

Financial Secrecy Index: A tool for understanding global financial secrecy and illicit financial flows

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2018 Annual Meeting : Community of Practice
on Composite Indicators and Scoreboards
Panel I: Fairness & Inequality

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COFFERS
EU Horizon 2020 Project



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- C.** Patterns of financial secrecy of individual EU-members

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I. Financial Secrecy Index



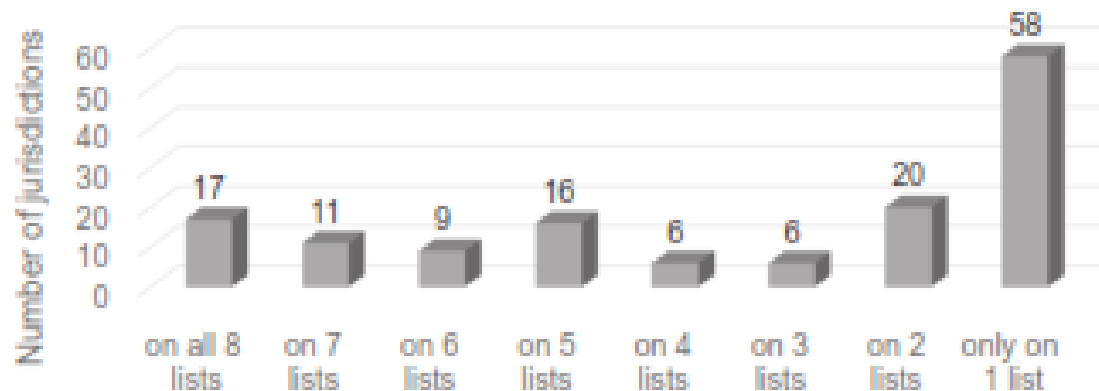
A. Motivation & Conceptual framework



- **Financial secrecy enables illicit financial flows**, incl. for/from tax avoidance & tax evasion, money laundering, corruption, drug & human trafficking...
- IFFs are hidden: likelihood of an illicit component increases in the degree of financial opacity in any given transaction
- There is no consistent definition and identification of '**tax havens**' (Cobham/Jansky/Meinzer 2015) because:
 - 'Tax havenry' is **a matter of degree**, not a binary variable (Wójcik 2012: 7; Picciotto 1992)
 - **Tax is not the crucial element** for problems created by 'tax havenry' – rather, **secrecy** is
 - Blacklist approaches are difficult to insulate from **political influence** (Meinzer

Graph 1: Jurisdictions' incidence on national tax haven listings

How many of the 143 jurisdictions are listed on how many national tax lists (out of 8)?



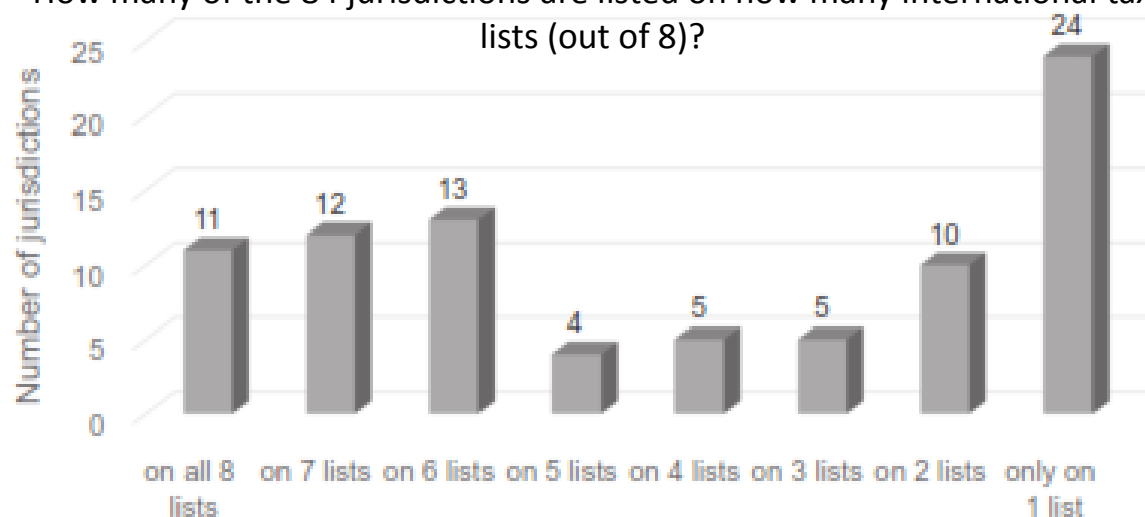
$$\frac{N_{\text{jurisdictions on 1 list}}}{N_{\text{jurisdictions on all 8 lists}}} = 3.4$$



Source: Meinzer 2016

Graph 2: Jurisdictions' incidence on international tax haven listings

How many of the 84 jurisdictions are listed on how many international tax lists (out of 8)?



$$\frac{N_{\text{jurisdictions on 1 list}}}{N_{\text{jurisdictions on all 8 lists}}} = 2.2$$

Financial Secrecy Index Overview



- Operationalises definition of **secrecy jurisdiction**:
*“A secrecy jurisdiction provides facilities that enable people or entities escape or **undermine** the laws, rules and regulations of other jurisdictions **elsewhere**, using secrecy as a prime tool.”*
- One core objective: FSI ranks jurisdictions based on their **contribution to global financial secrecy** in a way that highlights harmful secrecy regulations.
- 5 versions, latest in January 2018, now covering **112 jurisdictions**
- Two components: **secrecy scores (SS)** and **global scale weight (GSW)**

B. Index Structure: Secrecy Scores

Ownership Registration		Legal Entity Transparency		Integrity of tax and financial regulation		International Standards and Cooperation	
1	Banking secrecy	6	Public Company Ownership	11	Tax Administration Capacity	17	Anti-Money Laundering
	IDs 89, 157, 158, 352, 353 and 360		IDs 470 – 475, 485 and 486		IDs 317 and 400 to 406		ID 335
2	Trusts and Foundations Register	7	Public Company Accounts	12	Consistent Personal Income Tax	18	Automatic Information Exchange
	IDs 204, 206, 214, 234, 236 - 240, 244, 355, 384, 393, 395 and 396		IDs 188, 189 and 201		IDs 374, 435 and 489		IDs 150, 371 - 374, 376 and 377
3	Recorded Company Ownership	8	Country by Country Reporting	13	Avoids Promoting Tax Evasion	19	Bilateral Treaties
	IDs 388, 470 - 473, 485 and 486		ID 318		Cf. Tax Details section of the country database reports		IDs 301 and 143
4	Other Wealth ownership	9	Corporate Tax Disclosure	14	Tax Court Secrecy	20	International Legal Cooperation
	IDs 416, 418, 437, 439 and 487		IDs 363, 419 and 421		IDs 407 to 410		IDs 33, 35, 36, 309 - 314 and 469
5	Limited Partnership Transparency	10	Legal Entity Identifier	15	Harmful Structures	16	
	IDs 269, 272, 273, 274, 476, 477 and 479 to 484		IDs 414, 415 and 420		IDs 172, 184, 224 and 488		
					Public Statistics		
					IDs 425 to 434		

Source: TJN 2018 (FSI-Methodology), page 12

- Arithmetic average of 20 Key Financial Secrecy Indicators (0-1), 4 areas, driven by 115 variables (“IDs”), 0-100
- Fully referenced to source, verifiable
- More demanding than IOs/standards
- Open Data: all data downloadable
- SS = qualitative measure of financial secrecy
- Used by financial intelligence units, public prosecutors, risk rating agencies, tax administrations,

Weakest Link Principle

B. Index Structure 2018: Global Scale Weights



- The jurisdiction's **market share of financial services provided to non-residents** (see Zoromé 2007)
- 0 (no exports of financial services) - 1 (provides all cross-border financial services globally)
- Global Scale Weight for jurisdiction i is defined as:

$$\frac{\text{Exports of financial services (true or extrapolated)}_i}{\text{Sum of all world exports of financial services (true \& extrapolated)}}$$

Data source	No. of jurisdictions evaluated for FSI 2018	All (2018)	No. of observations	R ²
1. True trade in financial services data (BXSOFI_BP6_USD, IMF BoP)	85	154		
2. Extrapolated from asset data (IA_BP6_USD, IMF BoP)	5	11	1 740	0.8829
3. Extrapolated from asset data (I_A_T_T_USD_BP6_USD, IMF CPIS)	6	6	927	0.7532
4. Extrapolated from liability data (based on non-declaration of asset data) (I_L_T_T_T_BP6_DV_USD, IMF CPIS)	16	60	1 832	0.7512
5. No data available	0	28		8
TOTAL	112	259		

FSI 2018: Combining SS and GSW

- Two components: Secrecy Scores (SS) and Global Scale Weights (GSW), ranking each jurisdiction i :

$$\text{Financial Secrecy Index}_i = \text{Secrecy Score}_i^3 * \sqrt[3]{\text{Global Scale Weight}_i}$$



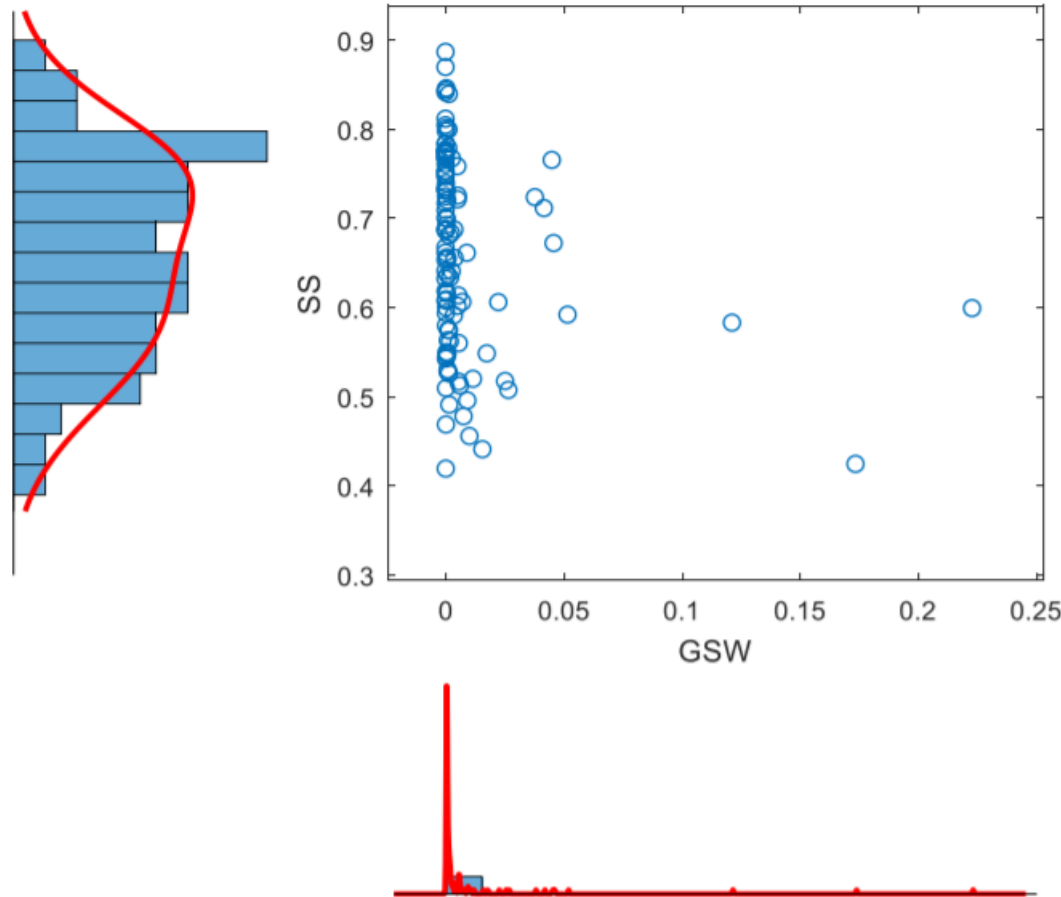
Large financial centres with relatively moderate financial secrecy...



...facilitate more illicit financial flows than small financial centres with high levels of financial secrecy.

FSI 2018: Combining SS and GSW

Figure 6-A: Scatterplot and marginal histograms of GSW and SS

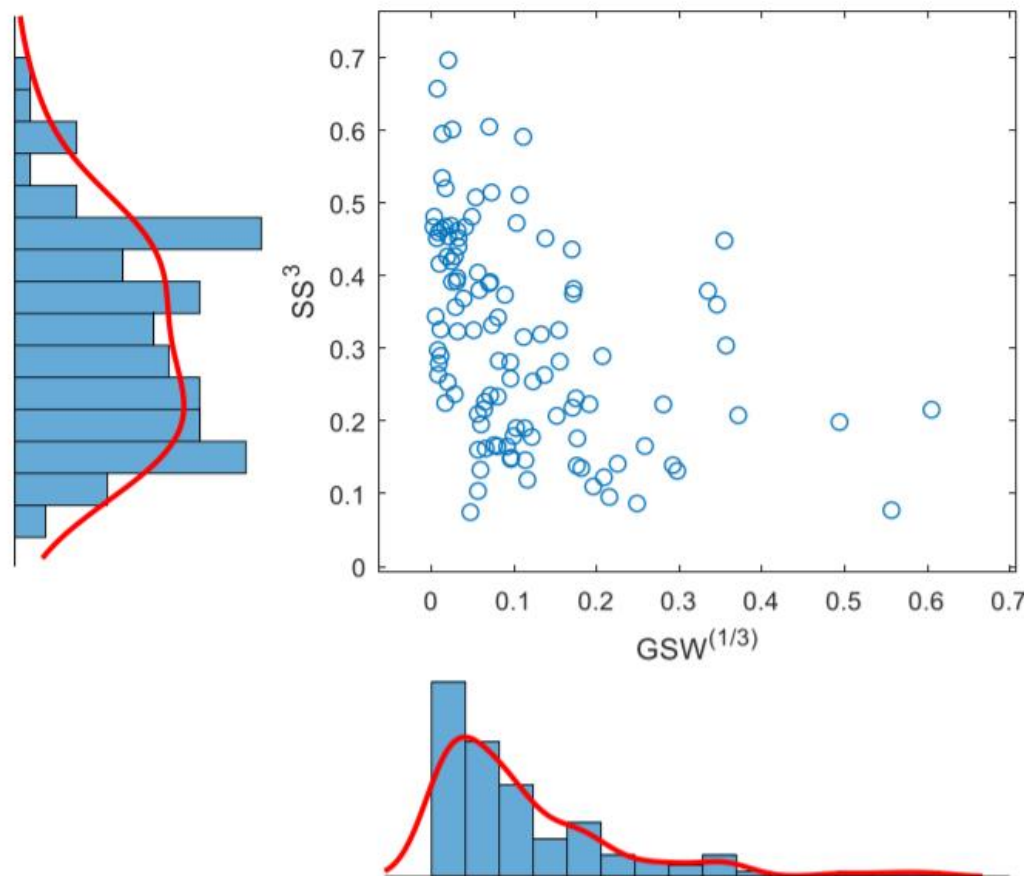


Source: FSI-Methodology 2018, page 164

Source: European Commission, Joint Research Centre (JRC), 2017

FSI 2018: Combining SS and GSW

Figure 6-B: Scatterplot and marginal distributions of SS^3 and $GSW^{(1/3)}$

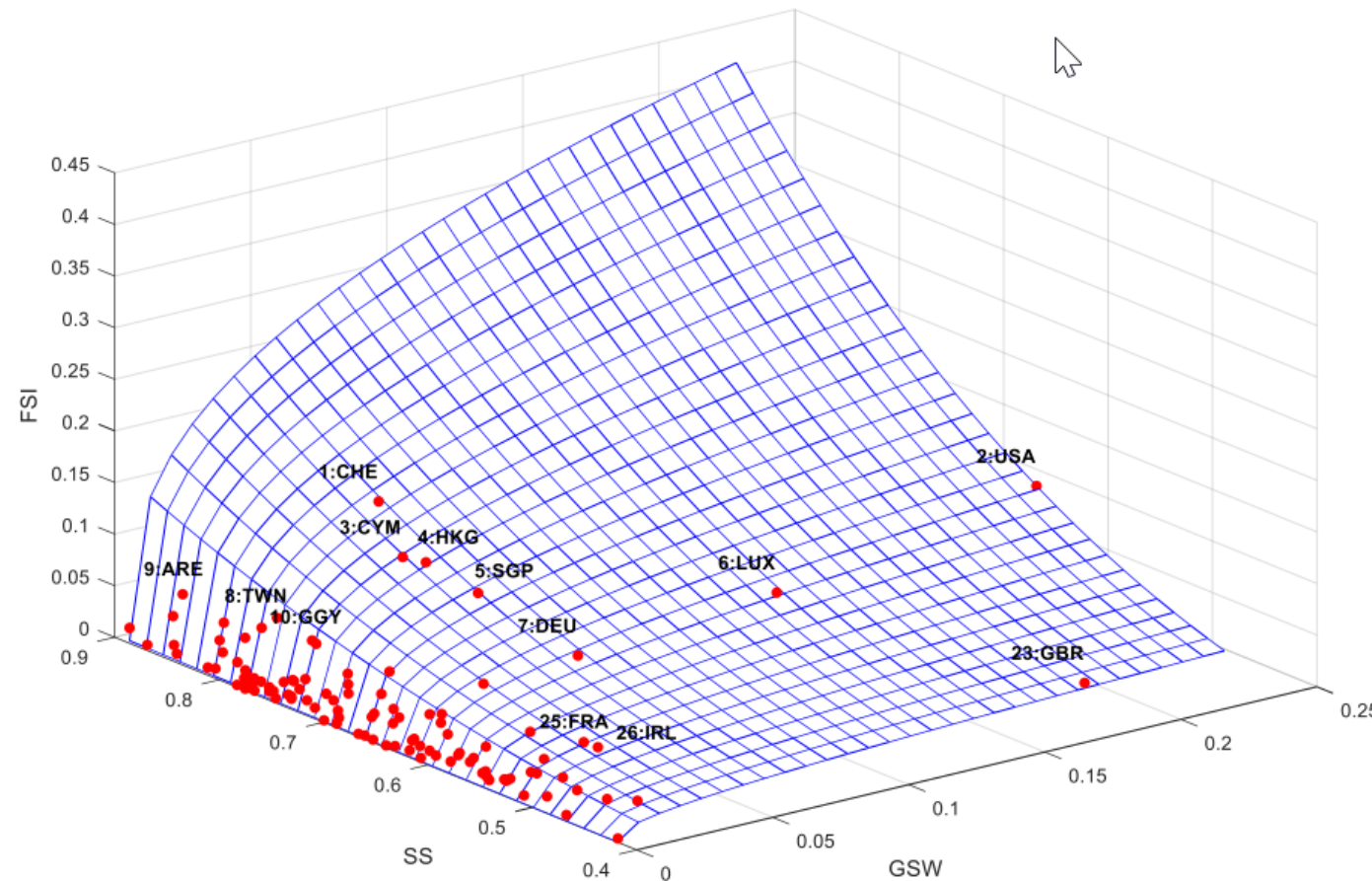


Source: FSI-Methodology 2018, page 165

Source: European Commission, Joint Research Centre (JRC), 2017

FSI 2018: Combining SS and GSW

Figure 6-M: Surface plot of FSI against GSW and SS.



Note: Countries labelled with highest 10 FSI scores, and highest 10 GSW scores. Numbers indicate FSI ranks.

Source: European Commission, Joint Research Centre (JRC), 2017

Source: FSI-Methodology 2018, page 178

C. FSI 2018 – Results: Rankings Top 25

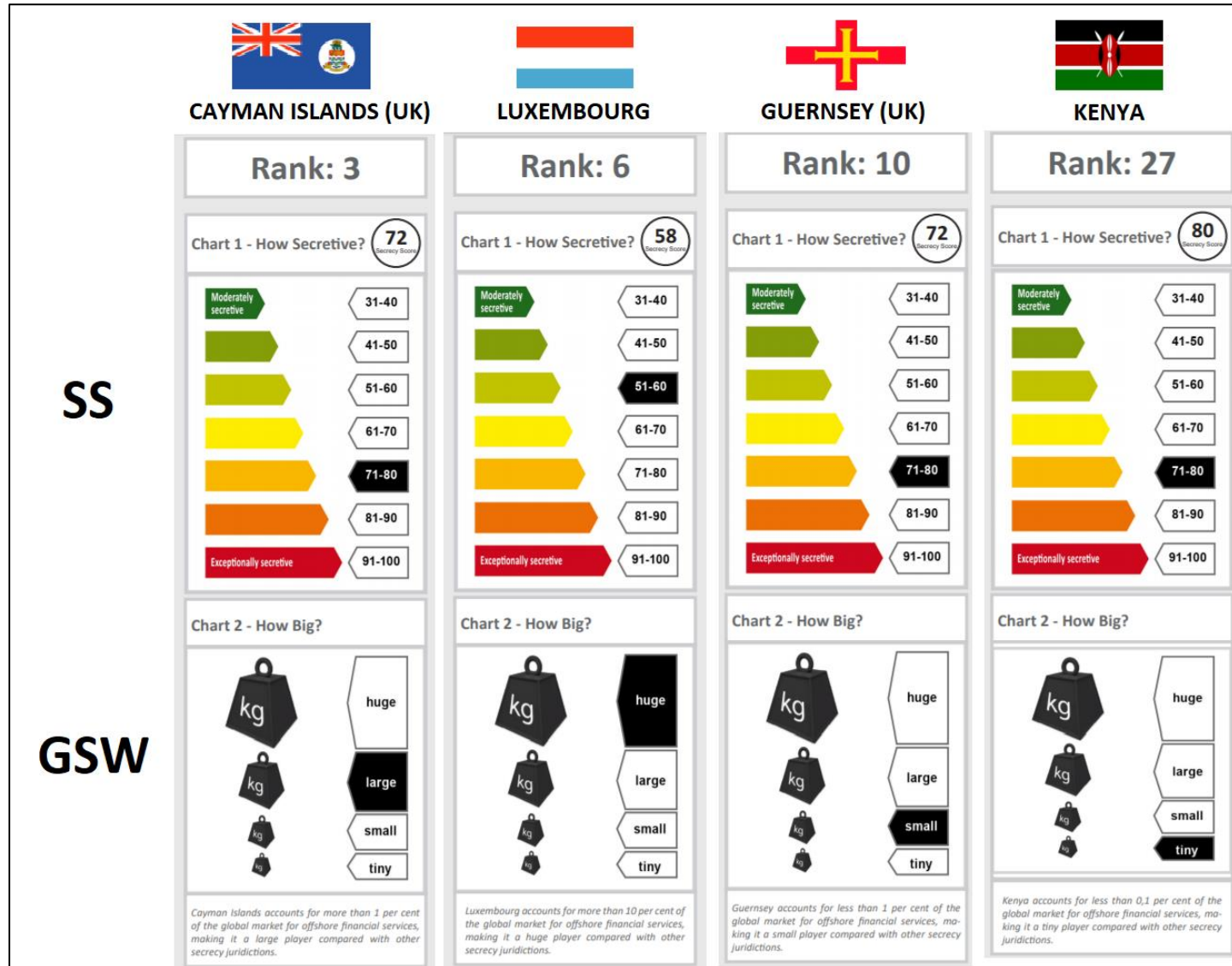


Rank	Jurisdiction	FSI Value ⁶	FSI Share ⁷	Secrecy Score ⁴	Global Scale Weight ⁵
1	Switzerland ²	1589.57	5.01%	76.45	4.50%
2	USA ²	1298.47	4.09%	59.83	22.30%
3	Cayman Islands ²	1267.68	4.00%	72.28	3.79%
4	Hong Kong ²	1243.68	3.92%	71.05	4.17%
5	Singapore ²	1081.98	3.41%	67.13	4.58%
6	Luxembourg ²	975.92	3.08%	58.20	12.13%
7	Germany ²	768.95	2.42%	59.10	5.17%
8	Taiwan ²	743.38	2.34%	75.75	0.50%
9	United Arab Emirates (Dubai) ^{2,3}	661.15	2.08%	83.85	0.14%
10	Guernsey ²	658.92	2.08%	72.45	0.52%
11	Lebanon ²	644.41	2.03%	72.03	0.51%
12	Panama ²	625.84	1.97%	76.63	0.27%
13	Japan	623.92	1.97%	60.50	2.24%
14	Netherlands ²	598.81	1.89%	66.03	0.90%
15	Thailand	550.60	1.74%	79.88	0.13%

Rank	Jurisdiction	FSI Value ⁶	FSI Share ⁷	Secrecy Score ⁴	Global Scale Weight ⁵
16	British Virgin Islands ²	502.76	1.59%	68.65	0.38%
17	Bahrain ²	490.71	1.55%	77.80	0.11%
18	Jersey ²	438.22	1.38%	65.45	0.38%
19	Bahamas	429.00	1.35%	84.50	0.04%
20	Malta	426.31	1.34%	60.53	0.71%
21	Canada ²	425.84	1.34%	54.75	1.75%
22	Macao	424.92	1.34%	68.25	0.24%
23	United Kingdom ²	423.76	1.34%	42.35	17.37%
24	Cyprus ²	404.44	1.28%	61.25	0.55%
25	France	404.18	1.27%	51.65	2.52%

Source: [FSI website](#)

I-C. FSI 2018 – Results: Country Reports



I-D. FSI 2018 - Dissemination



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NEWS

Germany in top 10 in global financial secrecy, study says

Despite possessing one of the world's biggest economies, Germany ranked among the top 10 in the 2018 Financial Secrecy Index. Serious tax loopholes and lax enforcement contributed to the high ranking.



398

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More

effort to end

warns UK is still

most popular

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The military navy has Antarctic pest

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World

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Economy

30 Jan 2018

f

t

NEWS / TAX

US, Switzerland top 'financial secrecy' blacklist

Published by the Tax Justice Network, the list ranks financial systems that contribute to crimes like money laundering.

30 Jan 2018

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BUSINESS NEWS

JANUARY 30, 2018 / 6:40 PM / 20 DAYS AGO

Global study names Switzerland as capital of bank secrecy

3 MIN READ

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U.S. Becomes World's Second-Biggest Tax Haven

By Samuel Rubinfeld

Jan 30, 2018 2:12 pm ET

The U.S. rose for the third straight time in a ranking of tax havens, becoming the world's

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Schattenfinanzindex

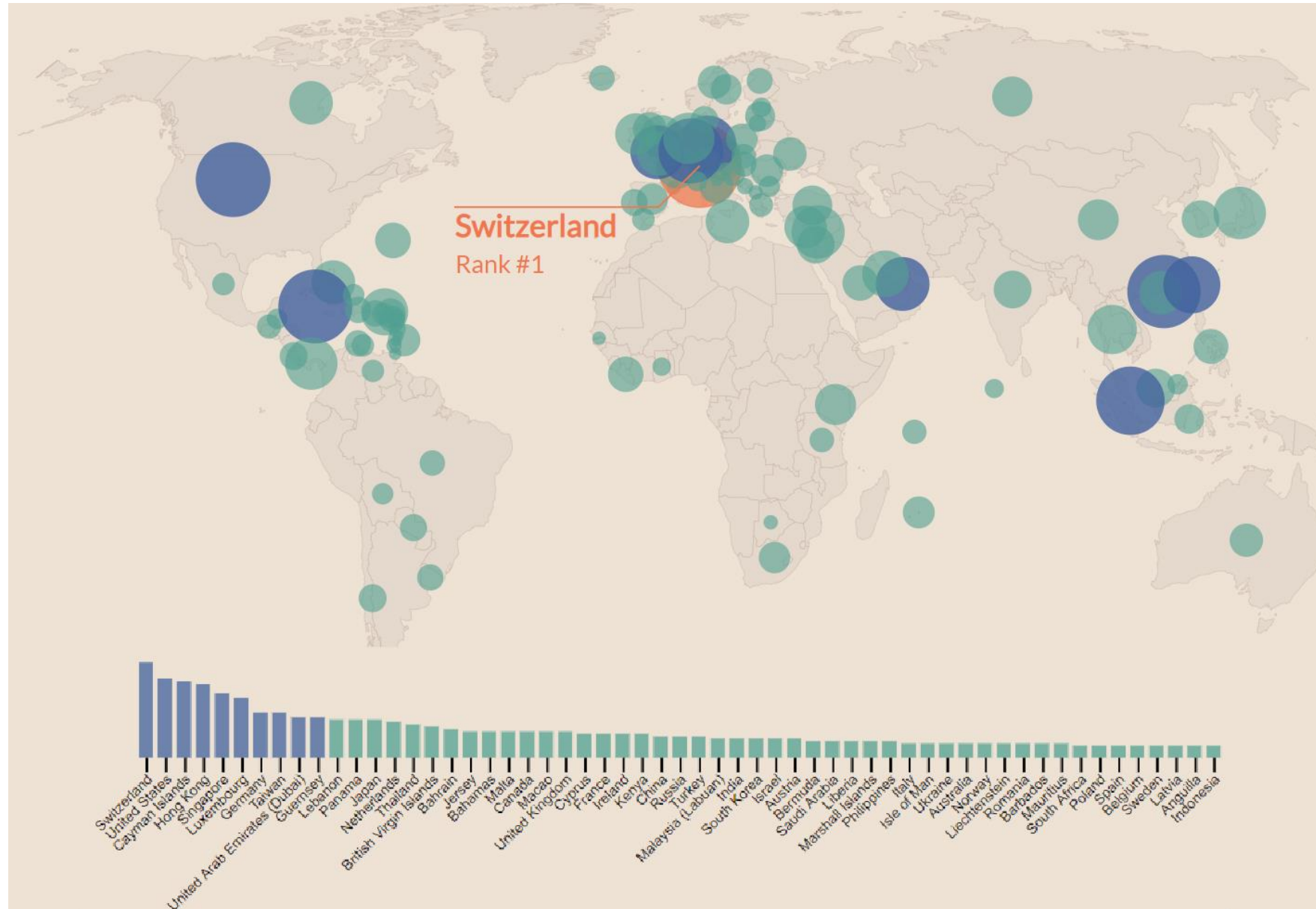
Briten sind Weltmeister der Steuervernebelung

Die Schweiz ist laut einem neuen Ranking die Steueroase Nummer eins, die USA holen schnell auf. Doch der weltweit größte Helfer von Steuertricksern sitzt in der EU - noch.

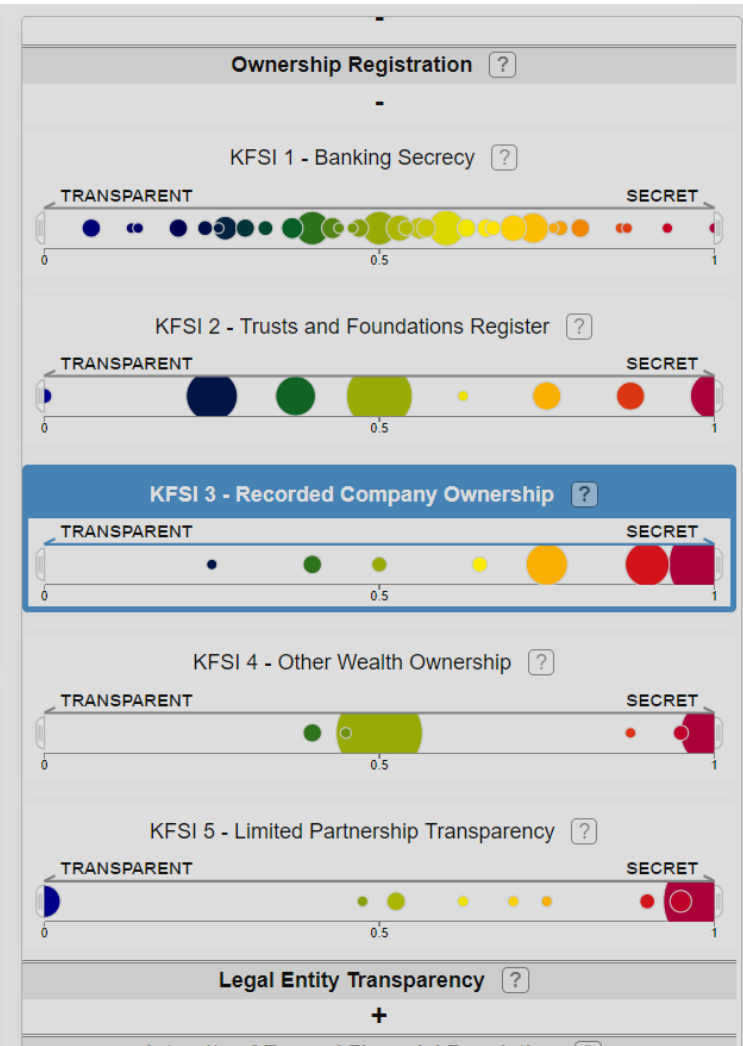
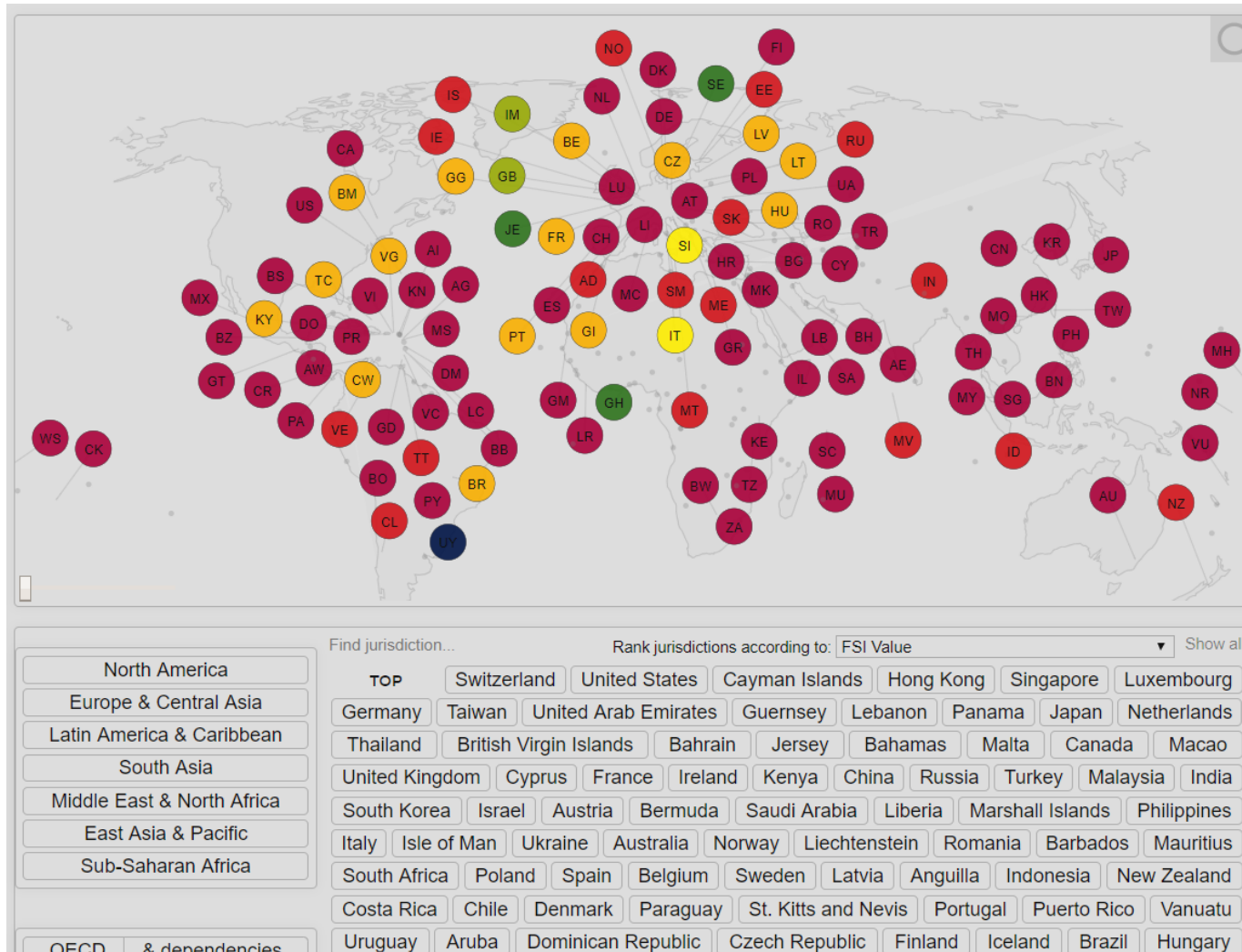
Norma's Chef

Rece

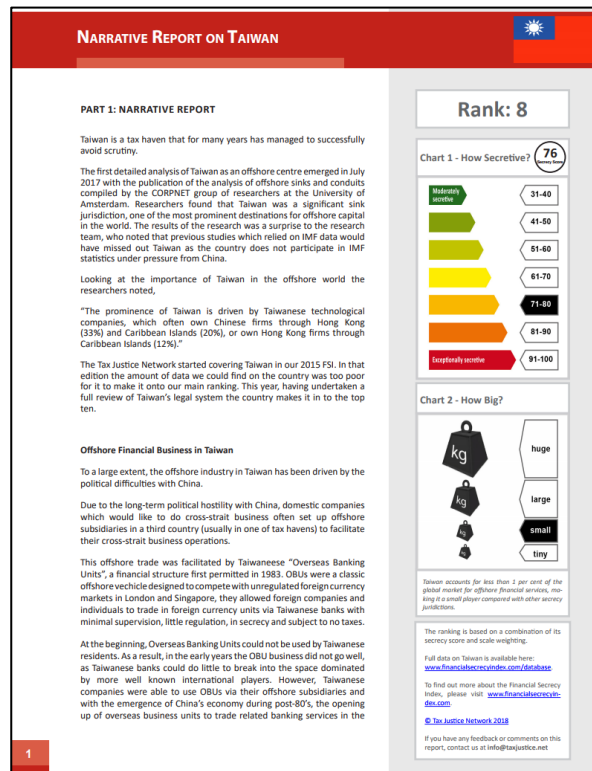
Visualisation tools



Visualisation tools



Other FSI content



Taiwan

In most cases the data cut-off point for this report is 30.06.2017
Publication date: January 30, 2018

1. [2]	Jurisdiction Status	Unknown
2. [2]	Population	23,404,717
3. [2]	Official Language(s)	Mandarin Chinese (official), Taiwanese
4. [2]	Legal System	Roman
5. [10]	Currency and Exchange Rate Information	New Taiwan Dollars (TWD); 1 USD equals roughly 31.911 TWD
Human Development		
6. [7]	HDI Value: Human Development Index Value	Unknown
7. [2]	HDI Rank: Human Development Index Rank	Unknown
8. [2]	Life Expectancy at Birth	80.1
9. [2]	Adult Literacy Rate	99.9%
Economy		
10. [2]	Income Distribution: GINI Coefficient	33.9%
11. [10]	Income Distribution: Palma	Unknown
12. [10]	GDP p.c. (US\$, PPP)	45,100
Employment: Sectoral Composition		
13. [2]	Agriculture	4.0%
14. [2]	Industry	35.9%
15. [2]	Services	59.2%
Relevant International Affiliations		
16. [20]	Member of Council of Europe / OECD Convention on Mutual Administrative Assistance in Tax Matters (Tax Convention)	No, jurisdiction is not party to the Convention
17. [2]	UN Convention Against Corruption	Yes
18. [2]	UN Drug Convention 1988	Yes
19. [2]	UN International Convention for the Suppression of the Financing of Terrorism	Yes
20. [2]	UN Convention Against Transnational Organized Crime	Yes
21. [2]	FIU Member of Egmont Group	Yes
22. [2]	OECD Global Forum on Transparency and Exchange of Information for Tax Purposes - Member?	No
23. [2]	The Group of International Financial Centres Supervisors (GIIF)	No
24. [2]	Group of International Insurance Centre Supervisors (GIICS)	No
25. [2]	Convention of 1 July 1985 on the Law Applicable to Trade and on their Recognition ("Vienna Convention")	No
Overview of the Secrecy Jurisdiction		
On 'Black-List' of		
26. [2]	International Bureau of Fiscal Documentation 1977	No
27. [2]	Charter Club 1982	No
28. [2]	Minors Risk 1984	No
29. [2]	News 2010	No
30. [2]	IMP 2000	No
31. [2]	OECD 2000	No
32. [2]	IFIP 2000	No
33. [2]	FATF 2000 / 2002	No
34. [2]	Tax Justice Network 2005	No
35. [2]	Zorom 2007 (IMP)	No
36. [2]	Stop Tax Havens Act (StHA) 2007	No
37. [2]	London net 2008	No
38. [2]	OECD April 2009	No
39. [2]	Zueman 2015	No
40. [2]	Colloquium: Zueman 2014	No
41. [2]	Granville 2015	No
42. [2]	UNCTAD 2015	No
Number of Legal Entities & Arrangements		
43. [10]	Companies with limited liability	14,800,408
44. [10]	Limited Partnerships	Unknown
45. [10]	Private Foundations	Not applicable
46. [10]	Basics	39
47. [10]	Accountants	23,558
48. [10]	Lawyers	12,258
49. [10]	Investment Advisers	8,055
50. [10]	Fund Managers	439
51. [10]	Trust and Company Service Providers (TSPs)	55
52. [10]	Insurance Companies	54
53. [10]	Collective Investment Schemes / Investment Funds	1,005
Financial Sector Work Force		
54. [110]	Number of employees in the financial services sector	43,000
55. [110]	Proportion of economically active population engaged in the financial services sector	3.17%
Share of GDP		
56. [110]	Financial sector-to-GDP ratio	0.52%
57. [110]	Market share of global cross-border trade in financial services (IFB weight)	0.173%
Presence of Big 4 Accounting Firms		
58. [110]	PwC offices	0
59. [110]	Deloitte staff	0
60. [110]	PwC staff	2578
61. [110]	Deloitte offices	0
62. [110]	Deloitte staff	0
63. [110]	Ernst & Young offices	0
64. [110]	Ernst & Young staff	1,200

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
1	Info	Num	Group	Category	Question	Country	Country	Country	Data	Data	Text (Data)	Data	Data	Type	Notes, Supplement and Sources								
2	1	10	Basic Data General	Jurisdiction	227	TW	Taiwan	-2	Unknown	Ukup					*WWW: *SRC: CIA World Factbook								
3	4	20	Basic Data General	Population	227	TW	Taiwan	23464787	July 2016	Num					*WWW: *SRC: CIA World Factbook								
4	29	30	Basic Data General	Official La	227	TW	Taiwan	0	Mandarin Chinese (c	Text					*WWW: *SRC: CIA World Factbook								
5	30	40	Basic Data General	Legal Syst	227	TW	Taiwan	2	Roman	Ukup					*WWW: *SRC: CIA World Factbook								
6	10	50	Basic Data General	Currency	227	TW	Taiwan	New Taiw 2015	est. Text						*WWW: *SRC: CIA World Factbook								
7	60	Basic Data Human D	HDI Value	227	TW	Taiwan	Unknown			Num					*WWW: *SRC: Human Development Index and its components, Table 1								
8	70	Basic Data Human D	HDI Rank	227	TW	Taiwan	Unknown			Num					*WWW: *SRC: Human Development Index and its components, Table 1								
9	80	Basic Data Human D	Life Expect	227	TW	Taiwan	80.1	2017	Num						*NTE: *WWW: *SRC: CIA World Factbook								
10	90	Basic Data Human D	Adult Liter	227	TW	Taiwan	98.5	2014	NumPC						*WWW: *SRC: CIA World Factbook								
11	100	Basic Data Economy	Income Di	227	TW	Taiwan	33.6	2014	NumPC						*WWW: *SRC: CIA World Factbook								
12	110	Basic Data Economy	Income Di	227	TW	Taiwan	Unknown			Num					*WWW: *SRC: UNDP / HDR 2016: 206-209, table 3								
13	120	Basic Data Economy	GDP p.c.	227	TW	Taiwan	45,100	2017	est. Num						*WWW: *SRC: CIA World Factbook								
14	130	Basic Data Economy	Agricultur	227	TW	Taiwan	4.9	2016	est. NumPC						*WWW: *SRC: CIA World Factbook								
15	140	Basic Data Economy	Industry	227	TW	Taiwan	35.9	2016	est. NumPC						*WWW: *SRC: CIA World Factbook								
16	150	Basic Data Economy	Services	227	TW	Taiwan	59.2	2016	est. NumPC						*WWW: *SRC: CIA World Factbook								
17	160	Basic Data Relevant	*Amende	227	TW	Taiwan	1	No, jurisdi	10.11.2011	Ukup					*WWW: *SRC: OECD website								
18	170	Basic Data Relevant	*UN Conv	227	TW	Taiwan	1	Yes	23.10.2011	YN					*NTE: On: *WWW: *SRC: United Nations Treaty Collection								
19	180	Basic Data Relevant	*UN Drug C	227	TW	Taiwan	1	Yes	10/02/2011	YN					*NTE: *Ta *WWW: *SRC: INCIS 2016 Volume II								
20	190	Basic Data Relevant	*UN Inter	227	TW	Taiwan	1	Yes	23.10.2011	YN					*NTE: *Ta *WWW: *SRC: INCIS 2016 Volume II								
21	200	Basic Data Relevant	*UN Conv	227	TW	Taiwan	1	Yes	23.10.2011	YN					*NTE: *Ta *WWW: *SRC: INCIS 2016 Volume II								
22	210	Basic Data Relevant	*FIU Memt	227	TW	Taiwan	1	Yes	13.02.2011	YN					*WWW: *SRC: EGIMONT Group Website								
23	220	Basic Data Relevant	*OECD Glo	227	TW	Taiwan	0	No	20.02.2011	YN					*WWW: *SRC: OECD website								
24	230	Basic Data Relevant	*The Group	227	TW	Taiwan	0	No	20.02.2011	YN					*WWW: *SRC: GIICS Website								
25	240	Basic Data Relevant	*Group of	227	TW	Taiwan	0	No	20.02.2011	YN					*WWW: *SRC: GIICS website								
26	250	Basic Data Relevant	*Conventi	227	TW	Taiwan	0	No	22.02.2011	YN					*WWW: *SRC: HCCH website								
27	260	Overview On 'Black-Int	Intell	227	TW	Taiwan	0	No	1977	YN					*WWW: http://www.financialsecrecyindex.com/Archive2009/Notes%20and%20Reports/SI_Mapping.pdf								
28	270	Overview On 'Black-Char	les Iri	227	TW	Taiwan	0	No	1982	YN					*WWW: http://www.financialsecrecyindex.com/Archive2009/Notes%20and%20Reports/SI_Mapping.pdf								
29	280	Overview On 'Black-Hine	Rice	227	TW	Taiwan	0	No	1994	YN					*WWW: http://www.financialsecrecyindex.com/Archive2009/Notes%20and%20Reports/SI_Mapping.pdf								
30	290	Overview On 'Black-Hine	2010	227	TW	Taiwan	0	No	2000	YN					*WWW: http://www.financialsecrecyindex.com/Archive2009/Notes%20and%20Reports/SI_Mapping.pdf								
31	300	Overview On 'Black-IMP	2000	227	TW	Taiwan	0	No	2000	YN					*WWW: http://www.financialsecrecyindex.com/Archive2009/Notes%20and%20Reports/SI_Mapping.pdf								
32	310	Overview On 'Black-OECD	200	227	TW	Taiwan	0	No	2000	YN					*WWW: http://www.financialsecrecyindex.com/Archive2009/Notes%20and%20Reports/SI_Mapping.pdf								
33	320	Overview On 'Black-FSF	2000	227	TW	Taiwan	0	No	2000	YN					*WWW: http://www.financialsecrecyindex.com/Archive2009/Notes%20and%20Reports/SI_Mapping.pdf								
34	330	Overview On 'Black-FATF	2000	227	TW	Taiwan	0	No	2000/2000	YN					*WWW: http://www.financialsecrecyindex.com/Archive2009/Notes%20and%20Reports/SI_Mapping.pdf								
35	290	340	Overview On 'Black-Tax	Justice	227	TW	Taiwan	0	No	2005	YN				*WWW: *SRC: TIN 2005: 36								
36	291	350	Overview On 'Black-Zorom	2	227	TW	Taiwan	0	No	2007	YN				*WWW: *SRC: Zorom 2007: 16-22								

Narrative Reports

Technical Reports (in open data)

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II. Bilateral Financial Secrecy Index



BFSI: Motivation

- Secrecy jurisdictions are important to different countries to varying extents
- For example, Cyprus is an important secrecy jurisdiction for Russia, but not for New Zealand (Ledyaeva et al., 2015)
- Mauritius is very important for India, but not for Venezuela (Jansky and Prats, 2015)
- Which secrecy jurisdictions harm which

Is Panama really your tax haven? Secrecy jurisdictions and the countries they harm

Petr Janský, Markus Meinzer, Miroslav Palanský¹

Abstract

Secrecy jurisdictions provide services that enable the residents of other countries to escape the laws and regulations of their home economies, evade tax, or hide their legally or illegally obtained assets. Recent offshore leaks offer only a limited and biased view of the world of financial secrecy. In this paper we quantify which secrecy jurisdictions provide secrecy to which countries and assess how successful countries are in targeting these jurisdictions with their policies. To that objective we develop the Bilateral Financial Secrecy Index (BFSI) and estimate it for 86 countries by quantifying the financial secrecy supplied to them by up to 100 secrecy jurisdictions. We then evaluate two major recent policy efforts by comparing them with the results of the BFSI. First, we focus on the blacklisting process of the European Commission and find that most of the important secrecy jurisdictions for EU member states have been identified by the lists. Second, we link the results to data on active bilateral automatic information exchange treaties to assess how well-aimed are the policymakers' limited resources. We argue that while low-secrecy jurisdictions' gains are maximized if a large share of received secrecy is covered by automatic information exchange, tax havens aim not to activate these relationships with countries to which they supply secrecy. Our results show that so far, some major secrecy jurisdictions successfully keep their most prominent relationships uncovered by automatic information exchange, and activating these relationships may thus be an effective tool to curb secrecy.

Keywords: tax havens; secrecy jurisdictions; financial secrecy; financial transparency; offshore finance; automatic exchange of information; global development

JEL classification: F36, F63, F65, H26, O16

1 Introduction

Secrecy jurisdictions provide services that enable the residents of other countries to escape the laws and regulations of their home economies, evade tax, or hide their legally or illegally obtained assets. Recent leaks of confidential documents from offshore service providers provided numerous examples of the harm financial secrecy can cause and also reaffirmed the global nature of financial secrecy in which many countries now serve as secrecy jurisdictions by supplying financial secrecy to other countries. The Panama Papers, for example, affected the valuation of firms around the world (O'Donovan, Wagner, and Zeume 2017). Despite

From FSI to BFSI

- Bilateral scale weights: a measure of importance of secrecy jurisdiction j for country i
- Exports of financial services only available unilaterally
→ value of portfolio assets (IMF's CPIS), available for 86 jurisdictions
- BFSI = measure of the harmfulness of the secrecy between country i and secrecy jurisdiction j

$$\text{Bilateral Financial Secrecy Index}_{ij} = \text{Secrecy Score}_j^3 * \sqrt[3]{\text{Bilateral Scale Weight}_{ij}}$$

- BFSI estimated for 86 countries, harmed by 112 secrecy jurisdictions; total of 4939 estimated values (out of maximum of 9632 → data gaps)

BFSI and automatic information exchange

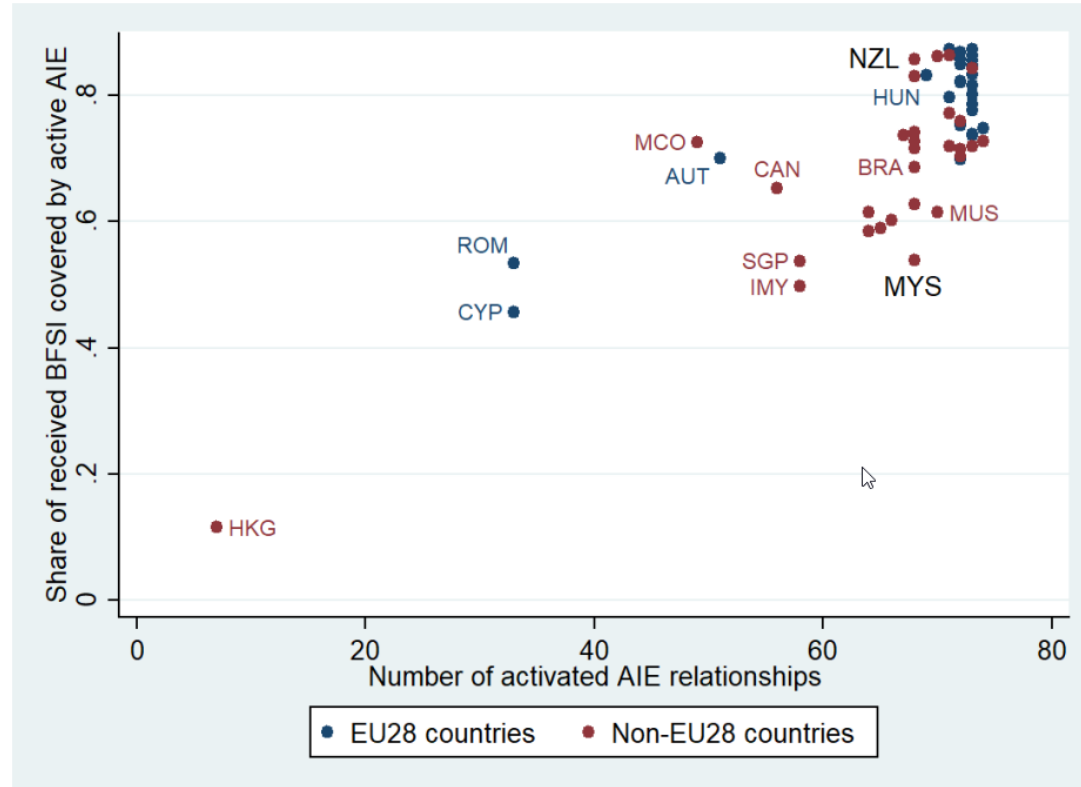


Automatic information exchange (AIE)



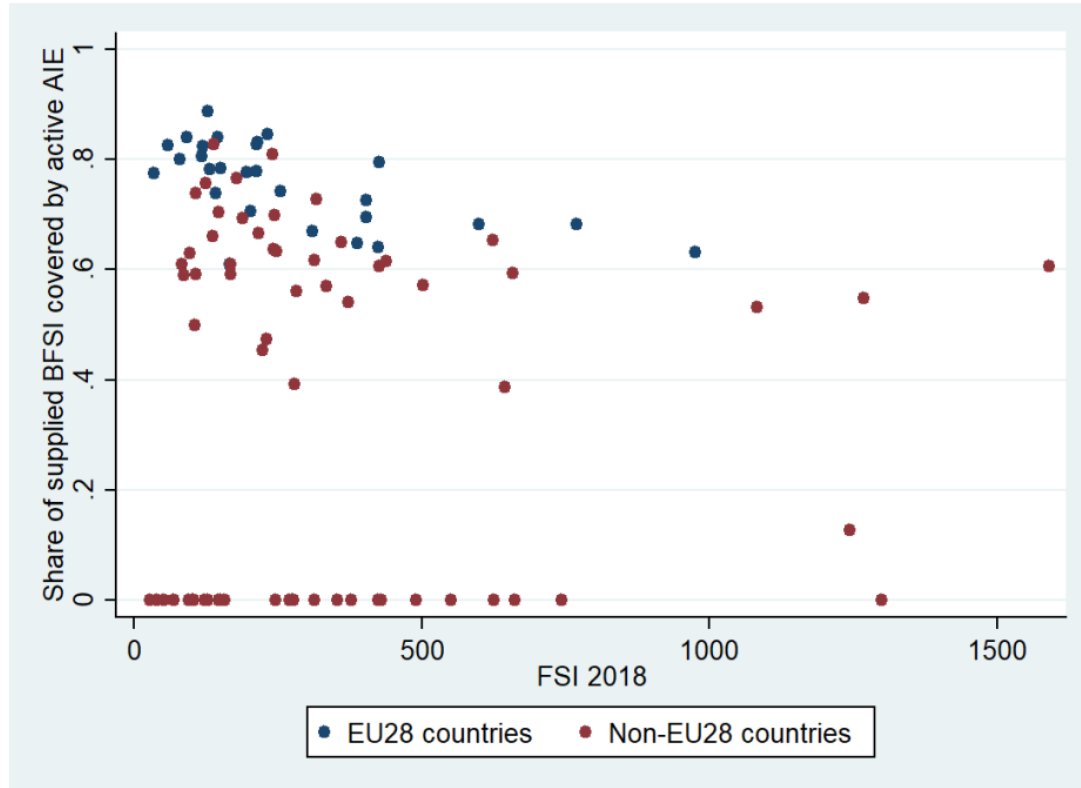
- OECD's CRS: 2,700+ bilateral relationships active as of 21 December 2017
 - Covering data on bank account deposits and securities
 - Big step forward in fight against offshore tax evasion, yet loopholes remain (Knobel/Meinzer 2014; Knobel/Heitmüller 2018)
 - KFSI 18 on AIE part of SS: adjusting secrecy scores by removing KFSI 18 on CRS/AIE in calculating arithmetic average (to avoid endogeneity)
- (I) Are countries successfully targeting their major suppliers of financial secrecy with their AIE treaties?
 - Filter: only for countries with estimations available for least 10 partners
 - 81 (out of 86) countries
- (II) Are secrecy jurisdictions successfully avoiding or delaying information exchange with key destination jurisdictions of the secrecy they supply?
 - Filter: only for countries with estimations available for least 10 partners, and secrecy scores for both
 - 66 countries

Received BFSI covered by active AIE



- Are countries successful in targeting most harmful relationships?
- Some juris with same number of activated AIE (68) covering ca. 85% of secrecy (NZL), others only 69% (BRA), or 54% (MYS)
- Four EU members have low number of activated AIE: Cyprus, Romania, Austria and Hungary

Supplied BFSI covered by active AIE



- Are secrecy jurisdictions successfully avoiding or delaying information exchange with key destinations of their secrecy?
 - negative relationship between high FSI score, and share of supplied BFSI covered by AIE
- Regression analysis ignoring juris with zero BFSI covered
 - Statistically significant negative relationship: 100 points higher FSI results in 2% lower share of BFSI covered
 - Driven by both SS and BSW

European Union: financial secrecy aggregates and blacklist

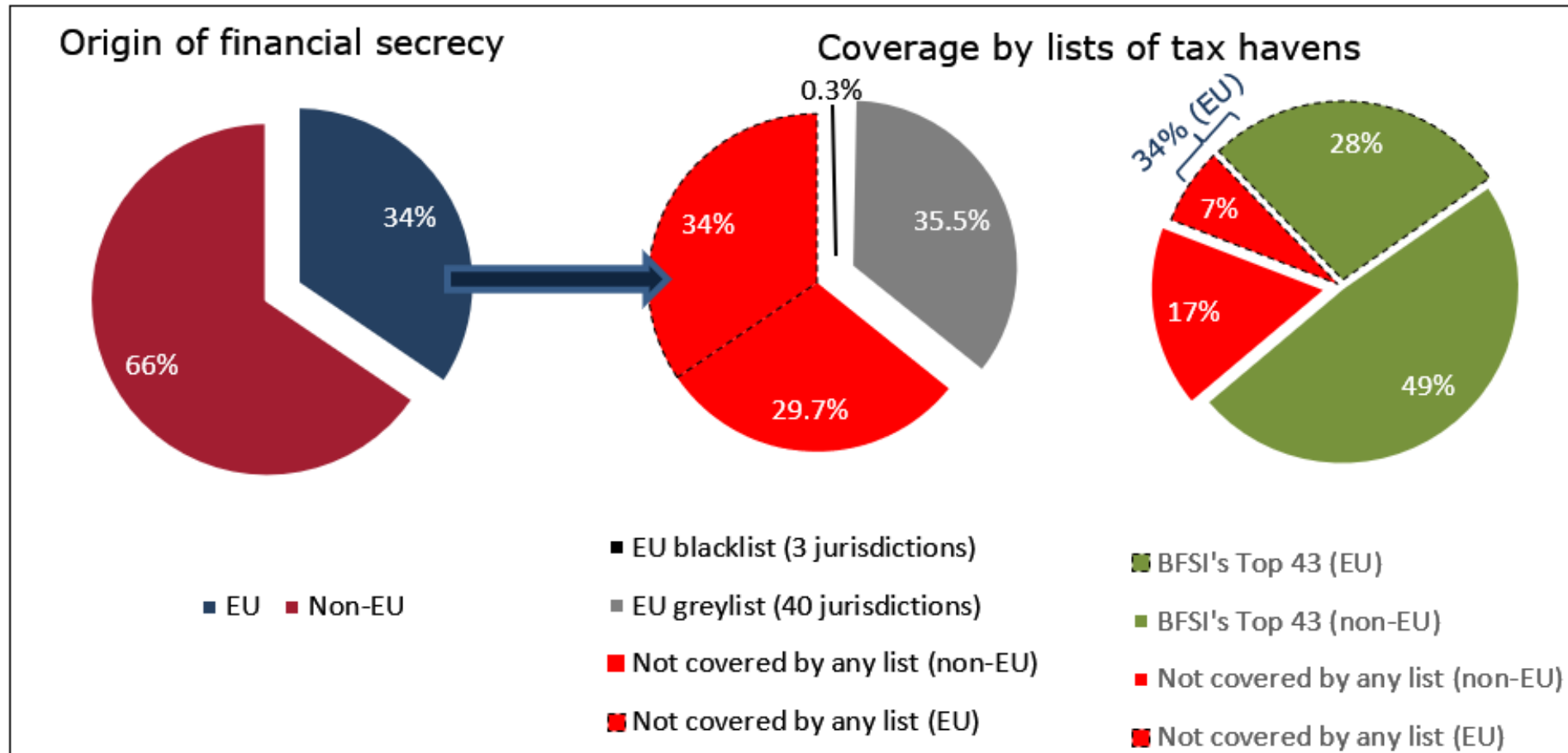


Research Questions



1. Which secrecy jurisdictions supply most financial secrecy to the European Union, and what differences exist among EU member states?
2. What measures could most effectively curtail the financial secrecy the EU is facing?

Blacklisting: elephants and blind spots

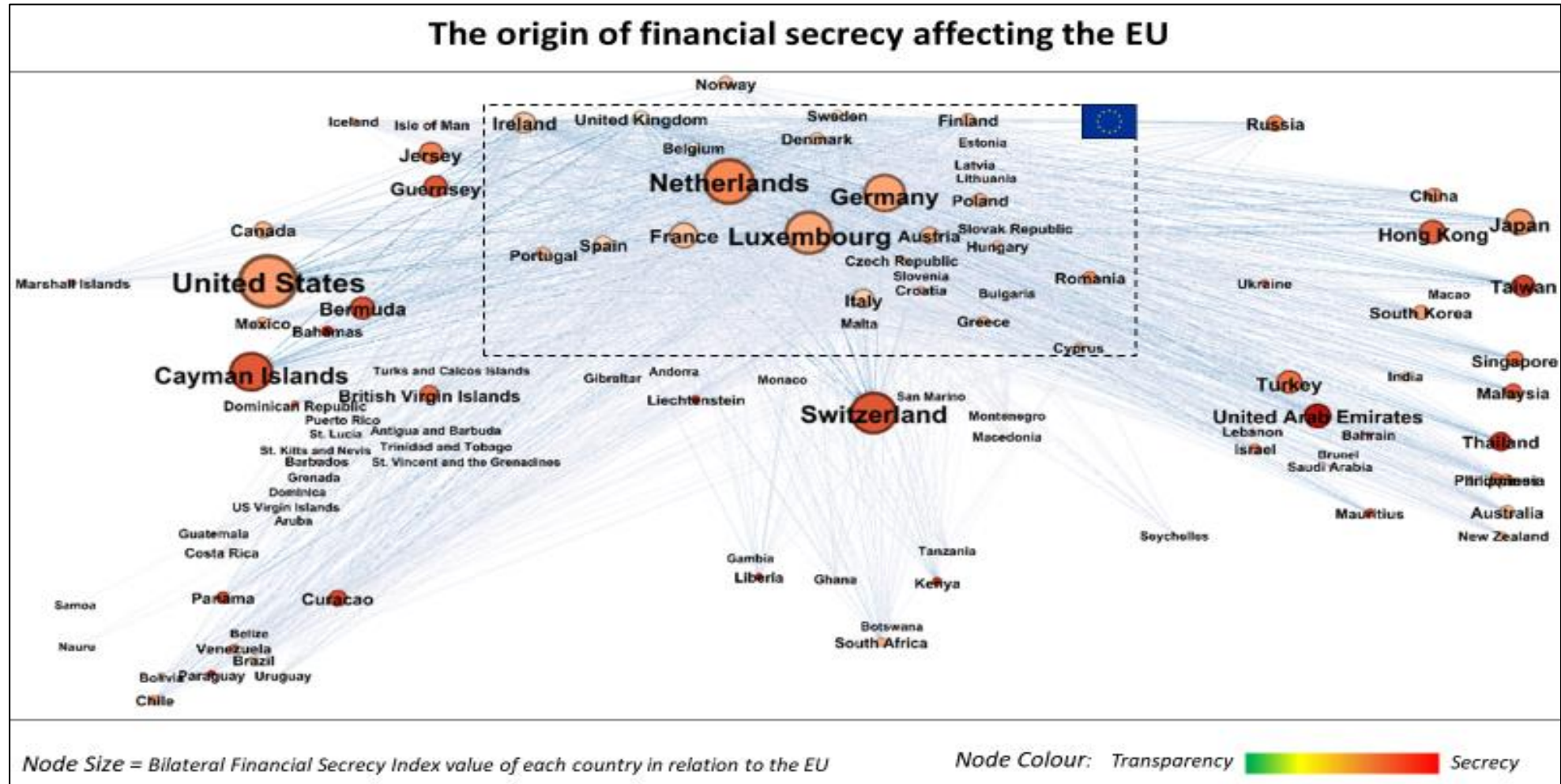


BFSI and EU blacklisting

Top 15 secrecy jurisdictions for EU member states and EU lists											
Rank	Country	BFSI	SS	Blacklist				Greylist			
				Dec-17	Jan-18	Mar-18	May-18	Dec-17	Jan-18	Mar-18	May-18
1	USA	5519.6	59.8	0	0	0	0	0	0	0	0
2	Switzerland	5043.1	76.5	0	0	0	0	1	1	1	1
3	Caymans	4013.8	72.3	0	0	0	0	1	1	1	1
4	Japan	2661.5	60.5	0	0	0	0	0	0	0	0
5	UAE	2503.5	83.9	1	0	0	0	0	1	1	1
6	Hong Kong	2455.6	71.1	0	0	0	0	1	1	1	1
7	Turkey	2350.3	68	0	0	0	0	1	1	1	1
8	Bermuda	2317.5	73.1	0	0	0	0	1	1	1	1
9	Jersey	2222.5	65.5	0	0	0	0	1	1	1	1
10	Taiwan	2206	75.8	0	0	0	0	1	1	1	1
11	Guernsey	2202.6	72.5	0	0	0	0	1	1	1	1
12	Thailand	1930.7	79.9	0	0	0	0	1	1	1	1
13	BVI	1733.6	68.7	0	0	0	0	0	0	1	1
14	Canada	1724.3	54.8	0	0	0	0	0	0	0	0
15	Curacao	1679.5	74.8	0	0	0	0	1	1	1	1
I. TOTALS/AVG		40564.1	70.5	1	0	0	0	10	11	12	12
II. BFSI SHARE IN TOP 15 EU BFSI (I.)				6.17%				75.58%			
III. ORIGINAL #COUNTRIES ON LISTS				17				47			
IV...OF WHICH WITH SECRECY SCORES				11				28			
V...BFSI SHARE IN TOTAL EU BFSI OF ALL LISTED JURIS WITH SECRECY SCORES (IV.)				6.20%				26.80%			

Source: Authors.

Coverage of financial secrecy affecting the EU, by different lists containing 43 jurisdictions



Dissemination



BUSINESS NEWS SEPTEMBER 23, 2018 / 6:20 PM / 2 MONTHS AGO

Third of EU financial secrecy comes from inside its borders



LONDON (Reuters) - Political financial affairs secret in one of the tax havens blacklisted Sunday.



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Financial Secrecy In US, EU More Harmful Than Havens: Report

By Joseph Boris

Law360 (September 23, 2018, 12:02 PM EDT) -- Tax havens blacklisted by the European Union enable only 1 percent of the financial-secrecy services that threaten EU countries, while one-third comes from financial centers within the 28-nation bloc, an advocacy

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Patterns of financial secrecy of individual EU-members



EU's Top 15 Financial Secrecy Providers

Rank	Jurisdiction	BFSI	Secrecy Score (adjusted)	EU black or grey list?	Lacking AEOI relationship with how many "victim" EU countries?	% of BFSI with EU members uncovered by AEOI relationships?	Global AEOI Instruments?
1	United States	5,520	59.8		27 (no AEOI relationships)	100%	-
2	Netherlands	4,729	64.7		0	0%	MCAA & DAC2
3	Luxembourg	4,472	57.5		0	0%	MCAA & DAC2
4	Switzerland	4,319	72.6	G	0	0%	MCAA & EU-Agreement
5	Cayman Islands	4,014	72.3	G	2*	1%	MCAA
6	Germany	3,902	58.2		0	0%	MCAA & DAC2
7	Japan	2,661	60.5		2*	1%	MCAA
8	France	2,647	51.0		0	0%	MCAA & DAC2
9	United Arab Emirates	2,503	83.8	G	2* (Lithuania)	2%	MCAA
10	Hong Kong	2,456	71.1	G	7* (Austria, Belgium, Hungary, Portugal, Slovakia and Sweden)	18%	MCAA
11	Turkey	2,350	68.0	G	27 (no AEOI relationships)	100%	MCAA (no AEOI relationships yet)
12	Bermuda	2,317	73.1	G	2*	2%	MCAA
13	Jersey	2,223	65.4	G	2*	2%	MCAA
14	Taiwan	2,206	75.8	G	17 (no AEOI relationships)	100%	-
15	Guernsey	2,203	72.4	G	2*	3%	MCAA

Country Risk Profile, e.g. Sweden

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	United States	318.08	5.7%	No	
2	Switzerland	270.00	4.8%	Yes	G
3	Luxembourg	242.62	4.3%	Yes	
4	Cayman Islands	238.86	4.3%	Yes	G
5	Hong Kong	172.63	3.1%	No	G
6	Taiwan	171.94	3.1%	No	G
7	Germany	171.91	3.1%	Yes	
8	Netherlands	162.04	2.9%	Yes	
9	Japan	156.78	2.8%	Yes	
10	Bermuda	150.54	2.7%	Yes	G
11	Thailand	123.38	2.2%	No	G
12	Finland	117.34	2.1%	Yes	
13	Denmark	108.57	1.9%	Yes	
14	Norway	103.47	1.9%	Yes	
15	United Arab Emirates	99.78	1.8%	Yes	G
Top 15 financial secrecy providers		2,607			
Worldwide financial secrecy affecting this country		5,582			
Share of Top 15 of worldwide financial secrecy affecting this country		46.7%			

Research Questions and Answers

1. Which secrecy jurisdictions supply most financial secrecy to the European Union, and what differences exist among EU member states?

- USA biggest single supplier, followed by NL, LX, CH, CYM

2. What measures could most effectively curtail the financial secrecy the EU is facing?

- Withholding tax policy against non-participating (US-) banks that fail to provide financial account data via automatic information exchange
- Public statistics on golden visas and similar programmes, and on automatic information exchange (high risks for EU by Cyprus, Ireland, Malta, Monaco)
- Better target automatic exchange relationships through BFSI analyses, consider pooled negotiation mandate vs. some partners (e.g. Turkey, Taiwan)

III. Outlook



Illicit Financial Flows Risk Analysis Tool (RIFFT)

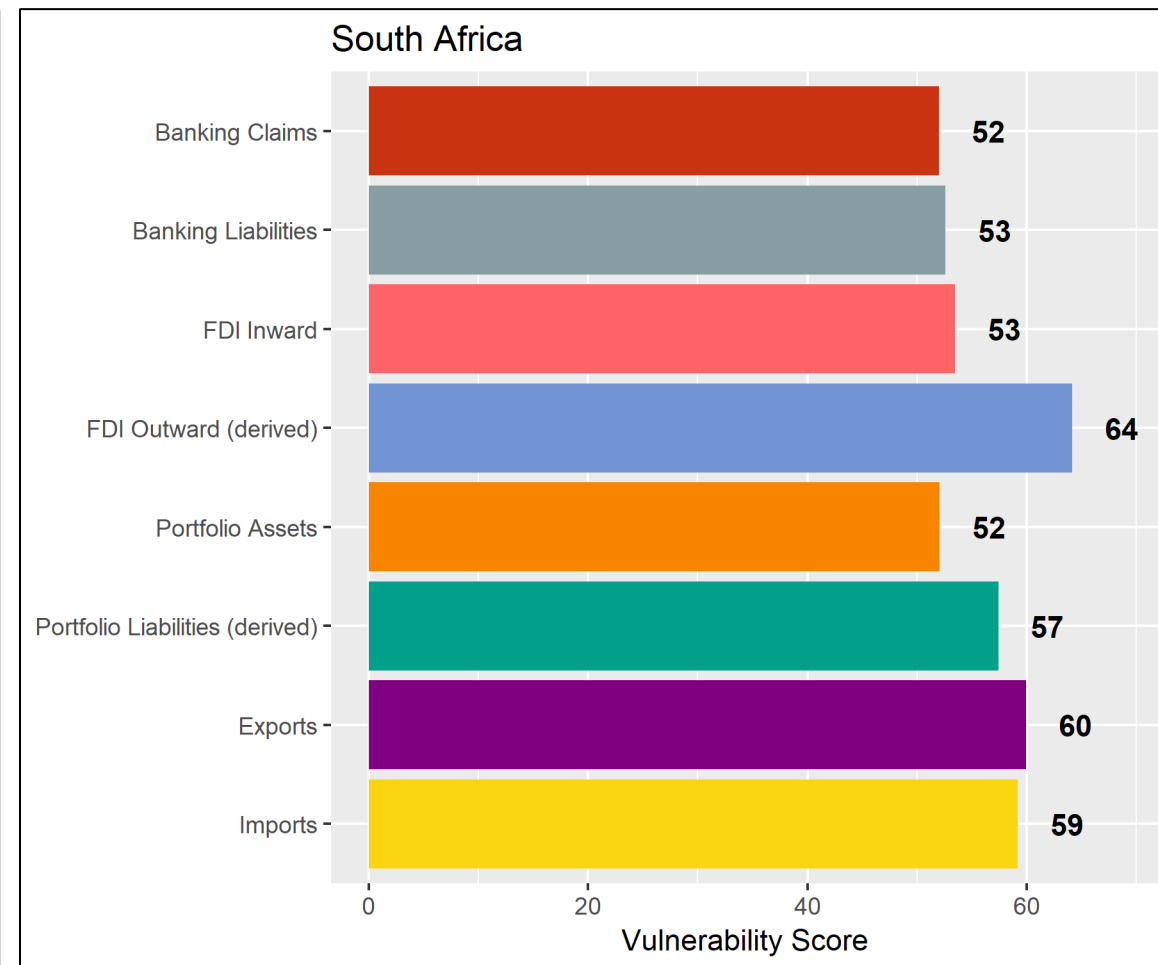
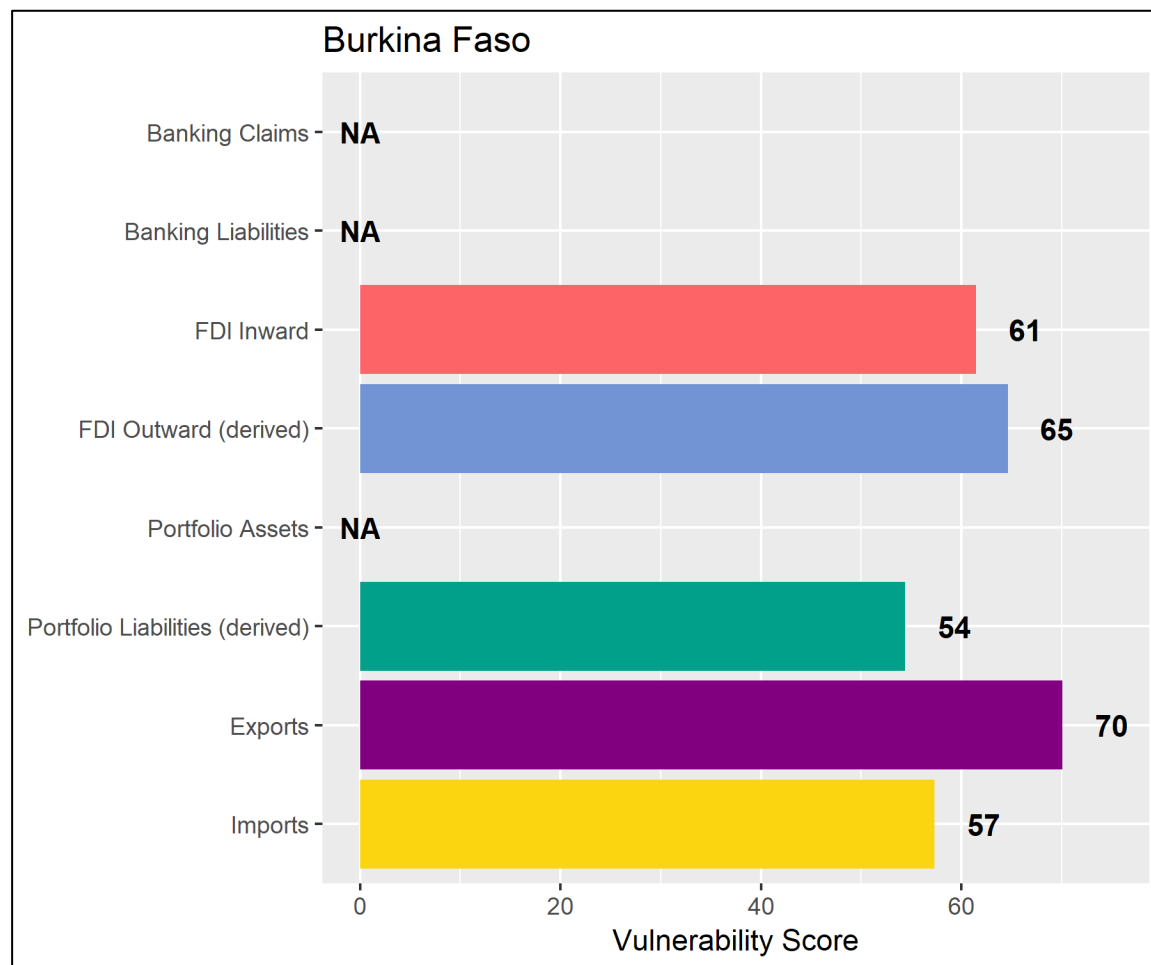


- Combine the secrecy driven IFF analyses with other bilateral economic data
- Derive measures of Vulnerability, Intensity, Exposure
- Combine bilateral economic data with novel corporate tax haven indicators (work in progress)
- Test and calibrate approach with microdata from tax administrations, financial intelligence units

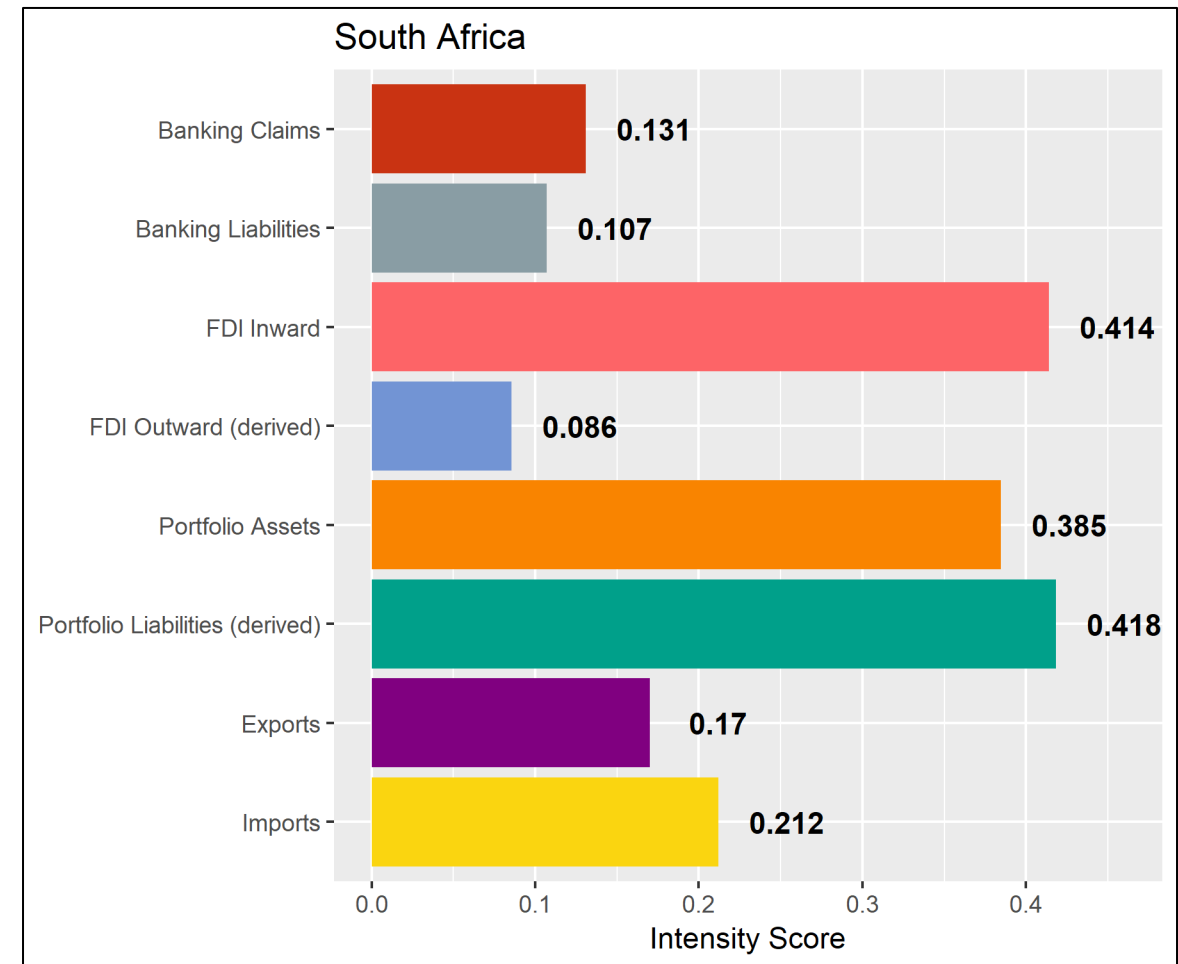
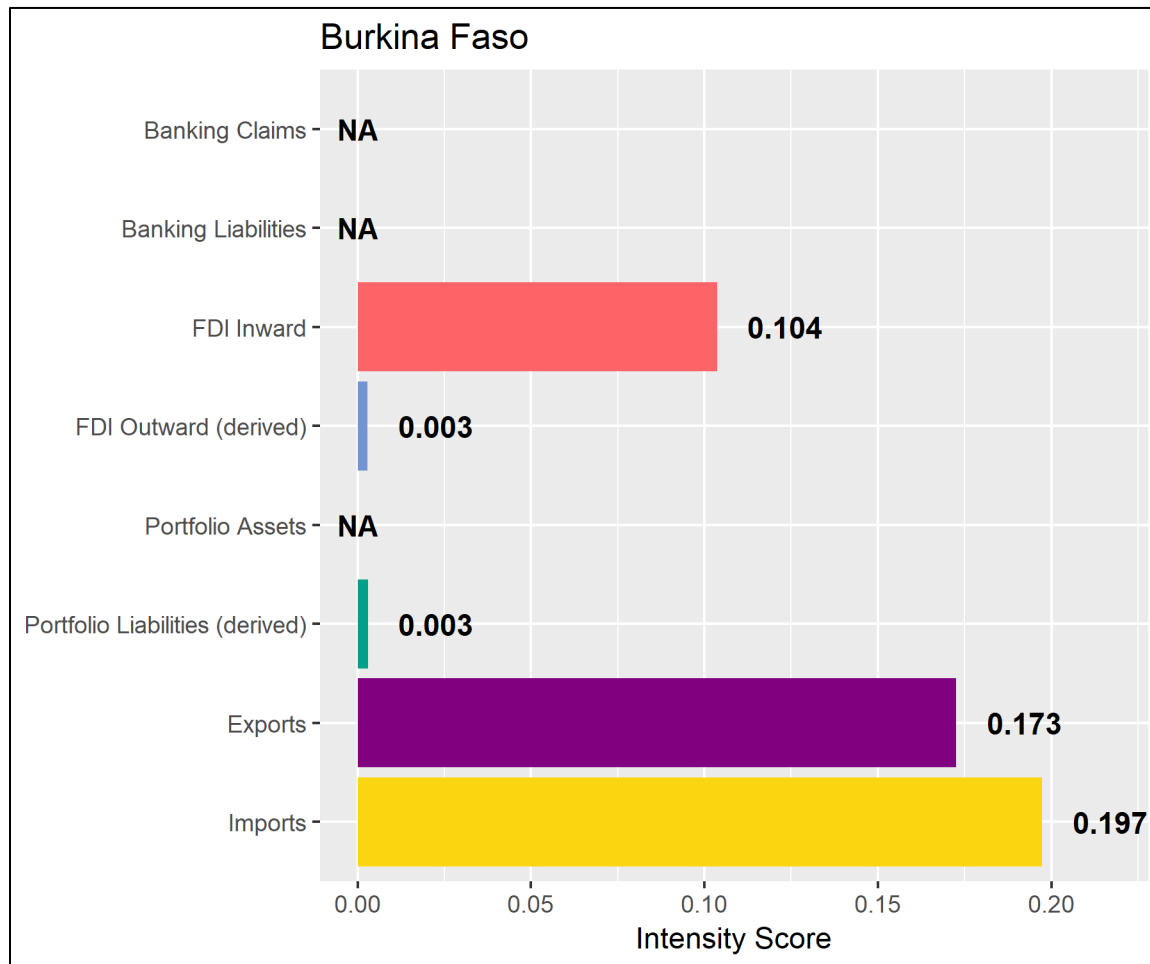
Vulnerability - FDI – Inward – 2016 (DO NOT CITE OR SHARE/WORK IN PROGRESS)

Burkina Faso				South Africa			
Jurisdiction	SS	Inward FDI Stock (USD)	VulShare	Jurisdiction	SS	Inward FDI Stock (USD)	VulShare
Barbados	74	573543196	37%	United Kingdom	42	51899345608	31%
Canada	55	600468700	29%	Netherlands	66	28920782348	27%
Bermuda	73	233996775	15%	USA	60	9250718882	8%
France	52	177313974	8%	Germany	59	6745247343	6%
Isle of Man	64	68723469	4%	China	60	5677904483	5%
United Kingdom	42	-70997485	3%	Japan	61	5195459079	4%
India	52	40579082	2%	Luxembourg	58	3949227042	3%
Mauritius	72	11330068	1%	Australia	51	4178099960	3%
Ghana	62	10522086	1%	Switzerland	76	1541238413	2%
Luxembourg	58	8876875	0%	Malaysia	72	1330415179	1%
Overall Vulnerability Inward FDI	63			Overall Vulnerability Inward FDI	54		

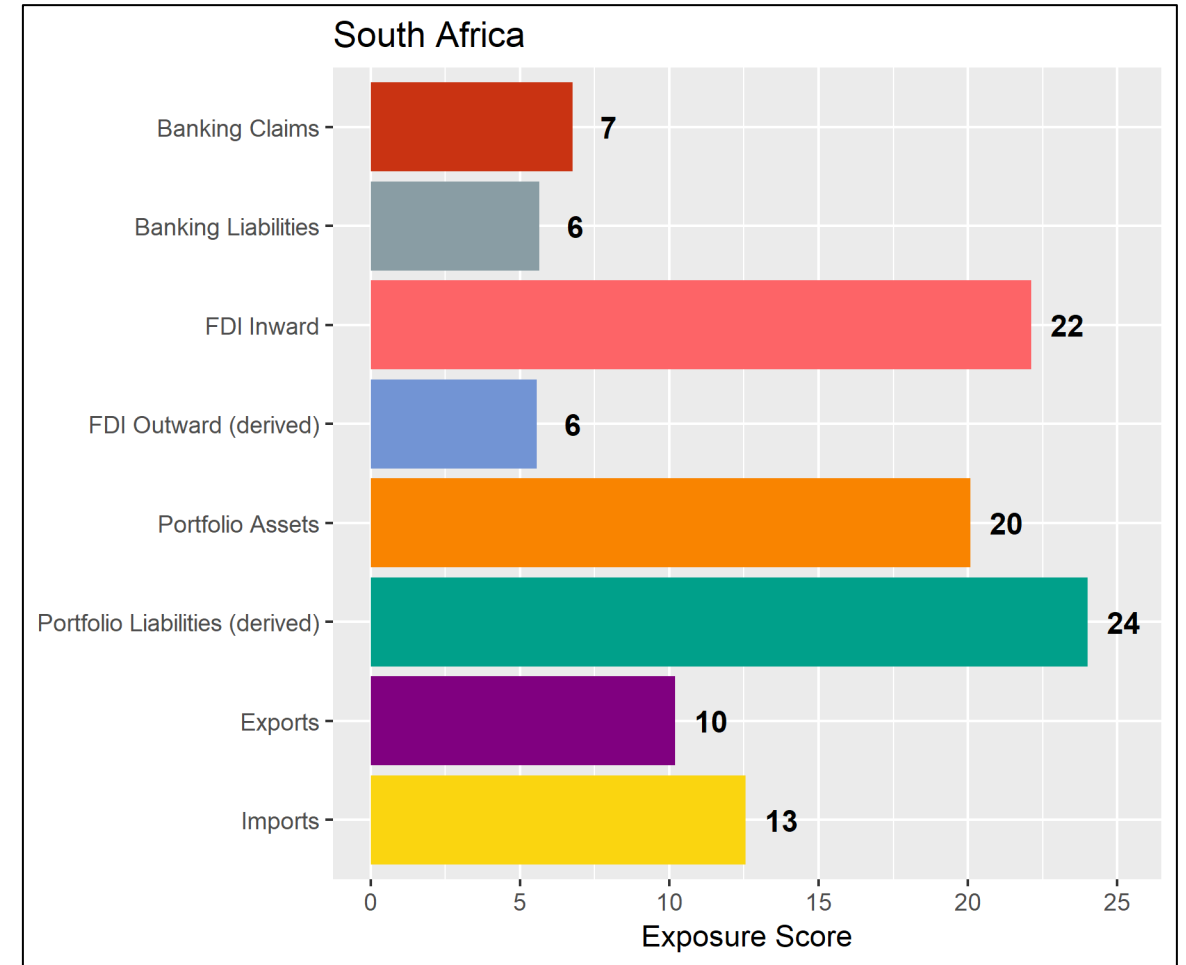
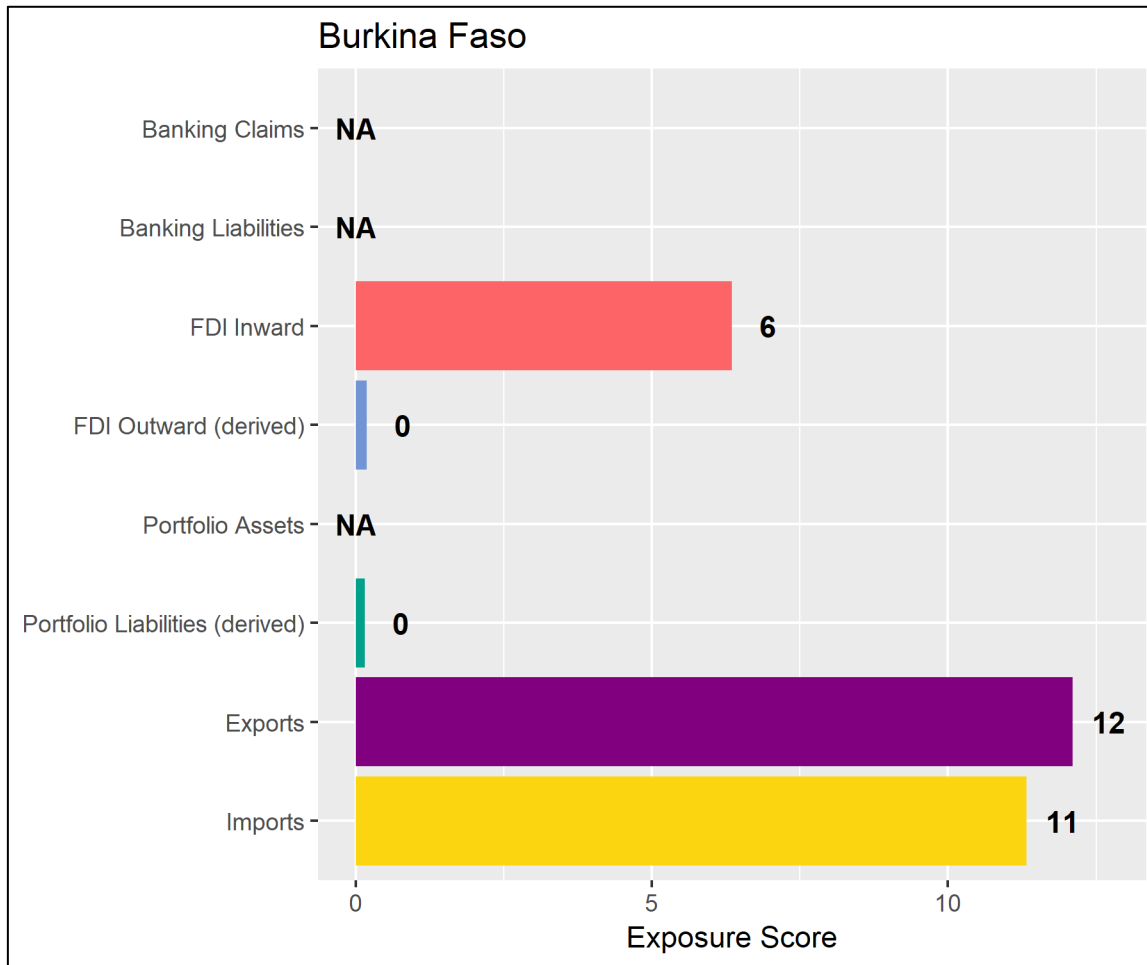
Summary Vulnerability over 8 channels, averages 2008-2018 (DO NOT CITE OR SHARE/WORK IN PROGRESS)



Summary Intensity over 8 channels, averages 2008-2018 (DO NOT CITE OR SHARE/WORK IN PROGRESS)



Summary Exposure over 8 channels, averages 2008-2018 (DO NOT CITE OR SHARE/WORK IN PROGRESS)



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