Supporting Information for "Causes of Non-Compliance with International Law: A Field Experiment on Anonymous Incorporation"

29 March 2014

Contents

Appendix A: Country Groupings, Example Letters, and Example Replies, Originally Registered Results

Appendix B: Additional Multinomial Specifications for Experiment 1 (International Sample)

Appendix C: Robustness Analysis for Experiment 1 (International Sample)

Appendix D: Robustness Analysis for Experiment 2 (US Sample)

Appendix A – Country Groupings, Example Letters, & Replies

Country Groupings

Afghanistan	Low Bus. Friendliness	China	High Bus. Friendliness
Albania	Med. Bus. Friendliness	Colombia	High Bus. Friendliness
Alderney	Tax Haven	Cook Island	Tax Haven
Algeria	Low Bus. Friendliness	Costa Rica	Med. Bus. Friendliness
Andorra	Tax Haven	Cote d'Ivoire	Low Bus. Friendliness
Angola	Low Bus. Friendliness	Croatia	Med. Bus. Friendliness
Anguilla	Tax Haven	Cuba	Low Bus. Friendliness
Antigua & Barbuda	Tax Haven	Cyprus	Tax Haven
Argentina	Med. Bus. Friendliness	Czech Republic	OECD
Armenia	Low Bus. Friendliness	D.R. Congo	Low Bus. Friendliness
Aruba	Tax Haven	Denmark	OECD
Australia	OECD	Djibouti	Low Bus. Friendliness
Austria	OECD	Dominica	Tax Haven
Azerbaijan	High Bus. Friendliness	Dominican Republic	Med. Bus. Friendliness
Bahamas	Tax Haven	Ecuador	Low Bus. Friendliness
Bahrain	High Bus. Friendliness	Egypt	Low Bus. Friendliness
Bangladesh	Low Bus. Friendliness	El Salvador	Low Bus. Friendliness
Barbados	Tax Haven	Estonia	High Bus. Friendliness
Belarus	High Bus. Friendliness	Faroe Islands	Low Bus. Friendliness
Belgium	OECD	Fiji	High Bus. Friendliness
Belize	Tax Haven	Finland	OECD
Bermuda	Tax Haven	France	OECD
Bolivia	Low Bus. Friendliness	Gambia	Low Bus. Friendliness
Bosnia and Herzegovina	Med. Bus. Friendliness	Georgia	Low Bus. Friendliness
Botswana	High Bus. Friendliness	Germany	OECD
Brazil	Med. Bus. Friendliness	Ghana	High Bus. Friendliness
British Virgin Islands	Tax Haven	Gibraltar	Tax Haven
Brunei Darussalam	Med. Bus. Friendliness	Greece	OECD
Bulgaria	High Bus. Friendliness	Grenada	Tax Haven
Burkina Faso	Low Bus. Friendliness	Guam	Low Bus. Friendliness
Cambodia	Low Bus. Friendliness	Guatemala	Med. Bus. Friendliness
Cameroon	Low Bus. Friendliness	Guernsey	Tax Haven
Canada	OECD	Guyana	Med. Bus. Friendliness
Cayman Islands	Tax Haven	Honduras	Low Bus. Friendliness
Chile	OECD	Hong Kong	High Bus. Friendliness

Hungary	OECD	Mozambique	Med. Bus. Friendliness
Iceland	OECD	Namibia	High Bus. Friendliness
India	Low Bus. Friendliness	Nauru	Tax Haven
Indonesia	Med. Bus. Friendliness	Netherlands	OECD
Iran	Low Bus. Friendliness	Netherlands Antilles	Tax Haven
Iran, Islamic Rep.	Low Bus. Friendliness	New Zealand	OECD
Iraq	Low Bus. Friendliness	Nicaragua	Low Bus. Friendliness
Ireland	OECD	Nigeria	Low Bus. Friendliness
Isle of Man	Tax Haven	Norway	OECD
Israel	High Bus. Friendliness	Oman	High Bus. Friendliness
Italy	OECD	Pakistan	Low Bus. Friendliness
Jamaica	Med. Bus. Friendliness	Panama	Tax Haven
Japan	OECD	Papua New Guinea	Med. Bus. Friendliness
Jersey	Tax Haven	Paraguay	Med. Bus. Friendliness
Jordan	Low Bus. Friendliness	Peru	High Bus. Friendliness
Kazakhstan	High Bus. Friendliness	Philippines	Low Bus. Friendliness
Kenya	Med. Bus. Friendliness	Poland	OECD
Korea	OECD	Portugal	OECD
Kosovo	Med. Bus. Friendliness	Puerto Rico	High Bus. Friendliness
Kuwait	High Bus. Friendliness	Qatar	High Bus. Friendliness
Kyrgyzstan	High Bus. Friendliness	Romania	High Bus. Friendliness
Latvia	High Bus. Friendliness	Russia	Med. Bus. Friendliness
Lebanon	Med. Bus. Friendliness	Rwanda	High Bus. Friendliness
Libya	Low Bus. Friendliness	Samoa	Tax Haven
Liechtenstein	Tax Haven	San Marino	Tax Haven
Lithuania	High Bus. Friendliness	Sao Tome and Principe	Low Bus. Friendliness
Luxembourg	OECD	Saudi Arabia	High Bus. Friendliness
Macau	Low Bus. Friendliness	Senegal	Low Bus. Friendliness
Macedonia	High Bus. Friendliness	Serbia	Med. Bus. Friendliness
Madagascar	Low Bus. Friendliness	Seychelles	Tax Haven
Malawi	Low Bus. Friendliness	Sierra Leone	Low Bus. Friendliness
Malaysia	High Bus. Friendliness	Singapore	High Bus. Friendliness
Maldives	Med. Bus. Friendliness	Slovak Republic	OECD
Mali	Low Bus. Friendliness	Slovenia	OECD
Malta	Tax Haven	Solomon Islands	Med. Bus. Friendliness
Marshall Islands	Tax Haven	South Africa	High Bus. Friendliness
Mauritius	Tax Haven	Spain	OECD
Mexico	OECD	Spain (Canary Islands)	OECD
Moldova	Med. Bus. Friendliness	Sri Lanka	Med. Bus. Friendliness
Monaco	Tax Haven	St. Kitts and Nevis	Tax Haven
Mongolia	High Bus. Friendliness	St. Lucia	Tax Haven
Montenegro	High Bus. Friendliness	St. Vincent & Gren-	Tax Haven
Morocco	Med. Bus. Friendliness		

adines

Sudan	Low Bus. Friendliness
Suriname	Low Bus. Friendliness
Swaziland	Med. Bus. Friendliness
Sweden	OECD
Switzerland	OECD
Syrian Arab Republic	Low Bus. Friendliness
Taiwan	High Bus. Friendliness
Tajikistan	Low Bus. Friendliness
Tanzania	Low Bus. Friendliness
Thailand	High Bus. Friendliness
Togo	Low Bus. Friendliness
Trinidad and Tobago	Med. Bus. Friendliness
Tunisia	High Bus. Friendliness
Turkey	OECD
Turks and Caicos	Tax Haven
Uganda	Med. Bus. Friendliness
UK	OECD
Ukraine	Low Bus. Friendliness
United Arab Emirates	High Bus. Friendliness
Uruguay	Med. Bus. Friendliness
US	OECD
US Virgin Islands	Tax Haven
Uzbekistan	Low Bus. Friendliness
Vanuatu	High Bus. Friendliness
Venezuela	Low Bus. Friendliness
Vietnam	High Bus. Friendliness
West Bank and Gaza	Low Bus. Friendliness
Yemen	Med. Bus. Friendliness
Zimbabwe	Low Bus. Friendliness

Example Letters

<u>Placebo (Experiments 1 and 2)</u>

Dear **[name/company]**

I am contacting you as I would like to form an international corporation for my consulting firm. I am aresident of **[Norstralia]** and have been doing some international consulting for variuos companies. We are now growing to a size that makes incorporation seem like a wise option. A lot of our newer business is in your region.

My two associates and I are accustomed to paying **[Norstralia]** income tax, but the rising tax rates make incorporation in another country a more economic alternative. Also, our contracts grow larger and more complicated, so reducing personal liability through incorporation seems more attractive.

As I am sure you understand, business confidentiality is very important to me and my associates. We desire to incorporate as confidentially as we can. Please inform us what documentation and paperwork is required and how much these services will cost?

I would like to start the process of incorporation as soon as possible. Also, how much can we expect your fees to be?

Due to numerous professional commitments, I would prefer to communicate through email. I hope to hear from you soon.

Thank you very much, **[alias]**

Treatments

1.   International Law: FATF (Experiments 1 and 2)

Dear **[name/company]**

I am contacting you regarding a business I am trying to set up. I am a consultant and my colleagues and I are seeking to establish an international corporation. I am a **[Norstralia]** resident, but I do business both locally and with some international client, including some in your region. Our business has been growing substantially, and our goal is to limit tax obligations and business liability.

We would like as much business confidentiality as possible in these early stages of formation. **My internet searches show that the international Financial Action Task Force requires disclosure of identifying information. But I would rather not provide any detailed personal information if possible.**

So, we would like to know what identifying documents will be required to establish this company. We would also like to know what start-up costs will be.

Due to my travel schedule, email will be the best way to reach me. I look forward to hearing from you soon.

Regards, **[alias]**

2.   IRS Enforcement (Experiment 2)

Dear **[name/company]**

I operate a [**country**] consulting firm that has recently experienced rapid growth. My associate and I, both **[country]** residents, work domestically and internationally and have some clients in your region. By setting up an international corporation, we want to reduce our business liability and take advantage of lower tax. We also hope to incorporate with as much discretion as possible. **My internet searches show that United States law, enforced by the Internal Revenue Service, requires disclosure of identifying information when forming a company. But I would like to avoid providing any detailed personal information if possible.**

What do we need to get started, and what specific forms of identification and documents will you need from us?

We hope to find quality services that will help our business expand and grow in the competitive global economy. How much do you usually charge for this type if work? We hope to be in contact with you to accomplish this goal. Due to frequent travel, I prefer e-mail over phone correspondence. Thank you for your time.

Thanks, **[alias]**

3.   Financial Incentive (Experiment 1)

Dear **[name/company]**

I am a consultant living in **[Norstralia]** who seeks to set up an international corporation to help with my growing business. My associates and I work in **[Norstralia]**, though we have a growing number of international clients and have begun work with clients in your area. In order to get the best tax rates and limiting liability, we have decided to set up an international company.
Right now, we would like to know more information about what identification and documents you require and how much such services cost. We all highly value our privacy and would like to do this as confidentially as possible. **I am willing to pay a premium to retain confidentiality.** I look forward to hearing from you soon and hope that you will be able to help us. I have many business comitments and frequently travel so the best way to reach me is via email.

Thank you, **[alias]**

4.   Corruption (Experiments 1 and 2)

Dear **[name/company]**

I am consultant living in **[Guineastan]**. I have a business with some colleagues that is based here in **[Guineastan],** it has grown recently to the extent that international incorporation has now become an option that we wish to pursue, largely for taxes and liability purposes. We have several international clients, many of whom are in your region, so an out-of-country business entity would be helpful. **We focus specifically on public-sector consulting for government procurement.[1]**
We would ideally like to form this incorporation confidentially. Would you please indicate the identifying documents we will need to provide? Can you also outline your probable costs? If

---

[1] The treatment language for Experiment 2 for U.S. firms omitted the reference to government procurement.

possible, please respond by email, as I am out of the office with meetings frequently.

Thank you, **[alias]**

5.   Terrorism (Experiments 1 and 2)

Dear **[name/company]**

I am a consultant in need of an international corporation. I **reside in Saudi Arabia, though I am a [Terrorism-associated country] national,** and I operate my business here with two associate. **We consult for a number of Muslim aid organizations.** I have contacted you because I have several international clients in your region.

Recently, our business has grown and tax have become more burdensome. Also I hope to limit my liability, and I think that incorporation is the best solution. I am eager to maintain business confidentiality and to keep the process as discrete as possible. I would specifically like to know what identifying documents you will require and what the costs will be. Due to a heavy upcoming travel schedule, the best way to reach me will be via email. I look forward to hearing from you.

Thank you in advance, **[alias]**

Example Replies

Compliant

In reply to your email requesting our price to form a Corporation, basically the cost of establishing (or acquiring a shelf) IBC is US$ 1,500 and the annual running costs (excluding time charges) are US$ 3,850 (being $ 350 Government Licence fee + $ 500 Registered Office / Registered Agents fee + $ 3,000 Directors Responsibility fee). It is also important to note that, apart from needing to understand the exact nature and purpose of the proposed structure (e.g. Business, Investment or Inheritance Plan), our current due diligence / client acceptance procedures generally involve :- (a)   Signed Client Service Agreement (copy attached) (b) Proof of Identity (usually a certified copy passport). (c) Proof of Residential Address (usually an original utility bill, unless the bank reference includes an address confirmation). (d) Curriculum Vitae. (e) Bank and Professional References. (f)   Source of funds. See our Due Diligence Requirements attached for further reference.

Partially Compliant

I deeply apologise for the delay in our response. This is a very abnormal situation and I thank you for your perseverance. I am not typically the person who would be dealing with your enquiry but am very happy to work with you to make this happen. My first question is could you please confirm if you would also be looking for an offshore bank account to accompany the company? In regards to the best tax haven we are currently recommending the jurisdiction of Belize. This is due to three reasons: 1/ Confidentiality, the registry in Belize is known as a closed registry therefore the shareholders& directors names are not disclosed   2/ Time Frame, it takes only one working day to form a company   3/ Documentation - the supporting documents required from you would be minimal, a clear scanned copy of your passport is enough to proceed Please let me know if you would like me to call and discuss anything with you.

Noncompliant

Dear Sir,
In order to prepare power of attorney and setting up the company I need full shareholders and director details as:

full name
Nationality Status
Adress
Occupation

I look forward to hearing from you. We are at your disposal to clarify any questions that are made necessary. With our best personal regards,

Refusal

Thank you for your email and your kind enquiry. Unfortunately, it is likely that your business will be outside our area of business but I wish you all the best with your business ventures. Kind regards.

Table A1: Results Based on Original Registration Documents

Condition	N	Responses	Response Rate	Sig.	Compliant	Compliance Rate as Percent of Responses	Sig.
International							
Placebo	1112	617	55.5%		336	54.5%	
Premium	385	194	50.4%	*	104	53.6%	
Corrupt	428	203	47.4%	***	104	51.2%	
Terror	424	177	41.7%	***	107	60.5%	
US Sample							
Placebo	816	214	26.2%		109	50.9%	
Corrupt	532	115	21.6%	*	53	46.1%	
Terror	550	92	16.7%	***	52	56.5%	
FATF	546	129	23.6%		64	49.6%	
IRS	552	110	19.9%	***	56	50.9%	

Appendix B – Multinomial Results

Table B1 displays the results of four multinomial probit models corresponding to each of the four experimental conditions: FATF, Premium, Corruption, and Terrorism. In Table B1's models, No Response is set as the base outcome, which serves as the point of comparison for interpreting each of the coefficients. We selected No Response as the base both because it is the most frequent category and because we are very interested in firms' decisions about whether to respond at all and, simultaneously, if replying how to react to the inquiry. This tradeoff is core to the study. Below we discuss results when we rotate the base condition to the other response outcomes, which, again, broadly support the results shown that the FATF treatment has little effect on compliance and the Premium, Corruption, and Terrorism treatments cause lower rates of adherence to international standards.

Table B1: Multinomial Outcome Estimates for Experiment 1

			Outcomes			
Treatments	**No Response**	**Non-Compliant**	**Part-Compliant**	**Compliant**	**Refusal**	**N**
FATF	Base	-0.039	-0.119	-0.133	-0.181	1420
	Base	(0.135)	(0.121)	(0.118)	(0.149)	
Constant	Base	-1.194***	-0.767***	-0.688***	-1.255***	
	Base	(0.077)	(0.067)	(0.066)	(0.078)	
Premium	Base	-0.290*	-0.136	-0.262**	-0.182	1401
	Base	(0.148)	(0.122)	(0.125)	(0.149)	
Constant	Base	-1.194***	-0.767***	-0.688***	-1.255***	
	Base	(0.077)	(0.067)	(0.066)	(0.078)	
Corruption	Base	-0.112	-0.269**	-0.283**	-0.194	1459
	Base	(0.134)	(0.119)	(0.118)	(0.145)	
Constant	Base	-1.194***	-0.767***	-0.688***	-1.255***	
	Base	(0.077)	(0.067)	(0.066)	(0.078)	
Terrorism	Base	-0.470***	-0.581***	-0.438***	-0.364**	1444
	Base	(0.146)	(0.128)	(0.119)	(0.150)	
Constant	Base	-1.194***	-0.767***	-0.688***	-1.255***	
	Base	(0.077)	(0.067)	(0.066)	(0.078)	

Robust standard errors in parentheses: *** $p<0.01$, ** $p<0.05$, * $p<0.1$

The findings from the rotations suggest some differences from the results presented in Table B1. The results for response rates remain consistent with premium, corruption, and terrorism leading to decreases in response rates in most cases. The results for other outcomes do not hold when rotating the base condition away from non-response, but keeping non-response as one of the possible outcomes.

We estimate an assortment of additional variations of the main analysis and report them below in Tables B6-B8. We separate out the categories into nine different outcomes to consider the robustness of the results. Thus, the current five conditions remain, but we separate out services that responded in some way, but had one or more rounds of communication in between, from services that responded after the initial email. The results of these analyses are located in

Table B6 and show that in some cases an additional round of communication is associated with statistically significant types of responses. But generally, the results are similar to those in Table B1.

Further, because each letter had stylistic differences, we tested whether the results changed upon inclusion of letter fixed effects. The results appear in Table B7 and demonstrate that the results are largely robust to the inclusion of such fixed effects. Finally, we report the full set of results including with control variables in Table B8.

Table B2: Main Multinomial Specification with Base Outcome of Non-compliant

			Outcomes			
Treatments	No Response	Non-Compliant	Part-Compliant	Compliant	Refusal	*N*
FATF	0.039	Base	-0.079	-0.093	-0.141	1420
	(0.135)	Base	(0.152)	(0.147)	(0.171)	
Constant	1.194***	Base	0.427***	0.506***	-0.061	
	(0.077)	Base	(0.083)	(0.083)	(0.091)	
Premium	0.290*	Base	0.154	0.028	0.109	1401
	(0.148)	Base	(0.162)	(0.165)	(0.182)	
Constant	1.194***	Base	0.427***	0.506***	-0.061	
	(0.077)	Base	(0.083)	(0.083)	(0.091)	
Corruption	0.112	Base	-0.157	-0.171	-0.082	1459
	(0.134)	Base	(0.152)	(0.149)	(0.168)	
Constant	1.194***	Base	0.427***	0.506***	-0.061	
	(0.076)	Base	(0.083)	(0.083)	(0.091)	
Terrorism	0.470***	Base	-0.110	0.032	0.107	1444
	(0.146)	Base	(0.165)	(0.162)	(0.182)	
Constant	1.194***	Base	0.427***	0.506***	-0.061	
	(0.077)	Base	(0.833)	(0.083)	(0.091)	

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table B3: Main Multinomial Specification with Base Outcome of Part-Compliant

			Outcomes			
Treatments	No Response	Non-Compliant	Part-Compliant	Compliant	Refusal	*N*
FATF	0.119	0.079	Base	-0.014	-0.062	1420
	(0.121)	(0.152)	Base	(0.134)	(0.162)	
Constant	0.767***	-0.427***	Base	0.079	-0.488***	
	(0.067)	(0.083)	Base	(0.074)	(0.085)	
Premium	0.136	-0.154	Base	-0.126	-0.046	1401
	(0.122)	(0.162)	Base	(0.140)	(0.161)	
Constant	0.767 ***	-0.427***	Base	0.079	-0.488***	
	(0.067)	(0.083)	Base	(0.074)	(0.085)	
Corruption	0.269**	0.157	Base	-0.013	0.076	1459
	(0.119)	(0.152)	Base	(0.135)	(0.157)	
Constant	0.767***	-0.427***	Base	0.079	-0.488***	
	(0.067)	(0.083)	Base	(0.074)	(0.085)	
Terrorism	0.581***	0.110	Base	0.143	0.217	1444
	(0.128)	(0.165)	Base	(0.145)	(0.168)	
Constant	0.767***	-0.427***	Base	0.079	-0.488***	
	(0.067)	(0.083)	Base	(0.074)	(0.085)	

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table B4: Main Multinomial Specification with Base Outcome of Compliant

	Outcomes					
Treatments	**No Response**	**Non-Compliant**	**Part-Compliant**	**Compliant**	**Refusal**	***N***
FATF	0.133	0.093	0.014	Base	-0.048	1420
	(0.118)	(0.147)	(0.134)	Base	(0.160)	
Constant	0.688***	-0.506***	-0,079	Base	-0.567***	
	(0.066)	(0.083)	(0.074)	Base	(0.084)	
Premium	0.262**	-0.028	0.126	Base	0.080	1401
	(0.125)	(0.165)	(0.140)	Base	(0.164)	
Constant	0.688***	-0.506***	-0.079	Base	-0.567***	
	(0.066)	(0.083)	(0.074)	Base	(0.084)	
Corruption	0.283**	0.171	0.013	Base	0.089	1459
	(0.118)	(0.149)	(0.135)	Base	(0.157)	
Constant	0.688***	-0.506***	-0.079	Base	-0.567***	
	(0.066)	(0.083)	(0.074)	Base	(0.084)	
Terrorism	0.438***	-0.032	-0.143	Base	0.074	1444
	(0.119)	(0.162)	(0.145)	Base	(0.165)	
Constant	0.688***	-0.506***	-0.079	Base	-0.567***	
	(0.066)	(0.083)	(0.074)	Base	(0.084)	

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table B5: Main Multinomial Specification with Base Outcome of Refusal

			Outcomes			
Treatments	**No Response**	**Non-Compliant**	**Part-Compliant**	**Compliant**	**Refusal**	**N**
FATF	0.181	0.141	0.062	0.048	Base	1420
	(0.149)	(0.171)	(0.162)	(0.160)	Base	
Constant	1.255***	0.061	0.488***	0.567***	Base	
	(0.078)	(0.091)	(0.085)	(0.084)	Base	
Premium	0.182	-0.109	0.046	-0.080	Base	1401
	(0.149)	(0.182)	(0.161)	(0.164)	Base	
Constant	1.255***	0.061	0.488***	0.567***	Base	
	(0.078)	(0.091)	(0.085)	(0.084)	Base	
Corruption	0.194	0.082	-0.076	-0.089	Base	1459
	(0.145)	(0.168)	(0.157)	(0.157)	Base	
Constant	1.255***	0.061	0.488***	0.567***	Base	
	(0.078)	(0.091)	(0.085)	(0.084)	Base	
Terrorism	0.364*	-0.107	-0.217	-0.074	Base	1444
	(0.150)	(0.182)	(0.168)	(0.165)	Base	
Constant	1.255***	0.061	0.488***	0.567***	Base	
	(0.078)	(0.091)	(0.085)	(0.084)	Base	

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table B6: Multinomial Specification with Nine Outcome Categories

Note: The outcomes in the four columns on the right occurred after at least one additional round of communication.

Treatments	No Response	Non-Compliant	Part-Compliant	Compliant	Refusal	Non-Compliant 2	Part-Compliant 2	Compliant 2	Refusal 2
FATF	Base	-0.093	-0.142	-0.218	-0.221	0.003	-0.089	-0.027	-0.145
	Base	(0.162)	(0.142)	(0.137)	(0.207)	(0.162)	(0.138)	(0.138)	(0.164)
Constant	Base	-1.542***	-1.231***	-1.055***	-1.819***	-1.576***	-1.147***	-1.191***	-1.459***
	Base	(0.089)	(0.077)	(0.075)	(0.104)	(0.088)	(0.072)	(0.074)	(0.085)
Premium	Base	-0.531***	-0.313**	-0.260*	-0.134	-0.088	-0.011	-0.229	-0.205
	Base	(0.203)	(0.155)	(0.141)	(0.193)	(0.167)	(0.133)	(0.150)	(0.167)
Constant	Base	-1.542***	-1.231***	-1.055***	-1.819***	-1.576***	-1.147***	-1.191***	-1.459***
	Base	(0.089)	(0.077)	(0.075)	(0.104)	(0.088)	(0.072)	(0.074)	(0.085)
Corruption	Base	-0.613***	-0.355**	-0.341**	-0.583**	0.162	-0.179	-0.186	-0.058
	Base	(0.203)	(0.146)	(0.136)	(0.245)	(0.145)	(0.132)	(0.140)	(0.151)
Constant	Base	-1.542***	-1.231***	-1.055***	-1.819***	-1.576***	-1.147***	-1.191***	-1.459***
	Base	(0.089)	(0.077)	(0.075)	(0.104)	(0.088)	(0.072)	(0.074)	(0.085)
Terrorism	Base	-0.668***	-0.668***	-0.393***	-0.524**	-0.290*	-1.456***	-0.457***	0.289*
	Base	(0.198)	(0.164)	(0.135)	(0.222)	(0.163)	(0.144)	(0.146)	(0.160)
Constant	Base	-1.542***	-1.231***	-1.055***	-1.819***	-1.576***	-1.147***	-1.191***	-1.459***
	Base	(0.089)	(0.077)	(0.075)	(0.104)	(0.088)	(0.072)	(0.074)	(0.085)

The final four columns capture non-compliance, part-compliance, compliance, and refusal where at least one additional round of communication occurred, typically reminding the service provider about our inquiry.
N=1420, 1401, 1459, 1444 for each of the four models, respectively.
Robust standard errors in parentheses.
*** p<0.01, ** p<0.05, * p<0.1

Table B7: Base Multinomial Logit Specification with Letter Fixed Effects

Note: Fixed effects coefficients for 33 letters are omitted for presentation

Treatments	No Response	Non-Compliant	Part-Compliant	Compliant	Refusal	N
			Outcomes			
FATF	Base	-0.038	-0.219	-0.171	-0.270	1420
	Base	(0.217)	(0.173)	(0.168)	(0.243)	
Constant	Base	-2.431***	-0.509	-0.378	-1.674***	
	Base	(0.743)	(0.352)	(0.336)	(0.544)	
Premium	Base	-0.455*	-0.176	-0.348*	0.185	1401
	Base	(0.247)	(0.177)	(0.181)	(0.241)	
Constant	Base	-2.034***	-0.640*	-0.673*	-1.816***	
	Base	(0.613)	(0.345)	(0.353)	(0.538)	
Corruption	Base	-0.195	-0.415**	-0.378**	-0.209	1459
	Base	(0.218)	(0.178)	(0.170)	(0.249)	
Constant	Base	-1.846***	-0.606*	-0.696**	-2.130***	
	Base	(0.539)	(0.341)	(0.350)	(0.614)	
Terrorism	Base	-0.760***	-0.938***	-0.600***	-0.485*	1444
	Base	(0.253)	(0.197)	(0.175)	(0.253)	
Constant	Base	-1.863***	-0.450	0.506	-1.915***	
	Base	(0.621)	(0.365)	(0.362)	(0.620)	

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table B8: Base Multinomial Logit Specification with Covariates

Treatments	No Response	Non-Compliant	Part-Compliant	Compliant	Refusal
FATF	Base	-0.022	-0.171	-0.195	-0.273
		(0.210)	(0.170)	(0.172)	(0.242)
Company	Base	-0.501**	-0.716***	-0.820***	-0.112
		(0.230)	(0.181)	(0.194)	(0.237)
OECD	Base	0.633***	-0.065	0.372	0.107
		(0.232)	(0.202)	(0.229)	(0.258)
Tax Haven	Base	-0.629*	0.368*	1.584***	-0.320
		(0.355)	(0.215)	(0.203)	(0.324)
Constant	Base	-1.551***	-0.785***	-1.224***	-1.711***
		(0.202)	(0.155)	(0.174)	(0.233)
Premium	Base	-0.427*	-0.145	-0.266	-0.242
		(0.241)	(0.169)	(0.183)	(0.239)
Company	Base	-0.525	-0.795***	-0.940***	-0.331
		(0.235**)	(0.180)	(0.191)	(0.228)
OECD	Base	0.554**	-0.069	0.316	0.001
		(0.238)	(0.203)	(0.227)	(0.258)
Tax Haven	Base	-0.719*	-0.016	1.363***	-0.445
		(0.369)	(0.219)	(0.207)	(0.313)
Constant	Base	-1.487***	-0.619***	-1.093***	-1.539***
		(0.204)	(0.152)	(0.175)	(0.209)
Corruption	Base	-0.092	-0.343**	-0.341**	-0.246
		(0.208)	(0.169)	(0.173)	(0.233)
Company	Base	-0.684***	-0.642***	-0.975***	-0.385*
		(0.220)	(0.181)	(0.190)	(0.223)
OECD	Base	0.597***	-0.163	0.461**	-0.192
		(0.222)	(0.204)	(0.217)	(0.265)
Tax Haven	Base	-0.544*	0.123	1.387***	-0.166
		(0.327)	(0.217)	(0.205)	(0.282)
Constant	Base	-1.455***	-0.691***	-1.108***	-1.513***
		(0.191)	(0.156)	(0.174)	(0.203)
Terrorism	Base	-0.652***	-0.834***	-0.599***	-0.477**
		(0.237)	(0.189)	(0.176)	(0.241)
Company	Base	-0.676***	-0.748***	-0.916***	-0.283
		(0.230)	(0.182)	(0.193)	(0.224)
OECD	Base	0.690***	-0.175	0.283	-0.166
		(0.233)	(0.212)	(0.226)	(0.267)
Tax Haven	Base	-0.529	-0.086	1.348***	-0.030
		(0.346)	(0.217)	(0.202)	(0.285)
Constant	Base	-1.503***	-0.636***	-1.065***	-1.598***
		(0.201)	(0.154)	(0.171)	(0.219)

N=1420, 1401, 1459, 1444 for each of the four models respectively; Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Appendix C – Robustness Checks for Experiment 1

We contend that the multinomial probit results represent the most appropriate analysis of the data. However, an alternative approach might model the outcomes in two connected stages in a selection or nested logit model, which we report below. That is, analysis of compliance with requirements to demand identity documents could be modeled as dependent on subjects' decision to reply to the email request in the first place. In this case, we might collapse the various gradations of compliance to obtain a measure of non-compliance vs. compliance.

Table C1 displays the Response rates and Compliance rates for the Placebo and treatment conditions. As noted, we categorize Non-Compliance (a failure to request identifying documents of any type) and Partial Compliance (asking for documents but not requiring notarization or certification) together as Non-Compliance and score them 0 in a binary indicator of compliance. The logic here is that, while requiring non-notarized documents is certainly better than asking for no documents at all, photocopies of drivers' licenses or passport pages are notoriously easy to fake, so firms employing such lax application of international standards will likely enable many more shell corporations that are effectively untraceable than firms requiring certified documents. Alternatively, services that refuse service or require certified documents are categorized as "Compliant" in the binary indicator and scored 1. Table C1 lists cell sizes, proportions, and significance levels in difference of means and proportions tests.

Table C1: Response and Compliance Rates Across

Experiment 1 Conditions

Condition	*N*	Responses	Response Rate	Sig.	Compliant	Compliance Rate as Percent of Responses	Sig.
Placebo	1112	617	55.5%		336	54.5%	
FATF	390	200	51.3%		103	51.5%	
Premium	385	194	50.4%	*	104	53.6%	
Corrupt	428	203	47.4%	***	104	51.2%	
Terror	424	177	41.7%	***	107	60.5%	

Difference from Placebo condition in two-tailed *t* test: * significant at .1 level, ** significant at .05 level, *** significant at .01 level.

Consistent with Table 2 of the main paper, subjects receiving the Premium, Corruption, and Terrorism treatments were significantly less likely to respond than those in the Placebo condition. We again note here that a failure to respond to a request may for some indicate a soft refusal of service, so it may be advisable to draw inferences for rates of Compliance while also considering Response rates. For example, in communicating with one provider the correspondent accidentally forwarded an internal email discussion to us when we followed up on our initial email. One person in the provider's office asks a colleague: "This one has also come back again. Will I pretend it went into junk or reply?" Thus, analyzing compliance rates accurately may require accounting for response rates.

In order to systematically consider selection effects, as a robustness check we employed a statistical fix to connect Response rates to Compliance in a selection model. One challenge is that most two-stage models require the addition of an instrumental variable to identify the equation. Alternatively, we use a selection model that allows the same identification parameter (Sartori 2003) – in our case treatment condition – to understand how it affects selection (Response) as well as the outcome (Compliance).

As displayed below in Table C2, the Sartori selection results for Experiment 1 are generally similar to those reported above. The FATF, Corruption, and Terrorism treatments have a statistically lower Response rate than the Placebo ($p = 0.084$, $p = .010$, and $p = .000$, respectively). Further, in the selection model the Corruption and Terrorism treatments demonstrate lower, and statistically significant ($p = .017$ and $p = .032$, respectively), rates of Compliance compared to the control.

Finally, we reconsidered the results for Experiment 1 for all non-responses as if the treatment emails did not arrive and the subjects were not treated. Thus, in contrast to the analysis above

where we considered No Response as substantively meaningful, we now treat the problem with a statistical fix. We add the bounced emails and foreign language replies into the "untreated" category alongside the non-responses. In doing so, we estimate the treatment effect on the treated and find that the results are similar to those reported in Table C2 – there is still a negative treatment effect for each of the conditions, the effect size and significance levels persist for all treatments including for the Corruption and Terrorism treatments on Response and for the Premium and Corruption treatments on Compliance. Thus, the selection model results broadly corroborate the findings from the difference tests and the multinomial probit estimates: the Corruption and Terrorism treatments reduce Response rates, and the Premium and Corruption treatments – but not Terrorism for the selection model – also decrease Compliance rates.

Table C2: Selection Model of Response and Compliance for Experiment 1

Treatments	Response	Compliance	Selection Constant	Outcome Constant	N
FATF	-0.114	-0.139*	0.144**	-0.630***	1502
	(0.075)	(0.080)	(0.066)	(0.070)	
Premium	-0.108	-0.064	0.240***	-0.567***	1497
	(0.075)	(0.080)	(0.066)	(0.070)	
Corruption	-0.187***	-0.187**	0.241***	-0.529***	1540
	(0.072)	(0.078)	(0.065)	(0.070)	
Terror	-0.364***	-0.168**	0.231***	-0.554***	1536
	(0.073)	(0.078)	(0.065)	(0.069)	

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

As an alternative to the selection model, we also attempted to estimate a nested logit model, which would allow us to first dichotomize response/non-response, and then estimate a multinomial model in the second stage. We attempted to estimate the models in *Stata* and *R*, but were unable to do so because the statistical routines would not allow assignment to treatment to enter both stages of the equation, which is necessary in testing for treatment effects in our study. Thus, we cannot provide a properly estimated nested logit. We nonetheless estimated the nested models in two separate steps, even though the two stages were not statistically interconnected, so the results in the outcome estimation are not conditional upon selection. We estimated a logit model to capture response/non-response. Then, after dropping all non-responders, we estimated a multinomial model on the remaining four choices: non-compliance, part-compliance, compliance, and refusal. The results appear in Table C3 and are consistent with the multinomial results in which noncompliance is set as the base outcome (See Table B2).

Table C3: Nested Logit Model

Conditions	Stage 1 Response	Stage 2 Non-Compliant	Part-Compliant	Compliant	Refusal
FATF	-0.169	Base	-0.125	-0.144	-0.244
	(0.118)	Base	(0.251)	(0.247)	(0.307
Constant	0.220	Base	0.677***	0.792***	-0.104
	(0.060)	Base	(0.129)	(0.126)	(0.152)
Premium	-0.205*	Base	0.266	0.079	0.188
	(0.118)	Base	(0.278)	(0.279)	(0.327)
Treatment	0.220***	Base	0.677***	0.792***	-0.104
	(0.060)	Base	(0.129)	(0.126)	(0.152)
Corruption	-0.323***	Base	-0.244	-0.260	-0.139
	(0.114)	Base	(0.247)	(0.243)	(0.291)
Treatment	0.220***	Base	0.677***	0.792***	-0.104
	(0.060)	Base	(0.129)	(0.126)	(0.152)
Terrorism	-0.554***	Base	-0.141	0.090	0.184
	(0.116)	Base	(0.288)	(0.274)	(0.322)
Treatment	0.220***	Base	0.677***	0.792***	-0.104
	(0.060)	Base	(0.129)	(0.126)	(0.152)

* $p < 0.1$; **$p<0.05$; ***$p<0.01$

In addition to the robustness checks just mentioned, we also estimated additional models checking for subgroup effects. In most cases, the results are similar across subgroups. In particular, we considered the multinomial results for subgroups of company type (law firm vs. service provider). In the FATF condition, the results are the same regardless of whether the analysis is restricted to service providers or law firms. Part compliance and compliance are less likely

among service providers in the corruption condition but not so for law firms. Refusal rates are lower for law firms in the corruption and terrorism conditions but this is not the case for service providers. And noncompliance is lower for service providers in the premium condition, but that is not the case for law firms. Otherwise the results are qualitatively similar.

We also considered whether the corruption treatment results differ based on whether the country adhered closely to international standards as captured by tax havens vs. non-tax havens. The FATF treatment appeared to cause a significantly greater proportion of firms to ask for non-certified ID and be coded as Part-Compliant (p = .021) in Tax Havens but caused significant decreases in Part-Compliance (p = .015) and Compliance (p = .051) in non-Tax Havens. The Premium condition is associated with lower levels of Non-Compliance in non-tax havens, but the relationship is statistically weak. The Corruption condition had no significant treatment effects in tax havens but caused significant reductions in Part-Compliance (p = .021) and Refusal (p = .045) in non-tax havens. Likewise, there were no significant treatment effects for the Terrorism treatment on CSPs based in tax havens; the Terrorism results appear to be entirely driven by CSPs in OECD and developing countries where there were significant reductions in all outcome categories (p < .01 in all cases).

While it is not common in most experimental work in social science to adjust estimates for multiple comparisons, we used the Scheffe, Bonferroni, and Sidak corrections (listed in descending order of conservatism) to consider how the results might differ from those reported. All three corrections adjust the threshold for rejecting the null hypothesis by weighting significance thresholds by the number of comparisons, which is four for both experiments. For example, re-weighting according to the best-known Bonferroni correction would, given the four comparisons, adjust the most conventional threshold for significance from $p < 0.05$ to $p < 0.0125$.

When comparing against Table 2 in the paper, we find that the results for Non-Response on Corruption and Terrorism both remain significant (Corruption at the .05 level, Terrorism at the .01 level) using all three corrections. This is also true for Terrorism on Part-Compliance. Other results are weaker or disappear when applying multiple comparisons corrections. The Terrorism treatment was no longer significant for Non-Compliance using any of the three corrections. The Terrorism treatment, however, persists in significantly reducing Part Compliance at the 0.1 level in the Bonferroni and Sidak tests (though not with the Scheffe correction). Similarly, in Experiment 2, three of the results hold up strongly (IRS Response, Terrorism Response and Non-Compliance), whereas others fall outside of the more conservative ranges required by the multiple comparisons corrections.

In conjunction with the multiple-comparisons corrections, we also considered "families" of treatments that are conceptually aligned. Both the Corruption and Terrorism treatments introduce risky alias identities that ought to give CSPs pause. Indeed, when we combine the Corruption and Terrorism conditions, the conjoined conditions caused a significant drop in the Response rate ($p = 0.000$) that is robust to all three multiple comparisons corrections in both experiments. The combined Corruption/Terrorism treatment also appears to cause a drop in Part-Compliance ($p = 0.014$) and Compliance ($p = .025$) in Experiment 1 for the global CSPs, but only the Part-Compliant result is robust to the multiple comparisons corrections, and then only in the Bonferroni and Sidak tests at the 0.1 level but not the Scheffe test. The Corruption/Terrorism combined treatment also appeared to cause decreases in Experiment 2 among U.S. CSPs for both the Non-Compliance ($p = 0.014$) and Refusal ($p = 0.014$) rates. However, when adjusted for multiple comparisons, the results for both treatments are significant only at the 0.1 level and not according to the most conservative Scheffe correction.

Combining the two treatments related to corruption, Corruption and Premium, caused a robust decrease in the Response rates but had no significant effects on the other outcomes when the multiple comparisons adjustments were made in Experiment 1. Conjoining the two treatments that explicitly invoke legal standards for U.S. CSPs in Experiment 2, the FATF and IRS treatments, caused a significant decrease in the Response rate ($p = .023$) that is robust to multiple comparisons corrections (though for the Scheffe test only at the 0.1 level, the others at 0.05). The combined standards treatment also appeared to cause a significant decrease in the Non-Compliance rate ($p = .066$), but that change is not robust to multiple comparisons adjustments.

Appendix D – Experiment 2 Multinomial Analysis

In this appendix we provide a more limited set of robustness checks for Experiment 2. In particular, we report here the coefficients for the multinomial probit models, the main analysis with covariates, as well as a selection model.

Table D1: Multinomial Probit Model

Treatments	No Response	Non-Compliant	Part-Compliant	Compliant+ Refusal	N
FATF	Base	-0.116	0.064	-0.146	1311
	Base	(0.121)	(0.199)	(0.123)	
Constant	Base	-1.541***	-2.626***	-1.549***	
	Base	(0.084)	(0.146)	(0.083)	
IRS	Base	-0.398***	0.038	-0.327**	1314
	Base	(0.129)	(0.218)	(0.129)	
Constant	Base	-1.541***	-2.626***	-1.549***	
	Base	(0.084)	(0.146)	(0.083)	
Corruption	Base	-0.172	-0.072	-0.325**	1295
	Base	(0.130)	(0.220)	(0.139)	
Constant	Base	-1.541***	-2.626***	-1.549***	
	Base	(0.084)	(0.146)	(0.083)	
Terrorism	Base	-0.598***	-0.177	-0.494***	1312
	Base	(0.144)	(0.233)	(0.139)	
Constant	Base	-1.541***	-2.626***	-1.549***	
	Base	(0.084)	(0.146)	(0.083)	

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table D2: Multinomial Logit with Covariates

VARIABLES	No Response	Non-Compliant	Part-Compliant	Compliant + Refusal	N
FATF	Base	-0.252	0.125	-0.230	1311
		(0.194)	(0.399)	(0.182)	
Company	Base	-2.304***	-1.976***	-1.570***	
		(0.269)	(0.506)	(0.278)	
California	Base	-0.164	-13.721***	-0.889**	
		(0.440)	(0.479)	(0.408)	
Nevada	Base	1.623***	0.543	-0.683	
		(0.424)	(0.920)	(0.654)	
Delaware	Base	0.898*	0.954	-2.021*	
		(0.476)	(0.778)	(1.057)	
Wyoming	Base	1.093**	0.612	-0.078	
		(0.497)	(1.053)	(0.678)	
Easy Bus.	Base	0.691	1.642	-0.067	
		(0.442)	(1.105)	(0.260)	
Med. Bus.	Base	0.883**	1.490	-0.385	
		(0.431)	(1.072)	(0.277)	
Constant	Base	-1.093**	-3.727***	-0.355	
		(0.448)	(1.156)	(0.329)	
IRS	Base	-0.708***	0.171	-0.450**	1314
		(0.219)	(0.421)	(0.192)	
Company	Base	-2.217***	-2.177***	-1.437***	
		(0.300)	(0.501)	(0.278)	
California	Base	-0.204	-15.374***	-0.617	
		(0.501)	(0.457)	(0.388)	
Nevada	Base	1.693***	0.575	-0.150	
		(0.449)	(0.785)	(0.522)	
Delaware	Base	1.372**	1.400**	-20.320***	
		(0.558)	(0.632)	(0.398)	
Wyoming	Base	1.193**	-14.974***	-0.062	
		(0.474)	(0.455)	(0.668)	
Easy Bus.	Base	0.394	1.008	0.106	
		(0.402)	(0.815)	(0.274)	
Med. Bus.	Base	0.575	0.636	-0.000	
		(0.390)	(0.823)	(0.282)	
Constant	Base	-0.914**	-2.990***	-0.684**	
		(0.419)	(0.824)	(0.340)	
Corruption	Base	-0.300	-0.058	-0.464**	1295
		(0.207)	(0.455)	(0.209)	
Company	Base	-1.936***	-2.137***	-0.806***	
		(0.259)	(0.517)	(0.296)	
California	Base	-0.168	-1.409	-0.008	
		(0.461)	(1.066)	(0.374)	
Nevada	Base	1.589***	-14.532***	0.207	
		(0.410)	(0.476)	(0.574)	
Delaware	Base	1.189***	1.105	-17.653***	
		(0.458)	(0.681)	(0.349)	

Wyoming	Base	1.099**	-11.808***	-0.390	
		(0.463)	(0.450)	(0.761)	
Easy Bus.	Base	0.398	0.523	0.029	
		(0.359)	(0.732)	(0.265)	
Med. Bus.	Base	0.663*	-0.003	-0.039	
		(0.348)	(0.769)	(0.262)	
Constant	Base	-1.129***	-2.525***	-1.229***	
		(0.368)	(0.771)	(0.356)	
Terrorism	Base	-1.097***	-0.416	-0.711***	1312
		(0.244)	(0.463)	(0.219)	
Company	Base	-2.118***	-2.958***	-1.101***	
		(0.290)	(0.507)	(0.279)	
California	Base	-0.085	-14.679***	-0.358	
		(0.493)	(0.433)	(0.379)	
Nevada	Base	1.494***	-17.452***	-0.165	
		(0.433)	(0.488)	(0.583)	
Delaware	Base	1.468***	0.816	-0.636	
		(0.558)	(0.672)	(0.892)	
Wyoming	Base	1.200**	0.861	-0.378	
		(0.486)	(0.788)	(0.735)	
Easy Bus.	Base	0.238	0.741	-0.120	
		(0.397)	(0.852)	(0.276)	
Med. Bus.	Base	0.555	0.084	-0.077	
		(0.381)	(0.885)	(0.272)	
Constant	Base	-0.896**	-2.151**	-0.871**	
		(0.416)	(0.833)	(0.337)	

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Robustness to Selection Model

Analysis using a selection model again generally corroborates the results reported in the main text. Again, information about international law and domestic regulation did not cause significant changes in Response or Compliance. The IRS, Corruption, and Terrorism treatments, however, once more caused both lower Response rates ($p < 0.01$, $p < 0.05$ and $p < 0.01$ respectively) *and* lower Compliance rates ($p < 0.1$ for Premium and $p < 0.05$ for Corruption and Terrorism). We also note here that the inclusion of covariates produced qualitatively similar results to those reported. Coefficients and standard errors for the covariates suggest that company type is consistently and highly significant for Response but not for Compliance.

Table D3: Selection Model of Response and Compliance for Experiment 2

Treatments	Response	Compliance	Selection Constant	Outcome Constant	*N*
FATF	-0.102	-0.077	0.246*	-0.786***	1362
	(0.078)	(0.087)	(0.131)	(0.149)	
IRS	-0.210***	-0.156*	0.193	-0.890***	1368
	(0.080)	(0.090)	(0.133)	(0.151)	
Corruption	-0.171**	-0.179**	0.076	-1.049***	1348
	(0.079)	(0.090)	(0.131)	(0.155)	
Terror	-0.365***	-0.225**	0.200	-0.816***	1366
	(0.082)	(0.090)	(0.131)	(0.150)	

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1