttsec.org.tt/ Trinidad, Port of Spain based procurement (06/2016 - 07/2016): Trinidad, Ministry of Finance: Melissa Mattoo and Christine Frank (Communications Officers) Trinidad, Central Bank of Trinidad & Tobago: Candice Dilbar (Research Economist) Trinidad, Listed firm: National Enterprises Limited (Keisha Armstrong, Head of Secretariat) Tobago: Scarborough and Canaan-based interviews in financial district (06/2016 - 07/2016)

Appendix Table 2. Transparency index

Table defines each of the 32 elements that form the disclosure sub-index which is part of the Organisation for Economic Co-operation and Development or OECD (2004) "principles of good governance" index. All are manually sourced from individual firm annual reports, and all are measured as binary effect Yes/No which is coded as 1/0. t-difference in means test for each of the respective governance elements between firms within OFC jurisdictions and those in non-OFC jurisdictions; Bold indicates $p \leq 0.05$

Transparency elements [%]	**OFC**	**Non - OFC**	**p-value**
1 Does the company have a transparent ownership structure?	**62.560**	**92.048**	0.000
(i) Breakdown of shareholdings.	**23.086**	**92.644**	0.000
(ii) Is it easy to identify beneficial ownership?	**57.775**	**92.644**	0.000
(iii) Are director shareholdings disclosed?	**29.306**	**87.276**	0.000
(iv) Is management shareholding disclosed?	**21.172**	**82.107**	0.000
2 Does the company have a dispersed ownership structure?	1.794	1.690	0.432
3 Is the company's actual ownership structure obscured by cross-shareholdings and pyramids?	**81.818**	**47.018**	0.000
4 Is the company's beneficial owner's identity easily traceable?	**59.809**	**92.147**	0.000
5 Is company's beneficial owner located in Tax Haven?	**81.938**	**33.002**	0.000
6 Assess the quality of the annual report. In particular, the following:			
(i) Financial performance	100.000	100.000	-- --
(ii) Business operations and competitive position	**87.679**	**98.708**	0.000
(iii) Board member background	**33.971**	**65.805**	0.000
(iv) Basis of the board remuneration	19.378	21.471	0.134
(v) Operating risks	**72.608**	**85.089**	0.000
7 Is there any statement requesting the directors to report their transactions of company stock?	**17.584**	**83.350**	0.000
8 Does the company use an internationally recognized accounting standard?	**93.541**	**99.602**	0.000
9 Does the company have an internal audit operation established as a separate unit in the company?	**38.995**	**71.769**	0.000
10 Does the company perform an annual audit using international (independent and reputable) auditors?	**96.053**	**81.710**	0.000
11 Does the company offer multiple channels of access to information?	**100.000**	**98.807**	0.001
(i) Annual report	**100.000**	**99.602**	0.034
(ii) Company website	**86.005**	**89.066**	0.023
(iii) Stock Exchange website	80.742	78.032	0.077
(iv) National Regulator website	**2.512**	**11.332**	0.000
12 Does the company have a website, disclosing up-to-date information?	**84.819**	**88.330**	0.014
(i) Business operation	**82.297**	**88.469**	0.000
(ii) Financial statement	**59.689**	**70.080**	0.000
(iii) Press release	**49.880**	**68.489**	0.000
(iv) Shareholding structure	**32.656**	**66.103**	0.000
(v) Organizational structure	**59.689**	**69.284**	0.000
(vi) Corporate group structure	**64.593**	**75.149**	0.000
(vii) Annual report downloadable	**54.785**	**69.284**	0.000
What is the size of the board? [#]	9.038	8.887	0.106
Transparency index - aggregate [%]	**48.542**	**72.504**	0.000

Appendix Table 3. Financial secrecy index

Panel A. Secrecy score [SS]

There are 20 secrecy indicators divided between 4 categories of secrecy. These are outlined below while detailed measurement definitions of each indicator are provided at: https://fsi.taxjustice.net/secrecy-indicators/

Dimension A: Ownership Registration	Secrecy Indicator 1: Banking Secrecy Secrecy Indicator 2: Trusts and Foundations Register Secrecy Indicator 3: Recorded Company Ownership Secrecy Indicator 4: Other Wealth Ownership Secrecy Indicator 5: Limited Partnership Transparency
Dimension B: Legal Entity Transparency	Secrecy Indicator 6: Transparency of Company Ownership Secrecy Indicator 7: Public Company Accounts Secrecy Indicator 8: Country by Country Reporting Secrecy Indicator 9: Corporate Tax Disclosure Secrecy Indicator 10: Legal Entity Identifier
Dimension C: Integrity of tax and financial regulation	Secrecy Indicator 11: Tax Administration Capacity Secrecy Indicator 12: Consistent Personal Income Tax Secrecy Indicator 13: Avoids Promoting Tax Evasion Secrecy Indicator 14: Tax Court Secrecy Secrecy Indicator 15: Harmful Structures Secrecy Indicator 16: Public Statistics
Dimension D: International standards and cooperation	Secrecy Indicator 17: Anti-Money Laundering Secrecy Indicator 18: Automatic Information Exchange Secrecy Indicator 19: Exchange of Information on Request Secrecy Indicator 20: International Legal Cooperation

Panel B. Global scale weight

How Global Scale Weight [GSW] is measured	A jurisdiction's Global Scale Weight is a measure of how much in financial services the jurisdiction provides to residents of other countries, like opening a bank account or setting up a company. This is presented as a percentage of all financial services globally provided by all jurisdictions to non-residents.

Panel C. Financial secrecy index

The Financial Secrecy Index measures each jurisdiction's Global Scale Weight by using data on exports of financial services provided by the International Monetary Fund's Balance of Payments Statistics. Where this data is missing, estimates are extrapolated from related stock measures of cross-border financial assets. This is detailed in the index's full methodology: https://fsi.taxjustice.net/fsi2022/methodology.pdf

$$FSI = \frac{SS^3 * \sqrt[3]{GSW}}{100} \quad (1)$$

Where FSI is financial secrecy index, SS is secrecy score and GSW is global scale weight. All as defined above in panels A and B

[i]Binary 1/0 dummy accounting for country or jurisdiction of primary listing and binary 1/0 dummy for 24 industry categories as defined in Global Industry Classification (GICS) codes developed by MSCI (see https://www.msci.com/gics). Four of these contain no firms from our sample, resulting in 20 industry categories being used in our study.