

# KEY FINANCIAL SECRECY INDICATORS

## Key Financial Secrecy Indicator 12: Automatic Information Exchange

### What is being measured?

This indicator registers whether jurisdictions have signed the [Multilateral Competent Authority Agreement](#)<sup>1</sup> (MCAA) which provides the legal framework to engage in automatic exchange of information (AIE) pursuant to OECD's [Common Reporting Standard](#)<sup>2</sup> (CRS). Regardless of signing the MCAA, we also consider whether or not jurisdictions have committed exchanging information automatically in either 2017 or 2018 pursuant to the CRS.

A full credit is given in instances where a jurisdiction has signed the MCAA and committed to start exchanging information in 2017.

A 0.5 credit is given in instances where a jurisdiction has signed the MCAA and committed to start exchanging information in 2018.

A 0.25 credit is given in instances where a jurisdiction has not yet signed the MCAA but has committed to start exchanging information in 2017.

A 0.10 credit is awarded when a jurisdiction has not signed the MCAA but has committed to start exchanging information in 2018.

No credit is awarded in instances where a jurisdiction has neither signed the MCAA nor committed to start exchanging information.

We are aware that many developing countries lack capacity to implement AIE and hence have not yet signed the MCAA nor committed to exchange information either in 2017 or 2018. Therefore, we still award 0.5 credit for developing countries that have declared their interest in joining the Global Forum's Pilot Program, which consists of partnering with a developed country to start exchanging some kind of information and prepare for AIE. This pilot programme is part of the Global Forum's [roadmap](#)<sup>3</sup> for developing countries' participation in AIE.

The data sources used for collating KFSI 12 are the OECD's: (i) list of jurisdiction which committed<sup>4</sup> to exchanging information in either 2017 or 2018, (ii) list of jurisdictions which signed the MCAA<sup>5</sup>, and (iii) the April 2015 Report<sup>6</sup> on Progress which provides the most up-to-date list of developing countries interested in the pilot programmes.

We acknowledge that signing the MCAA provides no guarantee that a jurisdiction will engage in multilateral AIE, because [Section 7 of the MCAA](#)<sup>7</sup> prevents jurisdictions from exchanging information until several conditions are met, including availability of a legal framework to implement AIE, compliance with confidentiality requirements, etc.

Moreover, Annex E of the MCAA provides a type of 'dating-system' whereby jurisdictions may choose which other jurisdictions they want to exchange information with in practice, out of all those which signed the MCAA. However, as of June 15, 2015 no information is available about the number of jurisdictions that will be implementing AIE with each other.

Likewise, jurisdictions which only committed to the CRS but did not sign the MCAA, may end up signing bilateral CAAs, in which case they would receive no credit. For instance, recent new reports suggest this will be the case for [Hong Kong](#)<sup>8</sup>. However, since there is no confirmation of any jurisdiction willing to engage in the CRS only via bilateral CAAs, we could not take that into account at this stage.

This KFSI may change again in 2017 when more information is available as to the number of jurisdictions which are engaging in multilateral AIE in practice. However, for the FSI 2015, we have considered information which is available to distinguish between jurisdictions which are likely to engage in multilateral AIE (especially those which signed the MCAA and committed to exchange information in 2017) and those which did neither (such as Panama, Cook Islands, etc.) or those which even declared that they will not implement the CRS (as the United States<sup>9</sup> did).

### Changes since FSI 2013

KFSI 12 used to be based on the participation<sup>10</sup> of jurisdictions in the European Union's Savings Tax Directive (EUSTD) because that was the only existing standard for multilateral automatic exchange of information until 2014.

Since the CRS is now available, this KFSI treats it as the only truly global standard for multilateral AIE. Moreover, the [EUSTD will likely become obsolete](#)<sup>11</sup> because the European Union will start implementing the Revised Directive on Administrative Cooperation (called DAC 2) which encompasses the CRS and also includes automatic exchange of information on other types of income (directors' fees, salaries, income from real estate, etc.).

As for changes in credits, this will hardly affect jurisdictions which were exchanging information automatically pursuant to the EUSTD, because almost all of them have signed the MCAA and committed to exchange information in 2017, with the exception of Aruba which signed the MCAA but committed only to exchange information in 2018.

While the CRS has its origins in the United States' Foreign Account Tax Compliance Act (FATCA) and its Inter-Government Agreements (IGAs) to receive and in some cases exchange information, KFSI 12 does not consider participation in FATCA for two reasons. First, FATCA does not entail multilateral AIE but only agreements between the US and other countries, though the latter cannot exchange any information with each other under FATCA.

Second, out of all the IGAs signed between the US and other countries, only IGAs 1 A entail some kind of reciprocity, while all other IGAs request information to be sent to the US only. On top of this, even IGAs 1 A do not require full reciprocity but much more information being sent to the US.

In contrast to FATCA, the CRS allows for multilateral AIE between all countries on a reciprocal basis.

### Why is this important?

Tax authorities around the world face immense difficulties with identifying cases of tax evasion committed through bank accounts held abroad. To a lesser extent, obtaining foreign-country based evidence when investigating already identified cases of suspected domestic tax evasion and/or aggressive tax avoidance is also a problem. The latter issue is partly addressed by the international standard for information exchange "upon request" promoted by OECD's Global Forum. But even for this limited purpose, the Global Forum peer review process remains riddled with problems (as we have pointed out in great detail in ["Creeping Futility"-report here](#)<sup>12</sup>, in a shorter [briefing paper here](#)<sup>13</sup> and [time and time again in our blog here](#). The [Financial Times has also addressed this here](#)<sup>14</sup>). For identifying unknown cases of tax evasion, which are by far the majority of all cases (see [page 12-13, here](#)<sup>15</sup>), the upon-request Global Forum process is utterly useless.

The consequences of this difficulty in identifying offshore assets reach far beyond mere tax enforcement, but have huge implications for the global economy. For instance, the scale of privately held and undeclared offshore wealth was estimated in 2012 to stand at US\$ 21-32tn (see [our study here](#)<sup>16</sup>). These distortions imply, for instance, that:

"...a large number of countries, which are traditionally regarded as debtors, are in fact creditors to the rest of the world. For our focus group of 139 mostly low-middle income countries, traditional data shows they had aggregate external debts of \$4.1 trillion at the end of 2010. But once you take their foreign reserves and the offshore private holdings of their wealthiest citizens into account, the picture flips into reverse: these 139 countries have aggregate net debts of **minus US\$10.1-13.1tn**. [...] The problem here is that their assets are held by a small number of wealthy individuals, while their debts are shouldered by their ordinary people through their governments." ([The Price of Offshore Revisited: Key Issues](#)<sup>17</sup> – 19<sup>th</sup> July 2012).

Ultimately, the failure to automatically exchange taxpayer data among responsible governments incentivises a distorted pattern of global financial flows and investment that is known best in terms of capital flight. As we have argued in [our policy paper](#)<sup>18</sup>, this distortion creates huge imbalances in the world economy and impacts both southern and northern countries with devastating effects on all citizens and on the environment.

Moreover, as Nicholas Shaxson has argued in the book [Treasure Islands \(2011: 74-79\)](#)<sup>19</sup>, the root of this scandal dates back to at least the mid-1940s when the USA blocked the newly created IMF from requiring international cooperation to stem capital flight, and instead used European flight capital to institute the Marshall Plan.

While tax authorities domestically often have the powers to cross-check data obtained through tax returns, for instance through access to bank account information, this does not hold true internationally. While economic activity has globalised, the tax collector's efforts remain nationally focussed and are deliberately obstructed by secrecy jurisdictions.

The previous -but still existing- OECD-standard for information exchange consists of bilateral treaties that rely on information exchange 'upon request' only. However, the power to judge what constitutes an appropriate request rests with the secrecy jurisdictions' tax authorities, financial ministries and/or courts. Secrecy jurisdictions pride themselves on maintaining 'financial privacy' in spite of tax information exchange treaties and of exchanging information very reluctantly under these agreements ([click here for the example of Jersey](#)). They go to great lengths to reassure their criminal clients that they will block 'fishing trips' by foreign tax authorities.

While the peer review process of the Global Forum does not require statistical disclosure of a country's performance in responding to requests for information and therefore does little to reveal the effectiveness of the "upon request" model, France nationally disclosed such data. The resulting [picture broadly confirms](#)<sup>20</sup> the analysis provided so far:

"The report said, among other things, that in 2011 France made 1922 information requests of its partners, including 308 requests to jurisdictions with which France has some kind of information exchange agreement. Of these 308, only 195 responses had been received by the end of the year [2012], and 113 had not replied - 84 of which concerned Switzerland and Luxembourg. The less transparent countries include Belgium, and Antigua and Barbuda (0% responses); Luxembourg (45%); Cayman Islands and Switzerland (55% each) and BVI (75%)." ([source here](#))<sup>21</sup>.

Few bilateral Tax Information Exchange Agreements have been concluded between secrecy jurisdictions and the world's poorer countries. We are concerned that even when such agreements are negotiated, they prove ineffective in practice due to the practical barriers imposed by the cost and effort involved in making 'on request' applications. In addition, there is evidence that developing countries may be forced to pay a high price in terms of

lowered withholding tax rates in exchange for “exchange upon request”-clauses being introduced in Double Taxation Conventions (see pages 23-24 on Switzerland, [here](#)<sup>22</sup>, and these recent reports in German on [Switzerland](#)<sup>23</sup> and [Germany](#)<sup>24</sup>).

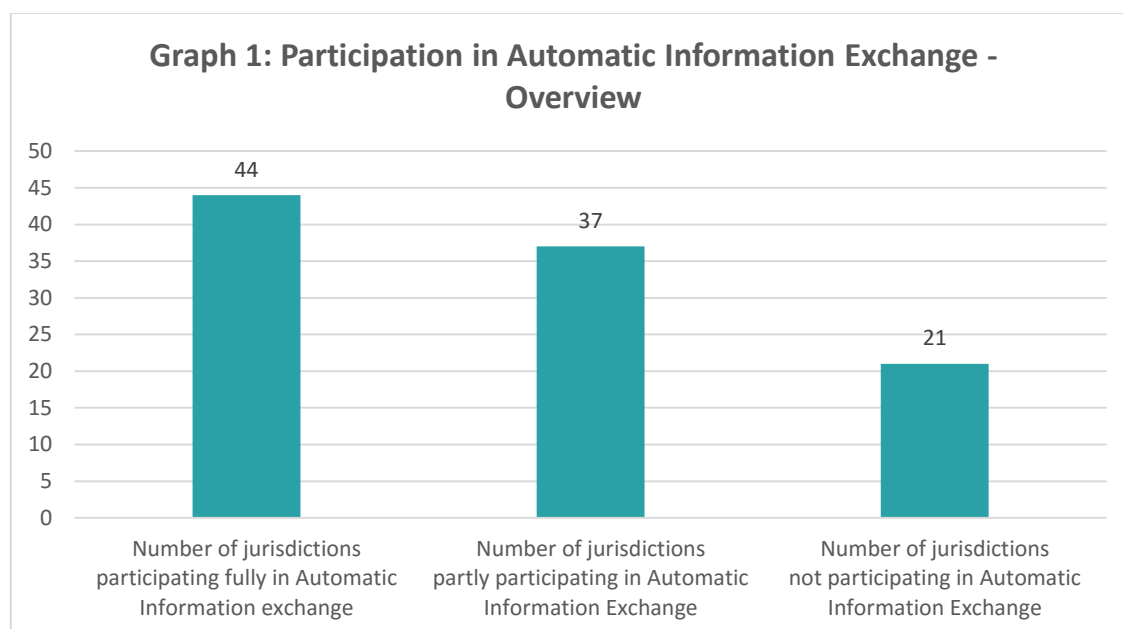
Multilateral automatic information exchange would help overcome both problems. Such a system should exchange data about the financial accounts of natural persons and disregard legal entities and arrangements such as shell companies and trusts and foundations, which today are often used to hide the identity of the real owners of assets. This system should cover all types of capital income. Participation in such a scheme would need to be open to any responsible requesting country (with appropriate confidentiality and human rights safeguards) and, where needed, technical assistance should be provided to build capacity to make use of this scheme. While the CRS is indeed a first big step towards a truly global framework for multilateral AIE, it is filled with loopholes which will prevent its effectiveness, as we have identified [here](#)<sup>25</sup>.

### **What crimes might be hidden behind non-participation in automatic information exchange?**

Tax evasion and money laundering might be hidden in the absence of automatic information exchange. In addition, automatic tax information exchange makes it easier to detect and identify the proceeds of and prosecute cases of bribery, drug trafficking, human trafficking, insider trading, bankruptcy fraud, and other crimes.

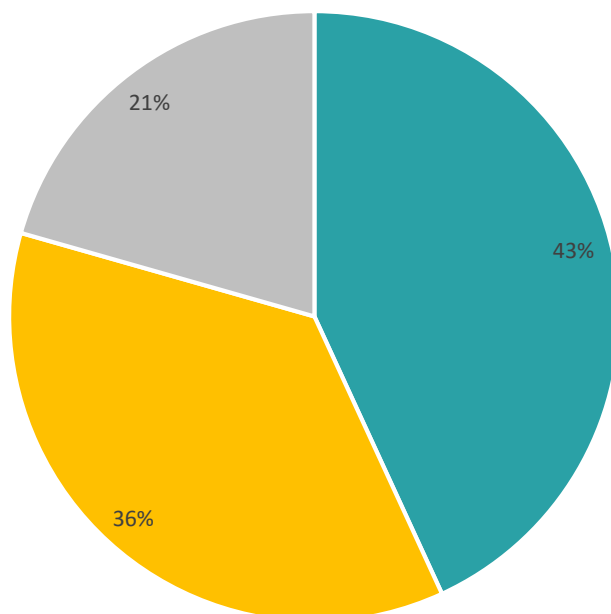
## Results Overview

Table 1: Participation in Automatic Information Exchange - Overview	
Number of jurisdictions participating fully in Automatic Information Exchange = 1 credit	44
Number of jurisdictions partly participating in Automatic Information Exchange = 0.1-0.5 credits	37
Number of jurisdictions not participating in Automatic Information Exchange = 0 credits	21



## Results Detail

**Graph 2: Participation in Automatic Information Exchange - Details**



- Number of jurisdictions participating fully in Automatic Information Exchange:  
AI, BE, BM, VG, KY, CW, CY, CZ, DK, EE, FI, FR, DE, GI, GR, GG, HU, IS, IN, IE, IM, IT, JE, KR, LV, LI, LU, MT, MU, MX, MS, NL, NO, PL, PT, SM, SC, SK, SI, ZA, ES, SE, TC, GB
- Number of jurisdictions partly participating in Automatic Information Exchange:  
AD, AG, AW, AU, AT, BS, BB, BZ, BR, BN, CA, CL, CN, CR, DM, GH, GD, HK, IL, JP, MO, MY, MH, MC, NZ, PH, RU, WS, SA, SG, KN, LC, VC, CH, TR, AE, UY
- Number of jurisdictions not participating in Automatic Information Exchange:  
BH, BO, BW, CK, DO, GM, GT, LB, LR, MK, MV, ME; NR, PA, PY, TW, TZ, VI, US, VU, VE

## KFSI 12: AUTOMATIC INFORMATION EXCHANGE

<b>Table 2: Countries that signed the MCAA and committed to exchange information</b>			
<b>in 2017 (1 credit)</b>			<b>in 2018 (0.5 credits)</b>
Anguilla	Guernsey	Montserrat	Aruba
Belgium	Hungary	Netherlands	Australia
Bermuda	Iceland	Norway	Austria
British Virgin Islands	India	Poland	Canada
Cayman Islands	Ireland	Portugal (Madeira)	Chile
Curacao	Isle of Man	San Marino	Costa Rica
Cyprus	Italy	Seychelles	Ghana
Czech Republic	Jersey	Slovakia	New Zealand
Denmark	Korea	Slovenia	Philippines
Estonia	Latvia	South Africa	Switzerland
Finland	Liechtenstein	Spain	
France	Luxembourg	Sweden	
Germany	Malta	Turks & Caicos Islands	
Gibraltar	Mauritius	United Kingdom	
Greece	Mexico		

<b>Table 3: Countries that did not sign the MCAA but committed to exchange information</b>			
<b>in 2017 (0.25 credit)</b>	<b>in 2018 (0.1 credits)</b>		
Barbados	Andorra	Japan	St Kitts and Nevis
Dominica	Antigua & Barbuda	Macao	St Lucia
	Belize	Malaysia (Labuan)	St Vincent & Grenadines
	Brazil	Marshall Islands	Turkey
	Brunei	Monaco	United Arab Emirates (Dubai)
	China	Russia	Uruguay
	Grenada	Samoa	
	Hong Kong	Saudi Arabia	
	Israel	Singapore	

<b>Table 4: Countries that neither signed the MCAA nor committed to a timeframe to exchange information pursuant to the CRS</b>		
Bahrain	Lebanon	Paraguay
Bolivia	Liberia	Taiwan
Botswana	Macedonia	Tanzania
Cook Islands	Maldives	US Virgin Islands
Dominican Republic	Montenegro	USA
Gambia	Nauru	Vanuatu
Guatemala	Panama	Venezuela



# KFSI 12: AUTOMATIC INFORMATION EXCHANGE

**Table 2: Participation in Automatic Information Exchange  
- Details**

ID	Country	ISO	Credits	Participating	ID	Country	ISO	Credits	Participating
1	Andorra	AD	0.1	Partly	52	Latvia	LV	1	Yes
2	Anguilla	AI	1	Yes	53	Lebanon	LB	0	No
3	Antigua & Barbuda	AG	0.1	Partly	54	Liberia	LR	0	No
4	Aruba	AW	0.5	Partly	55	Liechtenstein	LI	1	Yes
5	Australia	AU	0.5	Partly	56	Luxembourg	LU	1	Yes
6	Austria	AT	0.5	Partly	57	Macao	MO	0.1	Partly
7	Bahamas	BS	0.1	Partly	58	Macedonia	MK	0	No
8	Bahrain	BH	0	No	59	Malaysia (Labuan)	MY	0.1	Partly
9	Barbados	BB	0.25	Partly	60	Maldives	MV	0	No
10	Belgium	BE	1	Yes	61	Malta	MT	1	Yes
11	Belize	BZ	0.1	Partly	62	Marshall Islands	MH	0.1	Partly
12	Bermuda	BM	1	Yes	63	Mauritius	MU	1	Yes
13	Bolivia	BO	0	No	64	Mexico	MX	1	Yes
14	Botswana	BW	0	No	65	Monaco	MC	0.1	Partly
15	Brazil	BR	0.1	Partly	66	Montenegro	ME	0	No
16	British Virgin Islands	VG	1	Yes	67	Montserrat	MS	1	Yes
17	Brunei	BN	0.1	Partly	68	Nauru	NR	0	No
18	Canada	CA	0.5	Partly	69	Netherlands	NL	1	Yes
19	Cayman Islands	KY	1	Yes	70	New Zealand	NZ	0.5	Partly
20	Chile	CL	0.5	Partly	71	Norway	NO	1	Yes
21	China	CN	0.1	Partly	72	Panama	PA	0	No
22	Cook Islands	CK	0	No	73	Paraguay	PY	0	No
23	Costa Rica	CR	0.5	Partly	74	Philippines	PH	0.5	Partly
24	Curacao	CW	1	Yes	75	Poland	PL	1	Yes
25	Cyprus	CY	1	Yes	76	Portugal (Madeira)	PT	1	Yes
26	Czech Republic	CZ	1	Yes	77	Russia	RU	0.1	Partly
27	Denmark	DK	1	Yes	78	Samoa	WS	0.1	Partly
28	Dominica	DM	0.25	Partly	79	San Marino	SM	1	Yes
29	Dominican Republic	DO	0	No	80	Saudi Arabia	SA	0.1	Partly
30	Estonia	EE	1	Yes	81	Seychelles	SC	1	Yes
31	Finland	FI	1	Yes	82	Singapore	SG	0.1	Partly
32	France	FR	1	Yes	83	Slovakia	SK	1	Yes
33	Gambia	GM	0	No	84	Slovenia	SI	1	Yes
34	Germany	DE	1	Yes	85	South Africa	ZA	1	Yes
35	Ghana	GH	0.5	Partly	86	Spain	ES	1	Yes
36	Gibraltar	GI	1	Yes	87	St Kitts and Nevis	KN	0.1	Partly
37	Greece	GR	1	Yes	88	St Lucia	LC	0.1	Partly
38	Grenada	GD	0.1	Partly	89	St Vincent & Grenadines	VC	0.1	Partly
39	Guatemala	GT	0	No	90	Sweden	SE	1	Yes
40	Guernsey	GG	1	Yes	91	Switzerland	CH	0.5	Partly
41	Hong Kong	HK	0.1	Partly	92	Taiwan	TW	0	No
42	Hungary	HU	1	Yes	93	Tanzania	TZ	0	No
43	Iceland	IS	1	Yes	94	Turkey	TR	0.1	Partly
44	India	IN	1	Yes	95	Turks & Caicos Islands	TC	1	Yes
45	Ireland	IE	1	Yes	96	United Arab Emirates (Dubai)	AE	0.1	Partly
46	Isle of Man	IM	1	Yes	97	United Kingdom	GB	1	Yes
47	Israel	IL	0.1	Partly	98	Uruguay	UY	0.1	Partly
48	Italy	IT	1	Yes	99	US Virgin Islands	VI	0	No
49	Japan	JP	0.1	Partly	100	USA	US	0	No
50	Jersey	JE	1	Yes	101	Vanuatu	VU	0	No
51	Korea	KR	1	Yes	102	Venezuela	VE	0	No

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- <sup>1</sup> <http://www.oecd.org/tax/exchange-of-tax-information/multilateral-competent-authority-agreement.htm>; 15.6.2015.
- <sup>2</sup> <http://www.oecd.org/ctp/exchange-of-tax-information/standard-for-automatic-exchange-of-financial-information-in-tax-matters.htm>; 15.6.2015.
- <sup>3</sup> <http://www.oecd.org/ctp/exchange-of-tax-information/global-forum-AEOI-roadmap-for-developing-countries.pdf>; 15.6.2015.
- <sup>4</sup> <http://www.oecd.org/tax/transparency/AEOI-commitments.pdf>; 15.6.2015.
- <sup>5</sup> <http://www.oecd.org/tax/exchange-of-tax-information/MCAA-Signatories.pdf>; 15.6.2015.
- <sup>6</sup> <http://www.oecd.org/tax/transparency/2015-April-GF-report-G20.pdf>; 15.6.2015.
- <sup>7</sup> <http://www.oecd.org/ctp/exchange-of-tax-information/multilateral-competent-authority-agreement.pdf>; 15.6.2015.
- <sup>8</sup> [http://www.ey.com/Publication/vwLUAssets/hong-kong-tax-alert-4-may-2015-fs/\\$FILE/EY-HK-Tax-alert-4May2015-FS.PDF](http://www.ey.com/Publication/vwLUAssets/hong-kong-tax-alert-4-may-2015-fs/$FILE/EY-HK-Tax-alert-4May2015-FS.PDF); 15.06.2015.
- <sup>9</sup> The United States indicated here (footnote 1: <http://www.oecd.org/tax/transparency/AEOI-commitments.pdf>; 15.6.2015) that they will not implement the CRS because they are implementing FATCA. However, FATCA is a bilateral framework for AIE between the United States and some, but not all countries. More importantly, FATCA agreements are either non-reciprocal or only partially reciprocal, but always in favour of the United States (more information flows to the United States than what the latter has to provide other jurisdictions). Therefore, we do not consider that FATCA is a good proxy for multilateral AIE.
- <sup>10</sup> Credit was not awarded in case of participation, but only if a jurisdiction was actually exchanging information automatically, instead of withholding taxes without exchanging information.
- <sup>11</sup> <http://www.taxjustice.net/2014/10/16/eu-savings-tax-directive-repealed/>; 15.6.2015.
- <sup>12</sup> [www.taxjustice.net/cms/upload/GlobalForum2012-TJN-Briefing.pdf](http://www.taxjustice.net/cms/upload/GlobalForum2012-TJN-Briefing.pdf); 15.6.2015.
- <sup>13</sup> [www.taxjustice.net/cms/upload/pdf/Tax\\_Information\\_Exchange\\_Arrangements.pdf](http://www.taxjustice.net/cms/upload/pdf/Tax_Information_Exchange_Arrangements.pdf); 15.6.2015.
- <sup>14</sup> <http://www.ft.com/intl/cms/s/0/0f687dee-5eea-11e0-a2d7-00144feab49a.html#axzz1PtjiCeHN>; 15.6.2015.
- <sup>15</sup> [www.taxjustice.net/cms/upload/GlobalForum2012-TJN-Briefing.pdf](http://www.taxjustice.net/cms/upload/GlobalForum2012-TJN-Briefing.pdf); 15.6.2015.
- <sup>16</sup> <http://taxjustice.blogspot.ch/2012/07/the-price-of-offshore-revisited-and.html>; 15.6.2015.
- <sup>17</sup> [www.taxjustice.net/cms/upload/pdf/The\\_Price\\_of\\_Offshore\\_Revisited\\_Key\\_Issues\\_120722.pdf](http://www.taxjustice.net/cms/upload/pdf/The_Price_of_Offshore_Revisited_Key_Issues_120722.pdf); 15.6.2015.
- <sup>18</sup> [http://www.taxjustice.net/cms/upload/pdf/AIE\\_100926\\_TJN-Briefing-2.pdf](http://www.taxjustice.net/cms/upload/pdf/AIE_100926_TJN-Briefing-2.pdf); 15.6.2015.
- <sup>19</sup> <http://treasureislands.org/>; 15.6.2015.
- <sup>20</sup> <http://taxjustice.blogspot.de/2013/02/french-updates-hollande-supports-full.html>; 15.6.2015.
- <sup>21</sup> <http://taxjustice.blogspot.de/2013/02/french-updates-hollande-supports-full.html>; 15.6.2015.
- <sup>22</sup> [www.taxjustice.net/cms/upload/GlobalForum2012-TJN-Briefing.pdf](http://www.taxjustice.net/cms/upload/GlobalForum2012-TJN-Briefing.pdf); 15.6.2015.
- <sup>23</sup> <http://www.alliancesud.ch/de/publikationen/downloads/dokument-24-2013.pdf>; 15.6.2015.
- <sup>24</sup> <http://steuergerechtigkeit.blogspot.de/2013/04/neue-verhandlungsgrundlage-fur.html>; 15.6.2015.
- <sup>25</sup> <http://www.taxjustice.net/wp-content/uploads/2013/04/TJN-141124-CRS-AIE-End-of-Banking-Secrecy.pdf>; 15.6.2015.