

SOLUTIONS:

**The Financial Secrecy Index (FSI) identifies the problems and the *problematic* countries –
but what should be done?**

Short Answer?

Amend local laws and regulations according to the FSI's 20 Indicators

More specific proposals?

1- Countermeasures against tax haven USA

2- The ABC of tax transparency

3- A global convention

Amend local laws and regulations according to the FSI Indicators

Most obviously, the index identifies what each country can do to improve its own practices.

The FSI methodology describes the ideal legal and administrative framework for international financial transparency, through 20 different indicators. Countries that amend their laws and regulations to achieve that ideal, will not only fall to the bottom of the FSI ranking, but more importantly, they will eliminate much of the risk they pose of contributing to illicit financial flows globally.

But the 2018 index also points towards three major policy responses that could put the world on a comprehensively different footing in terms of managing the threats of tax evasion, tax avoidance and other corrupt flows.

1- Countermeasures against tax haven USA

The USA has risen to 2nd in the FSI, because it has largely stood still while a rising tide has lifted transparency around the world. At the same time, the USA has significantly increased its share of global financial services – benefiting from secrecy-seeking flows at the same time as it has demanded greater transparency from others. In particular, the US resolutely refuses to meet either the established standard for automatic exchange of tax information, or the emerging standard for beneficial ownership transparency to end anonymous company formation that is so often central to corrupt practices.

Without external encouragement, there seems little chance of the current administration making policy progress – so the Tax Justice Network is calling for the European Union to follow the United States in imposing a withholding tax against jurisdictions that do not meet new standards of tax transparency, starting with the United States itself.

2- The ABC of tax transparency

While the FSI covers a broad range of issues, at its heart is the Tax Justice Network's core policy platform – which has gone from being dismissed as utopian in the early 2000s, to a place at the heart of the global policy agenda by 2013. What remains is full delivery in a way that ensures lower-income countries are fully included.

Automatic exchange of financial information, with all other countries, especially developing ones, as soon as possible and without extra conditions, publishing aggregate statistics to show compliance and to detect avoidance schemes.

Beneficial ownership information in public registers, available online, for free and in open data format, for all companies, partnerships, trusts and private foundations; plus beneficial ownership registration for real estate registries and freeports.

Country-by-Country reporting of multinational companies must be made public rather than only available to (some) tax authorities, if it is to deliver the disciplining effect on tax avoidance that is needed.

3- A global convention

The FSI2018 confirms the global coverage of financial secrecy – just as the Paradise Papers confirmed the systematic and global nature of tax abuses and other corrupt practices. Government efforts to combat this problem have been piecemeal at best, or limited to the rich countries' club, the OECD.

The Tax Justice Network calls instead for a genuinely global and inclusive process to deliver a UN convention, setting ambitious minimum standards including the ABC of tax transparency, identifying meaningful sanctions for objectively verifiable non-cooperation, and delivering benefits to citizens and countries at all income levels.