Financial Secrecy affecting the European Union: Patterns across member states, and what to do about it

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Executive Summary

A global industry of financial secrecy has developed over recent decades that involves the world's biggest banks, law practices, accounting firms and specialist providers. These service providers design and market secretive financial structures that can be used by clients to circumvent countries' tax laws and financial regulations. Financial secrecy structures such as shell companies and banking secrecy laws enable corruption, money laundering, tax evasion and the financing of terrorism and have been shown to have played an important role in the 2008 economic collapse.

To identify which jurisdictions supply the greatest share of global financial secrecy, the Tax Justice Network developed the ground-breaking Financial Secrecy Index, which ranks countries by their contribution to global financial secrecy. While the Financial Secrecy Index has helped policymakers identify the worst contributors to financial secrecy on a global level, questions remained on how policymakers can use the data from the Index to identify the jurisdictions from which their countries suffer the greatest supply of financial secrecy.

In response, the Tax Justice Network has developed the Bilateral Financial Secrecy Index which builds on and complements the Financial Secrecy Index. The Bilateral Financial Secrecy Index addresses the receiving side of financial secrecy, providing each country with a breakdown of the greatest suppliers of financial secrecy to its jurisdiction. For example, while Switzerland is ranked as the top contributor to global financial secrecy on the Financial Secrecy Index, Switzerland is only the ninth greatest contributor of financial secrecy targeting Portugal. The top contributor of financial secrecy to Portugal is the Netherlands, which is ranked 14th on the Financial Secrecy Index. The Bilateral Financial Secrecy Index is available for download as an excel file here[2].

This policy paper complements an academic paper (Janský et al. 2018) which will shortly be published as a working paper in the Charles University (Prague) Institute of Economics Working Paper Series ("Is Panama really your tax haven? Secrecy jurisdictions and the countries they harm").[3] This policy paper uses the Bilateral Financial Secrecy Index to evaluate the success of the EU tax haven blacklist and the use of automatic exchange of information treaties in safeguarding against the main providers of financial secrecy targeting EU member states. Jurisdictions blacklisted on the EU tax haven blacklist supply just 1 per cent[4] of the financial secrecy structures targeting EU member states,

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[2] http://www.taxjustice.net/wp-content/uploads/2018/09/Bilateral-Financial-Secrecy-Index-2018-Tax-Justice-Network.xlsx; 20.9.2018.

[3] http://ies.fsv.cuni.cz/en/node/57; 19.9.2018.

[4] The seven blacklisted jurisdictions supplied at most 1.14% of the total BFSI supplied to the EU. While full data (secrecy scores) were only available for 3 out of the 7 blacklisted jurisdictions, for the remaining four

making the current blacklist ineffective at identifying and safeguarding against the vast bulk of suppliers of financial secrecy to the EU.

The Bilateral Financial Secrecy Index shows that EU countries are responsible for 34 per cent of the financial secrecy affecting the EU as a whole, with four EU countries (the Netherlands, Luxembourg, Germany and France) ranking in among the top 10 suppliers of financial secrecy to the EU. The US is the top supplier of financial secrecy to the EU, responsible for 4.7 per cent of financial secrecy to the EU. The US is not only the top offender in terms of financial secrecy affecting the EU as a whole, but is also the only country that appears on the top 15 financial secrecy providers affecting *each* EU country. The EU's tax haven blacklist heavily relies on the OECD's global transparency ratings, which considers the US to be a "largely compliant" jurisdiction despite criticism from the international community of the US's poor track record on transparency and cooperation. The Bilateral Financial Secrecy Index shows that almost half of financial secrecy targeting the EU originates from OECD countries.

The jurisdictions currently blacklisted by the EU for which we have secrecy scores (3 out of 7 blacklisted) account for merely 0.31 per cent of the financial secrecy affecting the EU. If we assume the worst possible secrecy score for the four blacklisted jurisdictions for which we lack secrecy scores, the total financial secrecy supplied by the seven EU blacklisted jurisdictions increases to 1.14 per cent (this is an upper bound estimate)[4]. The jurisdictions currently greylisted by the EU for which we have data (40 out of 65 greylisted) account for 35 per cent of the financial secrecy index affecting the EU. The 43 jurisdictions identified by both the EU blacklist and greylist account for less than 36 per cent of financial secrecy affecting the EU. In comparison, the top 43 jurisdictions identified by the Bilateral Financial Secrecy Index account for more than 75 per cent of the financial secrecy affecting the EU, suggesting that the EU should rely more on the Bilateral Financial Secrecy Index (than on the OECD approach) to tackle the financial secrecy affecting it.

EU member states have been much more successful in using automatic exchange of information treaties to safeguard against financial secrecy. EU member states have on average covered 82 per cent of the financial secrecy targeting their jurisdiction by having automatic exchange of information treaties in place with the countries supplying financial secrecy structures targeting them. This 82 per cent includes the 34 per cent financial secrecy originated within the EU (based on automatic exchange of information taking place within the EU pursuant to DAC 2) in addition to automatic exchange of information with other countries, based on

jurisdictions we used the highest secrecy score offered globally (Vanuatu, 88.575%) to estimate an upper bound of the BFSI values. These assumed secrecy scores were not included in our main results, but were computed separately and are available on demand.

other EU agreements or the OECD’s Common Reporting Standard). On average, EU member states have 82 treaties in place. Nonetheless, not a single EU member state has been able to fully safeguard against the greatest contributor of financial secrecy to the EU, the US. In fact, the US does not provide any EU country with banking information at the beneficial ownership level. This means if an EU resident holds a bank account in the US through a company or trust instead of directly under their own name, the US will not share any information about the bank account with the EU authority to which the resident must pay tax. On top of this, with some EU countries, the US shares no banking information at all, regardless of whether the account is directly under an EU resident’s name or not.

Under the Foreign Account Tax Compliance Act, the US currently has an unequal relationship of information exchange where EU financial institutions are required to automatically share all information with US authorities (eg at the beneficial ownership level) or face a 30 per cent withholding tax. Meanwhile, the US is under no obligation to share as much information in return, if any at all. The Bilateral Financial Secrecy Index finds that the US alone is responsible for more than one-fifth of the financial secrecy targeting the EU that is not safeguarded against by an automatic exchange of information treaty.

This policy paper makes three key recommendations:

1. The EU should introduce a withholding tax policy targeting any financial institution that is not engaging fully in automatic exchange of information with EU members, and with other relevant third parties. Similarly to the US Foreign Account Tax Compliance Act, the EU should impose a 30 per cent withholding tax on any EU-sourced payments to any financial institution that is not sharing sufficient information with the EU, or with any ‘fit and ready’ developing country.
2. EU member states should publicise aggregate statistics on golden visas, wealth management and information shared via automatic exchange of information treaties. Tax Justice Network produced a template in 2017 that can be used to publicise the statistics that are necessary to detecting tax avoidance schemes without breaching persons’ confidentiality or privacy.
3. EU member states should better target their greatest suppliers of financial secrecy to secure automatic exchange of information treaties. The share of financial secrecy covered by an EU member via an automatic exchange of information treaty ranges from 92 per cent (Spain) to 45 per cent (Cyprus). Some EU members could better safeguard against financial secrecy by using the Bilateral Financial Secrecy Index to inform their negotiation priorities.

Contents

1. Introduction: why financial secrecy matters

Financial secrecy enables illicit financial flows related to corruption, money laundering, tax evasion, tax avoidance and the financing of terrorism, among other. Illicit financial flows usually include illegal activities (eg corruption, money laundering or tax evasion), but may also comprise illegitimate ones.[5] For this reason, actors involved or benefitting from illicit financial flows attempt to exploit secrecy on many different levels (eg hiding their identity, their assets or income, or masking their transactions) to either avoid legal challenges or to maintain their reputation.

The Tax Justice Network's Financial Secrecy Index ranks jurisdictions by their contribution to global financial secrecy. However, the global perspective provided by the ranking may not necessarily identify the jurisdictions representing the highest secrecy risks from the perspective of each specific country (eg Mauritius may represent a high risk for India, but not to other countries, so it may not be on the top of the Financial Secrecy Index).

The Bilateral Financial Secrecy Index thus complements the Financial Secrecy Index and provides for individual countries the specific pattern of financial secrecy they face in their financial relationship with the rest of the world. A novel academic study[6] has employed this analytical approach for the first time (Janský et al. 2018), demonstrating that there are marked differences in the relevance of particular secrecy jurisdictions across countries. Specifically, it has found that some countries are more successful than others in targeting their main providers of financial secrecy with their network automatic exchange of information exchange treaties.

Importantly, the current EU blacklist (of May 25, 2018) doesn't identify any of the jurisdictions in the top 15 of the Bilateral Financial Secrecy Index (those most responsible for the financial secrecy affecting 27[7] EU member states), and the EU greylist identifies only 9 of the top 15 financial secrecy providers according to the Bilateral Financial Secrecy Index: Bermuda, Cayman, Guernsey, Hong Kong, Jersey, Switzerland, Taiwan, Turkey and United Arab Emirates.

This policy paper will deepen the analysis pioneered in the Bilateral Financial Secrecy Index study focusing on 27 European Union member states, providing for each member state a geographical map (in form of a table, see Annex A)

[5] While it may be hard to prove their illegality in court, most people would not approve of them, e.g. hiding wealth from spouses or some forms of tax avoidance by multinational companies.

[6] This academic paper was presented at various academic research conferences and will be published shortly as a working paper in the Charles University (Prague) Institute of Economics Working Paper Series ("Is Panama really your tax haven? Secrecy jurisdictions and the countries they harm").

[7] Croatia's data on portfolio investments was not available and Croatia was therefore not included in the analysis.

about who their largest suppliers of financial secrecy are. Is it reasonable for the EU to exclude Member States from the blacklist and greylist? Are there specific secrecy jurisdictions affecting most of EU countries? Are some EU members more successful than others in targeting their automatic exchange of information treaty efforts? What policies could EU member states enact to counter the financial secrecy they are facing?

Part 2 of this paper analyses the financial secrecy the European Union as a whole is facing. It proceeds by analyzing specific policies aimed at curtailing financial secrecy (blacklisting and automatic exchange of information, "AEIO"). Part 3 drills into the same questions, but from the perspective of individual EU member states. Part 4 concludes with three policy recommendations emanating from the preceding analyses. For a detailed explanation of the methodology and data used, please refer to the accompanying academic paper (Janský et al. 2018) and Financial Secrecy Index-methodology (Tax Justice Network 2018). For an overview, see Annex C. The Bilateral Financial Secrecy Index is available for download as an excel file here.

2. European Union: financial secrecy aggregates

Table 1 ranks the jurisdictions providing the highest risk of illicit financial flows affecting the EU through the aggregate portfolio assets European residents own abroad. It is remarkable that 4 out of the 15 top secrecy providers to the EU are EU members (4 EU countries would still be listed even if we considered only the top 10 providers of financial secrecy to the EU).[8]

[8] This table ranks jurisdictions that have the highest Bilateral Secrecy Index Value with regard to the EU, based on the (scaled) formula "Secrecy Score $_{\text{Country X}}$ * Bilateral Scale Weight $_{\text{All EU -> Country X}}$". This means that these countries represent the highest risk of illicit financial flows affecting the EU because it considers how much money EU residents invest in these countries combined with these countries' level of secrecy. For example, in the case of the US, the formula would consider the US' Secrecy Score multiplied by the value of portfolio investments of all EU residents in the US.

Table 1: EU's Top 15 Financial Secrecy Providers

Rank	Jurisdiction	BFSI	Secrecy Score (adjusted[9])	EU black or grey list?	Lacking AEOI relationship with how many "victim"[10] EU countries?	% of BFSI with EU members <u>uncovered</u> 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

Source: Authors

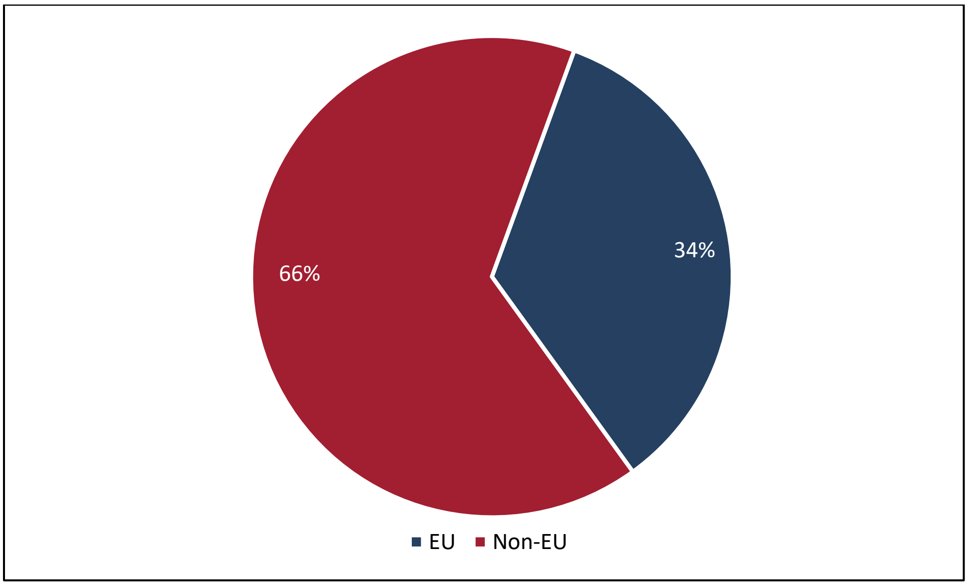
Notes: [The table uses traffic-light colour coding. Red = secrecy; orange = partial secrecy; green = transparency]. An asterisk (*) in red font indicates that AEOI

[9] Adjusted to reflect the higher cooperation within EU countries and related territories. See footnote 8.
[10] This column refers to relationships between a secrecy jurisdiction (e.g. the US) and every EU country that is suffering from financial secrecy originating in that jurisdiction, but not to all 27 EU countries. Taiwan, for instance, only provides financial secrecy to 17 EU countries, so only those 17 are considered here.

relationships with Cyprus and/or Romania are not taking place because of these two countries' choice of "voluntary secrecy" (to send, but not to receive information automatically from other countries) or shortcomings (failure to comply with confidentiality requirements that prevent them from receiving information from other countries). There is no certainty on each country's case because the OECD doesn't publish the reason but merely the fact that Cyprus and Romania will send, but not receive information from non-EU countries.

Considering all of the financial secrecy the EU is facing (not just the top 15 financial secrecy providers), EU member states are responsible for providing roughly one third (34%), even after adjusting (improving) the secrecy score of EU countries because of the more intense collaboration within the EU[11] (Graph 1).

Graph 1: Origin of financial secrecy affecting the EU, broken down by EU membership



Source: Authors

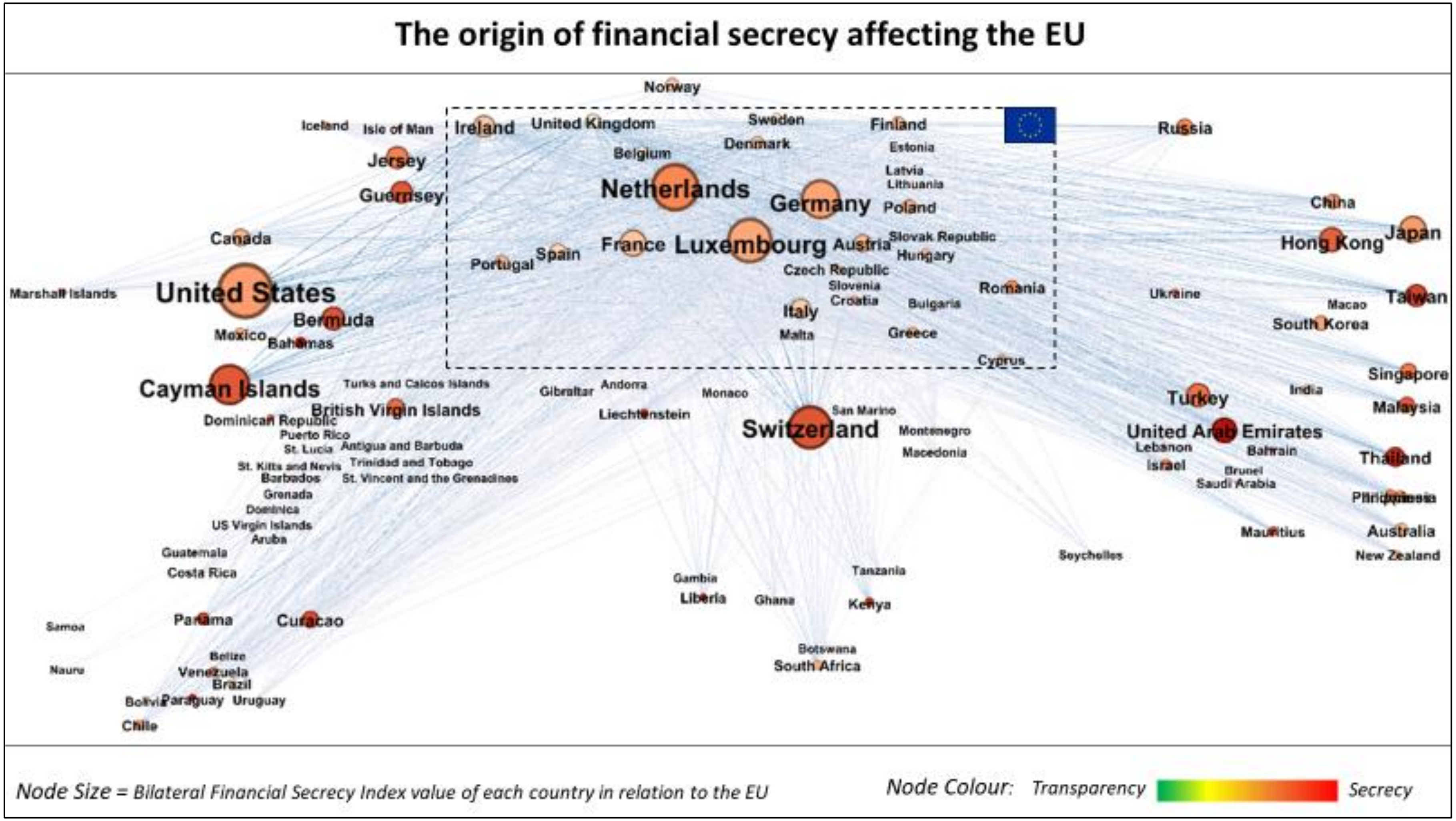
The next chart shows the network of financial secrecy affecting the EU, illustrating the financial secrecy risks (Bilateral Financial Secrecy Index value)

[11] As for the secrecy scores within the European Union, we adjusted those to reflect the closer cooperation on financial, tax, and judicial matters and corresponding lower secrecy levels among EU members. Adjustments were made in the secrecy score of indicators 18 (automatic exchange of information), 19 (on bilateral treaties) and 20 (international legal cooperation) vis-à-vis other EU member states (Tax Justice Network 2018). In the case of indicator 18, based on EU related agreements, the secrecy scores of 5 additional countries (Andorra, Liechtenstein, Monaco, San Marino and Switzerland) have also been adjusted. Indicator 19 (on bilateral treaties) did not require an adjustment because all EU countries already had the best transparency score. These adjustments overall resulted in substantial secrecy score changes as defined by our indicators only in a few jurisdictions and only in very minor differences in the overall Bilateral Financial Secrecy Index value affecting the EU.

created by each jurisdiction against all EU countries (size of bubble and number of links) and the secrecy score of these jurisdictions (bubble colour).

Out of the total of 111 secrecy jurisdictions (bubbles) that provide financial secrecy to EU countries (located in the dashed-rectangle), the chart shows that the biggest bubbles (countries creating the most financial secrecy against EU countries) include many countries inside the EU (eg Netherlands, Luxembourg, Germany and France). However, the biggest bubble of all is the US. Other important secrecy jurisdictions (by their bubble size) include Switzerland and Cayman Islands. The bubble colours (secrecy score of each jurisdiction) indicate that the jurisdictions creating financial secrecy to EU countries are rather secretive (eg the United Arab Emirates, Taiwan, Switzerland and Cayman Islands). Importantly, jurisdictions currently blacklisted by the EU (eg Samoa, US Virgin Islands and Turks and Caicos) have very small bubbles, reflecting that they are not the biggest financial secrecy providers when compared to other jurisdictions. Jurisdictions (bubbles) are located according to their geographical position, except for non-EU member states in Europe which are located outside of the box containing EU countries.

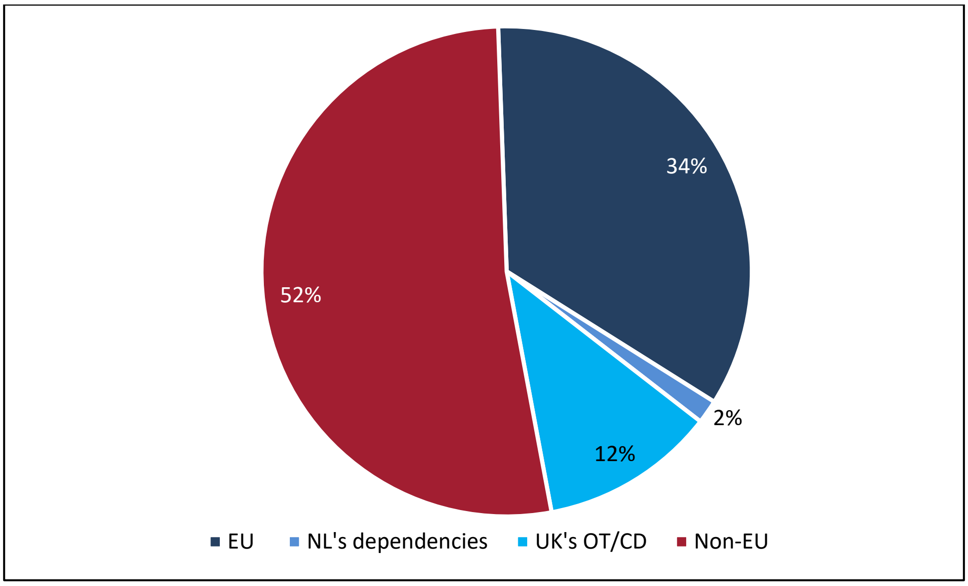
Chart 1: Financial secrecy affecting the EU, network map



Source: Authors

If we explore further the origin of financial secrecy by focusing not only on EU-member states, but also any territories where political responsibility ultimately rests with EU member states[12], the EU plus related dependencies account for approximately 48 per cent of the financial secrecy affecting the EU member states (Graph 2).

Graph 2: Origin of financial secrecy affecting the EU, broken down by EU membership and EU dependencies

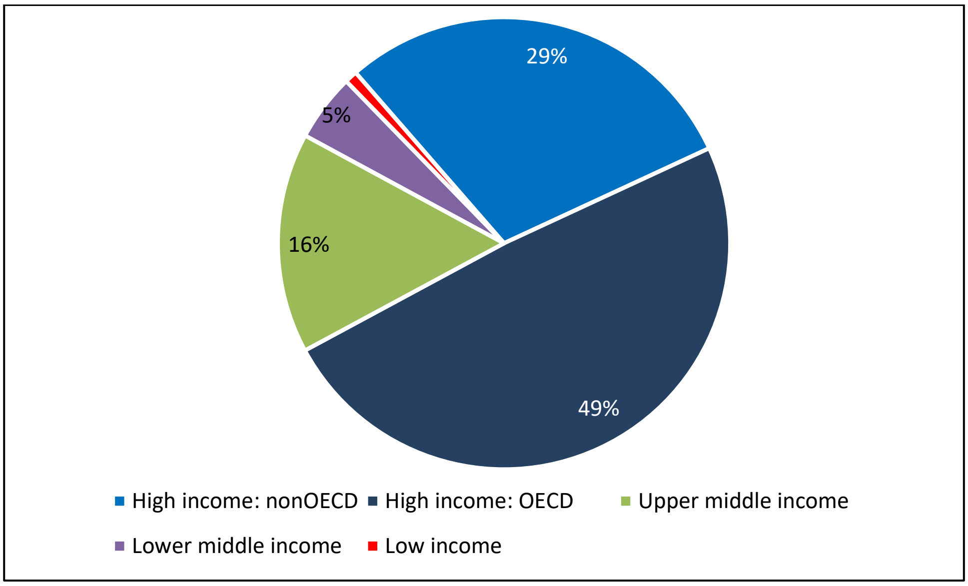


Source: Authors

When breaking down the origins of financial secrecy in the EU by income level, it becomes apparent that almost 80 per cent stems from high-income countries. Almost two thirds of that 80 per cent of high-income countries (or almost 50 per cent when considering all origins together) comes from OECD countries (Graph 3).

[12] We have data for some dependencies of the Netherlands (NL): Aruba and Curacao; and of the UK: Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle of Man, Jersey and Turks and Caicos.

Graph 3: Origin of financial secrecy affecting the EU, broken down by income level/OECD membership



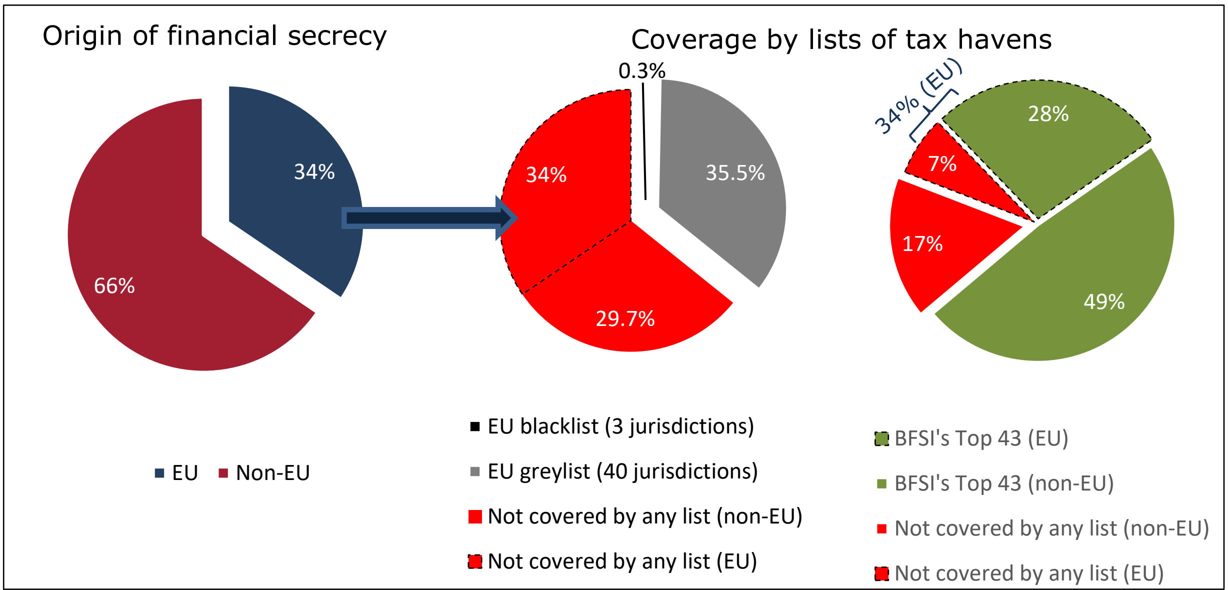
Source: Authors

2.1 EU blacklist and greylist

When comparing the financial secrecy affecting EU members from jurisdictions that have been covered by the European blacklist and greylist (as updated on May 25, 2018) with the financial secrecy EU members are facing from within, the blacklisting approach is shown to be ill-targeted (Graph 4). The 43 blacklisted and greylisted jurisdictions combined account for only 35.8 per cent of the secrecy the EU is facing. The 27 EU members in contrast provide 34 per cent of the financial secrecy the EU if facing but are excluded from consideration by EU's blacklisting approach. Comparing the same *number* of jurisdictions, by contrasting the financial secrecy stemming from the top 43 jurisdictions identified by the Bilateral Financial Secrecy Index (approximately 76 per cent) with that from the 43 jurisdictions in the grey and blacklists (35.8 per cent), the failure of the blacklisting approach to prioritize the bulk of financial secrecy over other considerations becomes apparent (green slices, graph 4).

Existing evaluations suggest that the EU's blacklisting and greylisting exercises are fundamentally flawed, among others because it excludes a priori any EU member states from the exercise (Lips/Cobham 2018). This assessment is being confirmed by our findings.

Graph 4: Coverage of financial secrecy affecting the EU, by different lists containing 43 jurisdictions



Source: Authors. Values don't sum up to exactly 100% for rounding errors.

Another main reason for the flaws in the EU's blacklisting exercise is the EU's heavy reliance on the OECD tax standards, whose criteria are often very lenient and sometimes bent in favour of powerful players, and whose evaluating assessments are also sometimes biased. For example, the EU blacklist's sub-criterion 1.2 of criterion 1 on tax transparency requires a jurisdiction to obtain at least a "largely compliant" rating by the OECD's Global Forum peer review with respect to its Exchange of Information on Request (EOIR) standard (Lips/Cobham 2018). To understand how irrelevant this criterion should be, consider that as of July 2018 and out of 119 reviewed jurisdictions by the Global Forum, the only jurisdictions that failed to have at least a "largely compliant" rating are: Trinidad & Tobago ("not compliant"), Anguilla, Curacao, Ghana, Kazakhstan, Sint Maarten, Turkey ("partially compliant") and Marshall islands ("provisionally partially compliant"). This implies that the likes of Panama, United Arab Emirates, British Virgin Islands, Switzerland, USA and every other financial centre are considered at least "largely compliant".

As for the bending of the criteria, consider the OECD's recent moves to "update" the criteria for compliance with automatic exchange of information. Here, a change in the criteria has allowed the USA to tick the box of compliance while refraining from participating in automatic exchange of information (Knobel 2018a). As for the biased assessments, the Global Forum in July of 2018 arrived at a biased assessment of the US' legal framework with respect to availability of company ownership information. The Global Forum rated the US as largely compliant, although the US cannot even guarantee access to legal ownership information[13] (Knobel 2018b).

In contrast, the Bilateral Financial Secrecy Index has shown that the USA is the single biggest contributor to financial secrecy in the EU. Moreover, financial secrecy supplied by the US is not covered by effective automatic exchange of information. 48 per cent of the financial secrecy the EU is facing stems from EU members or their dependencies (Graph 2). If looking at income levels, 49 per cent of the secrecy stems from high income OECD members, and a further 29 per cent from non-OECD high income countries, some of which are dependent upon OECD members. Yet these are overwhelmingly missing from the- blacklists and greylists.

By relying on OECD standards and evaluations for a large part of the blacklisting and greylisting exercises, the EU partially imports OECD's biases against low and medium income countries, in favour of larger, more powerful countries[14]. The power of a jurisdiction, expressed in terms of absolute GDP, appears thus to have largely driven the blacklisting exercise (Lips/Cobham 2018).

This is a well-explored pitfall of any tax haven blacklist approach (Knobel/Meinzer 2015;Meinzer 2016): the jurisdictions ultimately ending up on blacklists are those that are least influential and least able to bend the rules, wriggle their way out during evaluations and engage in (more costly) mock compliance – where regulations are adhered to only superficially and formally, but not in practice (Woodward 2016).

2.2 EU automatic exchange of information

Looking beyond the blacklisting and greylisting, the framework on automatic exchange of information on financial account data is another crucial EU policy tool for mitigating financial secrecy and fighting related offshore tax evasion. Within the EU, the automatic exchange of information framework is legislated through the EU Directive on automatic exchange of financial account information ("DAC 2"; Council of the European Union 2015). With non-EU countries, the automatic exchange of information framework is the OECD's Common Reporting Standard (both frameworks are essentially the same). Establishing an automatic exchange of information relationship with another country will provide each EU country with useful information held in that other country and creates a deterrent effect (preventing EU individuals from exploiting financial secrecy in that other country knowing that their current or future information may end up being exchanged with the EU country). By an automatic exchange of information

[13] https://financialsecrecyindex.com/database/USA.xml#b134; 6.9.2018.
[14] https://www.taxjustice.net/2018/07/26/oecd-stretches-the-truth-to-give-the-us-a-better-transparency-rating-than-ghana/; 16.10.2018.

relationship we refer to a relationship that involves all the information required to be exchanged under the OECD's Common Reporting Standard or the Directive on Administrative Cooperation (DAC 2). Automatic exchanges under the US FATCA framework are not considered because the EU will not receive all the relevant information from the US, eg at the beneficial ownership level, or may not receive any information at all (eg Austria and Bulgaria; Knobel 2016).

It is important to bear in mind that automatic exchange of information is no panacea. For one, it does not cover all types of financial secrecy (eg secrecy related to beneficial ownership of legal vehicles not holding bank accounts).[15] Furthermore, it does not fully solve the financial secrecy risks for those types of financial secrecy it seeks to cover (eg financial investments through bank accounts and securities), because of the loopholes in the automatic exchange framework that could be exploited to avoid reporting (Knobel/Meinzer 2014;Meinzer 2017). Yet, the existence of an agreement with a secrecy provider jurisdiction is an important element in any strategy seeking to address the offshore tax evasion component of illicit financial flows.

As of 31 August 2018, there are a total of 3926 active reciprocal exchange relationships and 1325 one-way relationships in the world. While it can be argued that any EU member should have automatic exchange of information agreements with all jurisdictions in the world[16], negotiations for agreements should prioritize establishing relationships with those jurisdictions that pose maximum secrecy risks. By focusing on those countries which provide the largest share of secrecy to the EU that is currently not covered by automatic exchange of information between them and EU members, the jurisdictions for EU members' negotiation priorities are emerging.

[15] In the future, however, the financial secrecy stemming from within the EU may be reduced if EU countries decide to properly implement the EU Anti-Money Laundering Directive of 2015 (AMLD 4) as amended in 2018 (AMLD 5). In this case, part of their secrecy score related to registration and publication of beneficial ownership information for companies, partnerships and foundations should improve. If EU countries decide to go beyond AMLD 5 and subject all (instead of some) trusts to beneficial ownership registration and disclosure, then the secrecy score of EU countries would improve even more. However, the financial secrecy affecting the EU from within will stay the same, if EU countries fail to properly implement the AMLD 5 (as it happened with Germany, the UK or Denmark with regard to AMLD 4) or to do it within the required time.

[16] If EU country 1 was suffering from financial secrecy originating in countries A, B and C, but it had AEOI relationships with all three countries (A, B and C) then 100% of the financial secrecy (calculated as the BFSI value) suffered by EU country 1 would be covered by AEOI, reducing the risks created by these three countries. On the other hand, if the EU Country 1 had an AEOI relationship with countries A and B, then only 66% of the financial secrecy would be covered by AEOI (supposing that all three countries create the same amount of financial secrecy affecting Country 1). In this case, residents from Country 1 would very likely go to Country C to engage in illegal activities because there will be no automatic exchange of information between Country 1 and Country C. For this reason, EU Country 1 should manage to establish an AEOI relationship with Country C to deter Country 1's residents from exploiting Country C's secrecy facilities.

Table 2 below lists the jurisdictions that are creating the most financial secrecy risk for the EU which are still not covered by automatic exchange of information (because there is no automatic exchange relationship between them and at least some EU countries, if any). For example, some EU countries already have automatic exchange of information relationships with Hong Kong. In sum, Hong Kong is 14th of those jurisdictions providing secrecy uncovered by automatic exchange of information to the EU listed in table 2. Annex B provides the full list of 59 jurisdictions that provide financial secrecy to at least one EU member state that remains uncovered by an automatic exchange of information relationship.[17]

Table 2. Priority countries (top 10 out of 59) with which all[18] EU countries should establish automatic exchange of information (AEOI) relationships

(1) Rank	(2) Jurisdiction	(3) BFSI value affecting the EU not covered by AEOI	(4) Percentage of the total BFSI value affecting the EU that is not covered by AEOI	(5) How many EU countries are affected by the country's bilateral financial secrecy (BFSI value)? (min 1, max 27)	(6) How many of those mentioned in (5) have any AEOI relationships in place?
1	United States	4,955	22%	27	0
2	Turkey	2,312	10%	27	0
3	Taiwan	2,096	9%	17	0
4	Thailand	1,855	8%	17	0
5	Philippines	1,083	5%	18	0
6	Israel	1,011	4%	25	0
7	Kenya	825	4%	14	0
8	Venezuela	798	3%	24	0
9	Ukraine	697	3%	21	0
10	Liberia	694	3%	15	0
Total BFSI value affecting the EU not covered by AEOI (including all 59 jurisdictions for which we have data)		**22,848**	**100%**		

Source: Authors

[17] Automatic exchange of information under US' FATCA framework is not considered here because the EU will not receive sufficient information from the US (Knobel 2016).

[18] For some countries (those that have less than "27" in the last column to the right of Table 5) not necessarily all EU countries will need to establish an AEOI relationship, although they could do it preventively. For example, if Liberia creates financial secrecy only against 24 EU countries, then in principle only those 24 EU countries (but not all 28 of them) should try to establish AEOI relationship with Liberia. Nevertheless, all EU countries should establish AEOI relationships with as many countries as possible because, even if Country Z may not be

3. Patterns of financial secrecy of individual EU members

The previous section has largely treated the EU has a monolithic bloc in facing financial secrecy supplied from elsewhere. Yet the origins of financial secrecy faced by 27 EU members for which we have data differ. For example, the British Virgin Islands are among the top secrecy providers for Poland, but not for Spain. For Spain in turn, the United Arab Emirates and Curacao feature among the main secrecy providers – but not for Poland.

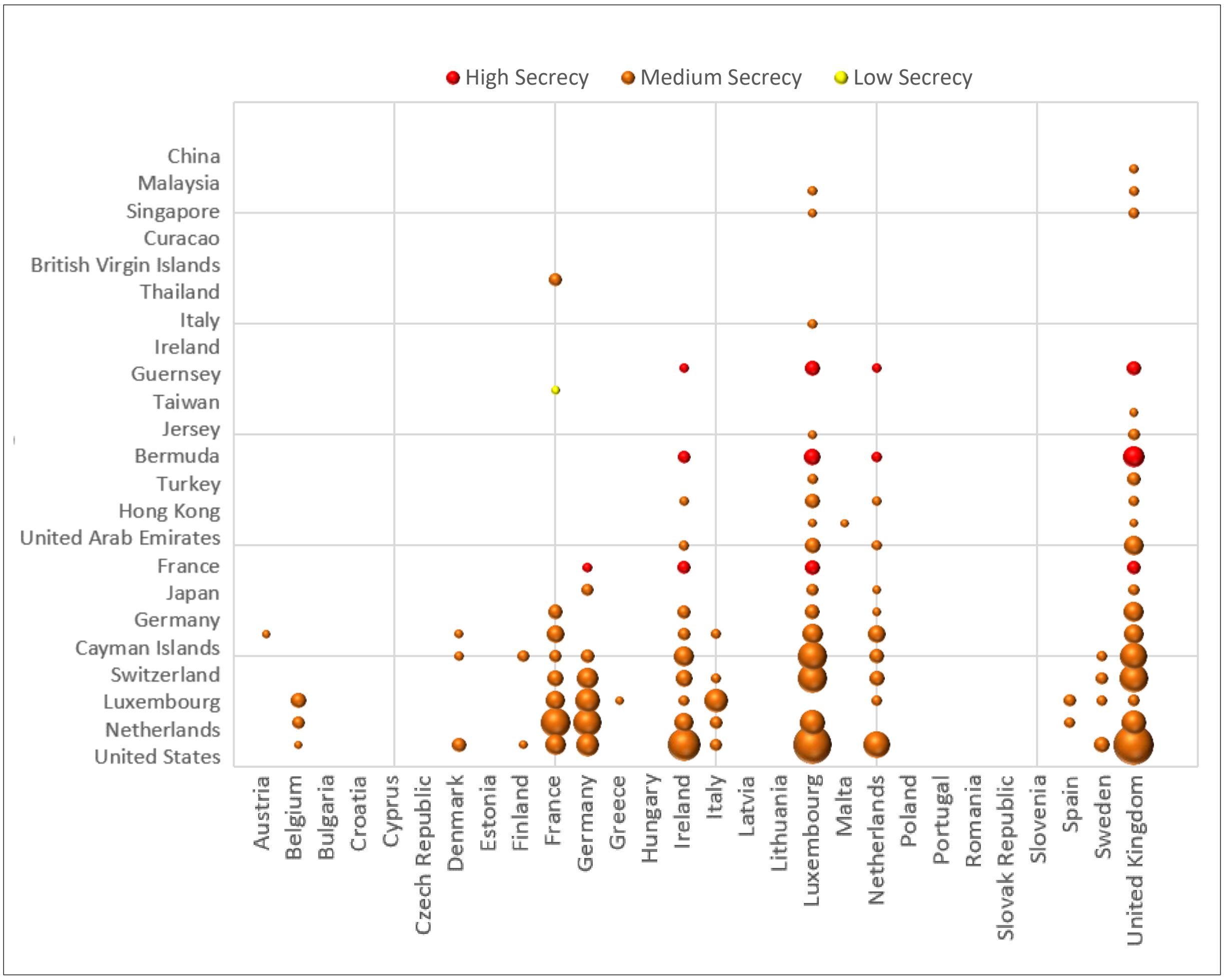
Annex A contains for each EU member state an individual table with their top 15 financial secrecy providers. We also observe considerable heterogeneity in the concentration of the secrecy provided by the top 15 suppliers, ranging from as high as 72 per cent (Romania) or 66 per cent (Greece) to as low as 38 per cent (Luxembourg) and 40 per cent (Germany). The EU average is 50.8 per cent.

The following chart shows the top 100 Bilateral Financial Secrecy Index relationships which are affecting the EU the most. The secrecy jurisdictions most responsible for the top 100 Bilateral Financial Secrecy Index jurisdictions (those on the bottom of the Y axis, eg the US, Netherlands, Luxembourg, Switzerland, Cayman Islands and Germany) coincide with table 1 on the top financial secrecy providers to the EU. Unsurprisingly, the bubbles' colour (most orange and some red) indicate that the top 100 Bilateral Financial Secrecy Index relationships are with jurisdictions that are medium to highly secretive. Given that the Bilateral Financial Secrecy Index value considers the bilateral scale weight[19] and that most secrecy jurisdictions of the top 100 Bilateral Financial Secrecy Index relationships have similar levels of secrecy, the top 100 Bilateral Financial Secrecy Index relationships affect mostly big EU countries such as the UK, Luxembourg, Germany, France and the Netherlands. These countries have many big bubbles. Given the size (in GDP or population of these EU countries), it's understandable that they will be more affected by secrecy jurisdictions, than smaller EU countries (that make overall smaller portfolio investments in the same secrecy jurisdictions).

creating any *current* financial secrecy risk against the EU (because no EU resident has investments in Country Z), this situation may change in the future, so establishing AEOI relationships with many countries creates a deterrent effect. Nevertheless, EU countries should prioritize those countries that are already creating financial secrecy against them.

[19] The bilateral scale weight refers to portfolio investments by residents of EU countries in secrecy jurisdictions, see page 55 (Annex C).

Chart 2. Top 100 Bilateral Index Relationships affecting EU countries (Bubble size = Bilateral Financial Secrecy Index Value)



Source: Authors. The Y axis shows the jurisdictions creating the most financial secrecy against EU countries (when considering each relationship, eg between the US and Luxembourg). Jurisdictions at the bottom of the Y axis are the ones creating the most financial secrecy risk. The X axis has every EU country in alphabetical order.

3.1 EU blacklist and greylist

In the next table, we illustrate the extent of heterogeneity in the origin of financial secrecy by counting the frequency by which secrecy providing jurisdictions are in the top 15 of the 27 EU members. The table lists the 18 jurisdictions that are among the top 15 financial secrecy providers of at least 10 EU countries.

Table 3: EU's top 15 Financial Secrecy Providers for every EU country

Ranking	Jurisdiction	In the top 15 of how many EU countries (min 10, max 27)
1	United States	27
2	Germany	26
3	Luxembourg	26
4	Netherlands	26
5	Switzerland	24
6	Cayman Islands	23
7	France	23
8	Ireland	17
9	United Arab Emirates	16
10	Jersey	14
11	Turkey	14
12	Hong Kong	12
13	Japan	12
14	Austria	11
15	Bermuda	11
16	Romania	11
17	Guernsey	10
18	Italy	10

Source: Authors

This counting further illustrates the lack of focus of the EU's blacklist and greylist, even when only looking at non-EU members. Six jurisdictions (USA, Switzerland, Cayman Islands, UAE, Jersey and Turkey) are among the top 15 secrecy providers of more than half of the EU member states, but are absent from the EU's blacklist. Some are at least included in the greylist, but not the US.

3.2 EU automatic exchange of information

Zooming in on individual countries, it becomes apparent that there are some notable differences in the extent to which EU members have been covering the jurisdictions that are responsible for providing most secrecy to them with automatic exchange of information agreements. The most successful country is Spain, covering 92 per cent of the financial secrecy it faces. On the other hand, apart from Cyprus and Romania (that send information but voluntarily do not receive information from non-EU countries), there are four EU members that cover less than 80 per cent, namely Denmark (77 per cent), Netherlands (78 per cent), Luxembourg (79 per cent) and Sweden (79 per cent). Table 4 (below) provides an overview of each EU member's effectiveness in targeting their automatic exchange of information agreements at the jurisdictions that provide the most financial secrecy to them.

Table 4: Share of financial secrecy suffered by each EU country that is covered by automatic exchange of information (AEOI) relationships

EU Country	Share of financial secrecy affecting the country (BFSI value[20]) covered[21] by AEOI relationships	Number of AEOI relationships
Cyprus	45%	33
Romania	62%	33
Denmark	77%	86
Netherlands	78%	85
Luxembourg	79%	88
Sweden	79%	85
Malta	80%	86
Ireland	80%	88
United Kingdom	81%	88
Austria	82%	80
Germany	83%	87
Italy	84%	88
Finland	84%	88
Hungary	84%	83
Poland	86%	88
Portugal	86%	87
Belgium	87%	86
Slovenia	87%	88
France	87%	88
Lithuania	88%	82
Latvia	88%	88
Bulgaria	88%	87
Estonia	89%	88
Czech Republic	89%	85
Slovak Republic	90%	84
Greece	90%	88
Spain	92%	87

Source: Authors

[20] The Financial Secrecy Index's Indicator 18 refers to automatic exchange of information. We have adjusted the BFSI value by excluding this indicator in order to prevent potential endogeneity of the secrecy score when assessing the relationship between Financial Secrecy Index and AEOI.

[21] Given that Country A may create more financial secrecy affecting EU Country 1 than Country B, establishing AEOI relationships is not only a matter of agreeing to engage in automatic exchange of information with many countries, but rather with the right countries. For example, if EU Country 1 establishes many AEOI relationships with countries that do not create any financial secrecy affecting it (eg because no resident of Country 1 invests money in these countries), then all of these AEOI relationships will be less effective (they will not be fully ineffective, because they would prevent Country 1 residents from exploiting these countries facilities in the future). The Slovak Republic, for instance has fewer AEOI relationships than Luxembourg (84 against 88), but it still manages to cover 90% of the financial secrecy affecting it, compared to Luxembourg's 79%. This may be explained either by the effective targeting (with whom to establish AEOI relationships) or the concentration of

4. Conclusion and policy recommendations

The analysis of financial secrecy risks through the prism of the Bilateral Financial Secrecy Index has illustrated the patterns of financial secrecy affecting the EU, creating risks to EU member states for revenue shortfalls through illicit financial flows in portfolio investments. The following policy recommendations take into account the findings of the Bilateral Financial Secrecy Index analysis.

4.1 Replace the EU's blacklist and greylist with a withholding tax policy

Chapter 2 and 2.1 has discussed why the EU's blacklist is fundamentally flawed, and how it is based on rules and assessments both bent and biased for major powers, targeting mainly lower and middle income countries. One immediate key policy response to this finding should be for the EU to evaluate the effects of blacklisting under the prism of the mandatory pro-poor bias the EU should take in all policy areas, as enshrined in Article 208 of the Lisbon Treaty (Council of the European Union 2012: 186-187).[22]

The biggest concern for the EU, however, should be the United States. Instead of following the OECD approach and criteria (and bias), the EU shouldn't ignore the US and the risks it creates. As this paper shows, the US is the largest provider of financial secrecy affecting the EU, with the US alone being responsible for close to 5 per cent (5520 out of a total Bilateral Financial Secrecy Index value of 117306 that affects the EU). The US is the only country that is among the top 15 financial secrecy providers of all 27 EU countries. And the US currently does not participate in automatic exchange of information. It only provides a trickle of data to some partners under FATCA (Knobel 2016).[23]

Given that the US has not committed to any timeline to ensure full reciprocity in information exchange, the EU needs to act now to address these secrecy risks and to overcome the US's resistance to cooperation. The EU should introduce a withholding tax policy targeting any financial institution that is not engaging fully in automatic exchange of information with EU members, and with other relevant third parties. Similarly to the US FATCA law, the EU should impose a 30 per cent withholding tax on any EU-sourced payments to any financial institution that is not sharing sufficient information with the EU, or with any 'fit and ready'

financial secrecy (eg if few countries create most of the financial secrecy affecting Country 1 compared to Country 2, where the financial secrecy originates in many different countries).

[22] "The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries." (extract from Article 208, see pages 186-187, in: Council of the European Union 2012).

[23] Austria and Bulgaria are the only EU members that chose not to obtain even the trickle of information under FATCA agreements from the US. In the interest of revenue generation and tax fairness, these countries should renounce their "voluntary secrecy" and instead agree to not only send, but also to receive information from the US.

developing country. Tax Justice Network has presented an outline for a withholding tax policy in 2016 (Tax Justice Network 2016).

This withholding tax should come as no surprise to the US, given that the US imposed the very same 30 per cent withholding tax threat against European financial institutions (and banks of every jurisdiction) to incentivize them to exchange all relevant financial account information with the US on an automatic basis. At the very least, the EU should respond with equal penalties against US financial institutions because they have proven to work.

4.2 Require disclosure of public aggregate statistics on golden visas and automatic exchange of information

In contrast to financial secrecy emanating from the US, the financial secrecy from within the EU is at least mitigated by the framework on automatic exchange of information on financial account data, legislated through the EU Directive on automatic exchange of financial account information ("DAC 2"; Council of the EU 2015). Yet, the effectiveness of this regime is at risk because of various gaps and loopholes extant in the rules (Knobel/Meinzer 2014;Meinzer 2017).

Crucially, the availability of various golden visa and residency by investment schemes create opportunities for circumventing the automatic exchange of information regime. These opportunities create particularly high levels of risks for European tax revenues if they are coupled with an incomplete or low personal income tax system in the jurisdiction offering the schemes, as is the case in the EU for Cyprus, Ireland and Malta, and in Monaco among EU's associated territories (Knobel/Heitmüller 2018). This combination of lenient rules entices wealthy individuals both from within and outside of the EU to obtain a (fake) residency in such jurisdictions, while continuing to reside, live and work in their original jurisdiction of residency. These golden visa or fake residency certificates can be abused to open bank accounts elsewhere, pretending to be resident in those "golden visa" jurisdictions (eg Cyprus, Ireland, Malta or Monaco).[24] The

[24] Both Ireland and Malta tax offshore income by non-domiciled residents only when it is remitted to the respective jurisdiction. Therefore, any non-resident from the EU who is interested to engage in offshore tax evasion in their home jurisdiction can access the residency permission in Ireland (by investing at least €1 million) or a citizenship by investment in Malta to then mislead their offshore bank in or outside the EU to sending the information to these "fake residency" jurisdictions. For details, see Knobel/Heitmüller 2018 and https://www.financialsecrecyindex.com/database/Ireland.xml#b65; and https://www.financialsecrecyindex.com/database/Malta.xml#b65; 19.9.2018. A similar situation applies with respect to Monaco, which has no personal income tax whatsoever. While Cyprus does levy a personal income tax, it generally does not tax capital gains, except from income from the disposable of immovable property. Nonetheless, the non-reception of information from outside of EU makes it a perfect gateway for offshore tax evasion for EU residents. As long as EU residents keep their offshore bank account outside of the EU/related territories, the information exchange under AEOI would not arrive in Cyprus. Therefore, Cyprus could not enforce its personal income taxation. See https://www.financialsecrecyindex.com/database/Cyprus.xml#b65; 19.9.2018.

information exchange will in such a case be ineffective, as the account data would arrive in the wrong jurisdiction (eg Ireland, Malta or Monaco), where this income might be exempt from personal income or capital gains taxation.

Among the three EU member states (Cyprus, Ireland and Malta) which offer the combination of lenient residency/citizenship rules and incomplete personal income taxation, Cyprus is creating particularly high risks. This is because Cyprus rejects to obtain any information collected on its residents from Common Reporting Standard exchange partners, by opting for voluntary secrecy under Annex A in OECD's automatic exchange of information system. These Annex A jurisdictions are known to be notorious tax havens which have no interest in obtaining offshore account information on their residents. By choosing this option, Cyprus is clearly pursuing a tax haven strategy, exposing European tax revenues from wealthy individuals to a high risk of erosion. Anybody obtaining a passport through Cyprus' citizenship by investment scheme can evade taxes on their offshore wealth in their original home jurisdictions (and in Cyprus) by opening a bank account outside the European Union, registering as a (tax) resident of Cyprus.

Most importantly, the lack of public statistical disclosure exacerbates the risks stemming from this and other loopholes. The only way to ensure that the rules on automatic exchange of information are enforced properly is through the publication of statistics. Tax Justice Network prepared in 2017 a template and guide (Knobel/Meinzer 2017) that can be used to publicise at an aggregate level the statistics needed to verify the amount of information being exchanged and detect tax avoidance schemes, without breaching individuals' confidentiality or privacy. Australia[25] has already committed to publish these statistics on automatic exchange of information.

These statistics on the automatic exchange mechanism should be complemented with public statistics on the golden visa and residency by investment regimes of at least the four jurisdictions creating the highest risk inside the EU and associated territories. These statistics should include details of the previous and current residencies, as well as citizenships of those individuals obtaining golden visas or residencies by investment. The EU should legislate furthermore the mandatory exchange of these individual's identities with administrations of all previous and current residency and citizenship jurisdictions.

4.3 Improve targeting of automatic exchange of information partners

The percentage of financial secrecy covered by automatic exchange of information treaties varies among EU members, ranging from 92 per cent (Spain) to 45 per cent (Cyprus). While the case of Cyprus is a special case (and

[25] https://www.taxjustice.net/2016/02/24/15031/; 6.9.2018.

discussed above), the coverage of some EU members could be improved by individual administrations using the Bilateral Financial Secrecy Index analysis to assess their negotiation priorities. Annex A provides a table for each EU member state that details the member state's top 15 secrecy providers. Secrecy providers highlighted in red are currently not signed up to an automatic exchange of information treaty with the receiving EU member state and should therefore become a priority for negotiating agreements.

EU members have been unsuccessful in securing automatic exchange of information agreements with some of the greatest suppliers of financial secrecy to the EU. Beyond the United States (discussed above), Turkey and Taiwan provide substantial unmitigated financial secrecy to the EU. For those secrecy providers ranging at the top, a joint negotiation position by the EU might be an option to consider.

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ANNEX A: Top 15 financial secrecy providers for each of the EU countries

The Bilateral Financial Secrecy Index is available for download as an excel file here.

Austria

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Germany	208.97	4.3%	Yes	
2	Netherlands	202.61	4.1%	Yes	
3	United States	185.99	3.8%	No	
4	Luxembourg	182.85	3.7%	Yes	
5	Switzerland	182.47	3.7%	Yes	G
6	Liechtenstein	163.49	3.3%	Yes	G
7	Cayman Islands	140.88	2.9%	Yes	G
8	United Arab Emirates	114.01	2.3%	Yes	G
9	France	112.32	2.3%	Yes	
10	Turkey	97.02	2.0%	No	G
11	Poland	90.10	1.8%	Yes	
12	Jersey	89.74	1.8%	Yes	G
13	Italy	88.63	1.8%	Yes	
14	Romania	86.75	1.8%	Yes	
15	Ireland	84.17	1.7%	Yes	
Top 15 financial secrecy providers		**2,030**			
Worldwide financial secrecy affecting this country		**4,887**			
Share of Top 15 of worldwide financial secrecy affecting this country		**41.5%**			

Belgium

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Luxembourg	308.95	6.3%	Yes	
2	Netherlands	271.83	5.5%	Yes	
3	United States	205.52	4.2%	No	
4	Germany	201.44	4.1%	Yes	
5	Switzerland	182.95	3.7%	Yes	G
6	France	179.67	3.7%	Yes	
7	United Arab Emirates	127.90	2.6%	Yes	G
8	Cayman Islands	122.77	2.5%	Yes	G
9	Ireland	119.37	2.4%	Yes	
10	Curacao	110.74	2.3%	Yes	G
11	Bermuda	106.90	2.2%	Yes	G
12	Italy	102.64	2.1%	Yes	
13	Austria	101.26	2.1%	Yes	
14	Spain	91.49	1.9%	Yes	
15	Jersey	85.94	1.8%	Yes	
Top 15 financial secrecy providers		**2,319**			
Worldwide financial secrecy affecting this country		**4,910**			
Share of Top 15 of worldwide financial secrecy affecting this country		**47.2%**			

Bulgaria

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Netherlands	52.13	5.6%	Yes	
2	Germany	50.31	5.4%	Yes	
3	Romania	49.68	5.3%	Yes	
4	United States	47.31	5.0%	No	
5	Turkey	44.17	4.7%	No	G
6	Luxembourg	44.06	4.7%	Yes	
7	Croatia	32.86	3.5%	Yes	
8	Hungary	32.41	3.5%	Yes	
9	Czech Republic	30.64	3.3%	Yes	
10	France	28.67	3.1%	Yes	
11	Poland	28.39	3.0%	Yes	
12	United Arab Emirates	26.31	2.8%	Yes	G
13	Austria	24.14	2.6%	Yes	
14	Ireland	23.86	2.5%	Yes	
15	Switzerland	21.33	2.3%	Yes	G
Top 15 financial secrecy providers		**536.3**			
Worldwide financial secrecy affecting this country		**938.7**			
Share of Top 15 of worldwide financial secrecy affecting this country		**57.1%**			

Cyprus

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Russia	97.54	7.1%	No	
2	Luxembourg	64.93	4.7%	Yes	
3	Netherlands	57.09	4.2%	Yes	
4	Greece	51.14	3.7%	Yes	
5	United States	48.57	3.5%	No	
6	Bermuda	46.62	3.4%	No	G
7	Germany	43.49	3.2%	Yes	
8	Lebanon	40.75	3.0%	No	
9	Ireland	39.40	2.9%	Yes	
10	Ukraine	38.70	2.8%	No	
11	Switzerland	38.05	2.8%	Yes	G
12	Bahrain	36.86	2.7%	No	G
13	France	34.93	2.6%	Yes	
14	United Arab Emirates	34.73	2.5%	No	G
15	Austria	31.95	2.3%	Yes	
Top 15 financial secrecy providers		**704.7**			
Worldwide financial secrecy affecting this country		**1,369**			
Share of Top 15 of worldwide financial secrecy affecting this country		**51.4%**			

Czech Republic

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Netherlands	92.56	5.5%	Yes	
2	Luxembourg	88.58	5.2%	Yes	
3	United States	79.60	4.7%	No	
4	Austria	72.82	4.3%	Yes	
5	Slovak Republic	63.85	3.8%	Yes	
6	Poland	59.24	3.5%	Yes	
7	Romania	57.90	3.4%	Yes	
8	Switzerland	54.06	3.2%	Yes	G
9	Germany	53.86	3.2%	Yes	
10	Turkey	53.80	3.2%	No	G
11	Curacao	50.20	3.0%	Yes	G
12	Mauritius	46.05	2.7%	Yes	G
13	Russia	42.54	2.5%	Yes	
14	France	41.22	2.4%	Yes	
15	Bermuda	40.82	2.4%	Yes	G
Top 15 financial secrecy providers		**897.1**			
Worldwide financial secrecy affecting this country		**1,687**			
Share of Top 15 of worldwide financial secrecy affecting this country		**53.2%**			

Denmark

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	United States	295.34	5.0%	No	
2	Cayman Islands	226.41	3.8%	Yes	G
3	Germany	214.24	3.6%	Yes	
4	Switzerland	200.56	3.4%	Yes	G
5	Netherlands	179.41	3.0%	Yes	
6	Luxembourg	163.22	2.7%	Yes	
7	Taiwan	137.39	2.3%	No	G
8	Guernsey	136.52	2.3%	Yes	G
9	Thailand	133.85	2.3%	No	G
10	Japan	133.77	2.3%	Yes	
11	Bermuda	128.01	2.2%	Yes	G
12	Hong Kong	125.67	2.1%	Yes	G
13	Jersey	106.52	1.8%	Yes	G
14	Turkey	102.53	1.7%	No	G
15	Malaysia	100.35	1.7%	Yes	G
Top 15 financial secrecy providers		**2,384**			
Worldwide financial secrecy affecting this country		**5,937**			
Share of Top 15 of worldwide financial secrecy affecting this country		**40%**			

Estonia

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Luxembourg	70.54	6.8%	Yes	
2	Netherlands	56.58	5.5%	Yes	
3	United States	42.41	4.1%	No	
4	Germany	42.20	4.1%	Yes	
5	Turkey	33.44	3.2%	No	G
6	Ireland	32.64	3.2%	Yes	
7	Cayman Islands	31.17	3.0%	Yes	G
8	Finland	30.90	3.0%	Yes	
9	Switzerland	30.19	2.9%	Yes	G
10	Latvia	29.85	2.9%	Yes	
11	Romania	29.33	2.8%	Yes	
12	France	27.31	2.6%	Yes	
13	Russia	25.31	2.4%	Yes	
14	British Virgin Islands	21.49	2.1%	Yes	G
15	Poland	21.00	2.0%	Yes	
Top 15 financial secrecy providers		**524**			
Worldwide financial secrecy affecting this country		**1,034**			
Share of Top 15 of worldwide financial secrecy affecting this country		**51%**			

Finland

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Cayman Islands	257.43	6.0%	Yes	G
2	United States	213.58	5.0%	No	
3	Netherlands	189.71	4.4%	Yes	
4	Luxembourg	175.17	4.1%	Yes	
5	Switzerland	167.40	3.9%	Yes	G
6	Germany	165.00	3.8%	Yes	
7	Guernsey	143.02	3.3%	Yes	G
8	Ireland	118.27	2.7%	Yes	
9	Denmark	109.76	2.5%	Yes	
10	France	102.53	2.4%	Yes	
11	Japan	94.42	2.2%	Yes	
12	Jersey	93.11	2.2%	Yes	G
13	Bermuda	91.98	2.1%	Yes	G
14	British Virgin Islands	79.63	1.8%	Yes	G
15	United Arab Emirates	79.50	1.8%	Yes	G
Top 15 financial secrecy providers		**2,080**			
Worldwide financial secrecy affecting this country		**4,310**			
Share of Top 15 of worldwide financial secrecy affecting this country		**48.3%**			

France

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Netherlands	489.42	5.6%	Yes	
2	United States	380.09	4.4%	No	
3	Luxembourg	366.26	4.2%	Yes	
4	Germany	343.19	4.0%	Yes	
5	Switzerland	325.49	3.8%	Yes	G
6	Japan	299.88	3.5%	Yes	
7	Curacao	277.84	3.2%	Yes	G
8	Cayman Islands	267.17	3.1%	Yes	G
9	Italy	210.81	2.4%	Yes	
10	United Arab Emirates	178.94	2.1%	Yes	G
11	Jersey	177.38	2.0%	Yes	G
12	Spain	174.02	2.0%	Yes	
13	Ireland	173.27	2.0%	Yes	
14	Hong Kong	172.63	2.0%	Yes	G
15	Saudi Arabia	165.48	1.9%	Yes	
Top 15 financial secrecy providers		**4,001**			
Worldwide financial secrecy affecting this country		**8,673**			
Share of Top 15 of worldwide financial secrecy affecting this country		**46.1%**			

Germany

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Netherlands	469.37	4.7%	Yes	
2	Luxembourg	434.77	4.4%	Yes	
3	United States	415.18	4.2%	No	
4	Switzerland	394.01	4.0%	Yes	G
5	Cayman Islands	283.52	2.9%	Yes	G
6	France	266.37	2.7%	Yes	
7	United Arab Emirates	231.92	2.3%	Yes	G
8	Guernsey	192.51	1.9%	Yes	G
9	Japan	188.94	1.9%	Yes	
10	Austria	187.71	1.9%	Yes	
11	Italy	186.86	1.9%	Yes	
12	Ireland	182.11	1.8%	Yes	
13	Thailand	180.63	1.8%	No	G
14	Hong Kong	171.04	1.7%	Yes	G
15	Jersey	168.68	1.7%	Yes	G
Top 15 financial secrecy providers		**3,953**			
Worldwide financial secrecy affecting this country		**9,911**			
Share of Top 15 of worldwide financial secrecy affecting this country		**39.9%**			

Greece

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Luxembourg	214.57	13.7%	Yes	
2	Turkey	88.30	5.6%	No	G
3	Netherlands	84.03	5.4%	Yes	
4	Italy	74.35	4.7%	Yes	
5	Switzerland	66.09	4.2%	Yes	G
6	United States	61.42	3.9%	No	
7	Germany	61.26	3.9%	Yes	
8	Spain	61.21	3.9%	Yes	
9	United Kingdom	54.92	3.5%	Yes	
10	Cayman Islands	51.08	3.3%	Yes	G
11	France	50.50	3.2%	Yes	
12	Portugal	46.25	3.0%	Yes	
13	Ireland	41.78	2.7%	Yes	
14	Romania	40.10	2.6%	Yes	
15	Guernsey	34.06	2.2%	Yes	G
Top 15 financial secrecy providers		**1,029**			
Worldwide financial secrecy affecting this country		**1,565**			
Share of Top 15 of worldwide financial secrecy affecting this country		**65.8%**			

Hungary

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Luxembourg	82.81	7.0%	Yes	
2	United States	63.74	5.4%	No	
3	Jersey	59.85	5.1%	Yes	G
4	Curacao	46.92	4.0%	Yes	G
5	Turkey	44.66	3.8%	No	G
6	Germany	44.31	3.8%	Yes	
7	Austria	38.41	3.3%	Yes	
8	Russia	37.01	3.1%	Yes	
9	Netherlands	36.50	3.1%	Yes	
10	Switzerland	35.39	3.0%	Yes	G
11	Romania	34.39	2.9%	Yes	
12	Cayman Islands	34.09	2.9%	Yes	G
13	Poland	31.41	2.7%	Yes	
14	Bahamas	28.94	2.4%	No	G
15	Ireland	26.07	2.2%	Yes	
Top 15 financial secrecy providers		**644.5**			
Worldwide financial secrecy affecting this country		**1,181**			
Share of Top 15 of worldwide financial secrecy affecting this country		**54.5%**			

Ireland

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	United States	521.55	5.2%	No	
2	Cayman Islands	377.44	3.8%	Yes	G
3	Netherlands	362.81	3.6%	Yes	
4	Switzerland	331.25	3.3%	Yes	G
5	Japan	288.14	2.9%	Yes	
6	United Arab Emirates	278.88	2.8%	Yes	G
7	Taiwan	273.80	2.7%	No	G
8	Germany	273.25	2.7%	Yes	
9	Luxembourg	244.32	2.4%	Yes	
10	Hong Kong	234.87	2.3%	Yes	G
11	Bermuda	226.61	2.3%	Yes	G
12	Thailand	224.20	2.2%	No	G
13	Singapore	204.33	2.0%	Yes	
14	France	203.13	2.0%	Yes	
15	Malaysia	176.60	1.8%	Yes	G
Top 15 financial secrecy providers		**1,001**			
Worldwide financial secrecy affecting this country		**4,221**			
Share of Top 15 of worldwide financial secrecy affecting this country		**42.2%**			

Italy

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Luxembourg	420.08	6.7%	Yes	
2	Netherlands	277.45	4.5%	Yes	
3	United States	265.84	4.3%	No	
4	Germany	235.68	3.8%	Yes	
5	Switzerland	232.56	3.7%	Yes	G
6	France	195.35	3.1%	Yes	
7	Ireland	161.70	2.6%	Yes	
8	Cayman Islands	160.80	2.6%	Yes	G
9	Spain	127.85	2.1%	Yes	
10	Jersey	118.54	1.9%	Yes	G
11	United Arab Emirates	117.40	1.9%	Yes	G
12	Japan	108.34	1.7%	Yes	
13	Austria	107.33	1.7%	Yes	
14	Curacao	102.64	1.6%	Yes	G
15	Guernsey	100.72	1.6%	Yes	G
Top 15 financial secrecy providers		**2,732**			
Worldwide financial secrecy affecting this country		**6,227**			
Share of Top 15 of worldwide financial secrecy affecting this country		**43.9%**			

Latvia

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	United States	80.35	6.1%	No	
2	Luxembourg	74.36	5.6%	Yes	
3	Netherlands	64.21	4.8%	Yes	
4	Germany	57.46	4.3%	Yes	
5	Cayman Islands	37.64	2.8%	Yes	G
6	Guernsey	34.82	2.6%	Yes	G
7	France	34.75	2.6%	Yes	
8	British Virgin Islands	34.51	2.6%	Yes	G
9	Turkey	33.04	2.5%	No	G
10	Ireland	32.14	2.4%	Yes	
11	Canada	30.42	2.3%	Yes	
12	Hong Kong	29.73	2.2%	Yes	G
13	Russia	29.20	2.2%	Yes	
14	Singapore	27.99	2.1%	Yes	
15	Romania	27.54	2.1%	Yes	
Top 15 financial secrecy providers		**628.2**			
Worldwide financial secrecy affecting this country		**1,326**			
Share of Top 15 of worldwide financial secrecy affecting this country		**47.4%**			

Lithuania

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Luxembourg	55.95	5.7%	Yes	
2	Netherlands	47.77	4.9%	Yes	
3	Germany	38.67	4.0%	Yes	
4	Ireland	36.24	3.7%	Yes	
5	Romania	34.44	3.5%	Yes	
6	Latvia	31.71	3.3%	Yes	
7	United States	30.33	3.1%	No	
8	France	28.69	2.9%	Yes	
9	China	28.62	2.9%	Yes	
10	Turkey	26.95	2.8%	No	G
11	United Arab Emirates	26.55	2.7%	No	G
12	Poland	23.73	2.4%	Yes	
13	Estonia	19.53	2.0%	Yes	
14	Cayman Islands	19.53	2.0%	Yes	G
15	British Virgin Islands	19.09	2.0%	Yes	G
Top 15 financial secrecy providers		**467.8**			
Worldwide financial secrecy affecting this country		**975.1**			
Share of Top 15 of worldwide financial secrecy affecting this country		**48%**			

Luxembourg

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	United States	583.00	4.3%	No	
2	Switzerland	484.33	3.6%	Yes	G
3	Cayman Islands	482.57	3.6%	Yes	G
4	Netherlands	439.53	3.2%	Yes	
5	Germany	381.57	2.8%	Yes	
6	Taiwan	328.91	2.4%	No	G
7	Hong Kong	316.84	2.3%	Yes	G
8	Thailand	309.57	2.3%	No	G
9	United Arab Emirates	308.20	2.3%	Yes	G
10	Bermuda	305.17	2.2%	Yes	G
11	Japan	302.20	2.2%	Yes	
12	France	266.59	2.0%	Yes	
13	Jersey	242.75	1.8%	Yes	G
14	Malaysia	230.63	1.7%	Yes	G
15	British Virgin Islands	227.66	1.7%	Yes	G
Top 15 financial secrecy providers		**5,209**			
Worldwide financial secrecy affecting this country		**13,574**			
Share of Top 15 of worldwide financial secrecy affecting this country		**38.4%**			

Malta

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Turkey	210.95	16.8%	No	G
2	Netherlands	80.31	6.4%	Yes	
3	United States	67.88	5.4%	No	
4	Germany	62.80	5.0%	Yes	
5	Luxembourg	59.12	4.7%	Yes	
6	Cayman Islands	57.95	4.6%	Yes	G
7	Switzerland	55.48	4.4%	Yes	G
8	Bermuda	54.03	4.3%	Yes	G
9	Canada	50.16	4.0%	Yes	
10	France	41.09	3.3%	Yes	
11	Ireland	38.73	3.1%	Yes	
12	Jersey	33.91	2.7%	Yes	G
13	Japan	32.84	2.6%	Yes	
14	British Virgin Islands	32.44	2.6%	Yes	G
15	United Kingdom	29.43	2.3%	Yes	
Top 15 financial secrecy providers		**907.1**			
Worldwide financial secrecy affecting this country		**1,253**			
Share of Top 15 of worldwide financial secrecy affecting this country		**72.4%**			

Netherlands

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	United States	455.93	5.2%	No	
2	Germany	340.55	3.9%	Yes	
3	Switzerland	307.41	3.5%	Yes	G
4	Cayman Islands	300.18	3.4%	Yes	G
5	Luxembourg	245.05	2.8%	Yes	
6	Taiwan	243.86	2.8%	No	G
7	Hong Kong	230.70	2.6%	Yes	G
8	Thailand	226.80	2.6%	No	G
9	Bermuda	226.72	2.6%	Yes	G
10	Japan	216.12	2.5%	Yes	
11	France	213.45	2.4%	Yes	
12	Guernsey	176.77	2.0%	Yes	G
13	United Arab Emirates	175.60	2.0%	Yes	G
14	Malaysia	169.44	1.9%	Yes	G
15	Singapore	166.06	1.9%	Yes	
Top 15 financial secrecy providers		**3,694**			
Worldwide financial secrecy affecting this country		**8,735**			
Share of Top 15 of worldwide financial secrecy affecting this country		**42%**			

Poland

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Luxembourg	121.73	10.0%	Yes	
2	United States	84.95	7.0%	No	
3	Turkey	84.36	6.9%	No	G
4	Netherlands	65.76	5.4%	Yes	
5	Germany	64.31	5.3%	Yes	
6	Switzerland	56.50	4.6%	Yes	G
7	Romania	50.95	4.2%	Yes	
8	France	44.01	3.6%	Yes	
9	Hungary	43.34	3.5%	Yes	
10	Austria	42.27	3.5%	Yes	
11	Czech Republic	37.11	3.0%	Yes	
12	Jersey	34.19	2.8%	Yes	G
13	Sweden	28.95	2.4%	Yes	
14	British Virgin Islands	28.56	2.3%	Yes	G
15	Italy	26.00	2.1%	Yes	
Top 15 financial secrecy providers		**813**			
Worldwide financial secrecy affecting this country		**1,222**			
Share of Top 15 of worldwide financial secrecy affecting this country		**66.5%**			

Portugal

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Netherlands	165.92	6.9%	Yes	
2	Cayman Islands	161.32	6.8%	Yes	G
3	Germany	139.76	5.9%	Yes	
4	Luxembourg	139.39	5.8%	Yes	
5	United States	112.17	4.7%	No	
6	Italy	83.97	3.5%	Yes	
7	France	83.51	3.5%	Yes	
8	Spain	80.61	3.4%	Yes	
9	Switzerland	76.20	3.2%	Yes	G
10	Ireland	76.00	3.2%	Yes	
11	Bermuda	59.48	2.5%	Yes	G
12	Macao	59.05	2.5%	No	G
13	Hong Kong	58.48	2.4%	No	G
14	Greece	55.05	2.3%	Yes	
15	British Virgin Islands	51.65	2.2%	Yes	G
Top 15 financial secrecy providers		**1,402**			
Worldwide financial secrecy affecting this country		**2,387**			
Share of Top 15 of worldwide financial secrecy affecting this country		**58.7%**			

Romania

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Turkey	61.42	10.3%	No	G
2	Luxembourg	46.44	7.8%	Yes	
3	Netherlands	43.74	7.3%	Yes	
4	Austria	37.23	6.2%	Yes	
5	United States	34.08	5.7%	No	
6	Guernsey	32.24	5.4%	No	G
7	Germany	30.95	5.2%	Yes	
8	Cayman Islands	25.23	4.2%	No	G
9	Hungary	22.32	3.7%	Yes	
10	Croatia	19.77	3.3%	Yes	
11	Switzerland	17.34	2.9%	Yes	G
12	Ireland	17.11	2.9%	Yes	
13	Portugal	15.80	2.6%	Yes	
14	Jersey	14.93	2.5%	No	G
15	France	13.54	2.3%	Yes	
Top 15 financial secrecy providers		**432**			
Worldwide financial secrecy affecting this country		**596**			
Share of Top 15 of worldwide financial secrecy affecting this country		**72.4%**			

Slovak Republic

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Netherlands	82.01	5.3%	Yes	
2	Germany	69.63	4.5%	Yes	
3	Guernsey	57.44	3.7%	Yes	G
4	United States	56.90	3.7%	No	
5	Poland	52.44	3.4%	Yes	
6	United Arab Emirates	51.56	3.4%	Yes	G
7	Luxembourg	47.17	3.1%	Yes	
8	Austria	46.89	3.1%	Yes	
9	Romania	44.32	2.9%	Yes	
10	Czech Republic	43.50	2.8%	Yes	
11	France	42.47	2.8%	Yes	
12	Canada	41.77	2.7%	Yes	
13	Italy	41.11	2.7%	Yes	
14	Turkey	38.78	2.5%	No	G
15	Cayman Islands	34.65	2.3%	Yes	G
Top 15 financial secrecy providers		**750.6**			
Worldwide financial secrecy affecting this country		**1,533**			
Share of Top 15 of worldwide financial secrecy affecting this country		**48.9%**			

Slovenia

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Netherlands	81.81	5.2%	Yes	
2	Germany	70.80	4.5%	Yes	
3	United States	69.51	4.5%	No	
4	Switzerland	54.68	3.5%	Yes	G
5	Luxembourg	50.96	3.3%	Yes	
6	France	45.83	2.9%	Yes	
7	Austria	41.04	2.6%	Yes	
8	Romania	37.30	2.4%	Yes	
9	Taiwan	37.06	2.4%	No	G
10	Italy	36.21	2.3%	Yes	
11	Curacao	33.81	2.2%	Yes	G
12	Cayman Islands	33.30	2.1%	Yes	G
13	Hong Kong	33.19	2.1%	Yes	G
14	Poland	32.96	2.1%	Yes	
15	Turkey	31.78	2.0%	No	G
Top 15 financial secrecy providers		**690.2**			
Worldwide financial secrecy affecting this country		**1,559**			
Share of Top 15 of worldwide financial secrecy affecting this country		**44.2%**			

tax justice network

Spain

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	Luxembourg	269.44	7.7%	Yes	
2	Netherlands	242.45	7.0%	Yes	
3	United States	200.03	5.8%	No	
4	Switzerland	194.60	5.6%	Yes	G
5	Germany	166.70	4.8%	Yes	
6	Italy	151.45	4.4%	Yes	
7	France	137.02	3.9%	Yes	
8	Cayman Islands	123.93	3.6%	Yes	G
9	Portugal	117.26	3.4%	Yes	
10	Ireland	115.10	3.3%	Yes	
11	Hong Kong	99.54	2.9%	Yes	G
12	Jersey	98.43	2.8%	Yes	G
13	United Arab Emirates	96.48	2.8%	Yes	G
14	Curacao	90.11	2.6%	Yes	G
15	Japan	87.61	2.5%	Yes	
Top 15 financial secrecy providers		**2,190**			
Worldwide financial secrecy affecting this country		**3,478**			
Share of Top 15 of worldwide financial secrecy affecting this country		**63%**			

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%**			

UK

Rank	Jurisdiction	BFSI Value	Percentage of total financial secrecy faced by country?	Covered by AEOI relationship?	EU black or grey list?
1	United States	600.19	4.8%	No	
2	Switzerland	477.66	3.8%	Yes	G
3	Cayman Islands	461.48	3.7%	Yes	G
4	Netherlands	431.49	3.5%	Yes	
5	Taiwan	393.26	3.2%	No	G
6	Japan	374.73	3.0%	Yes	
7	Hong Kong	370.02	3.0%	Yes	G
8	Germany	369.53	3.0%	Yes	
9	Thailand	296.81	2.4%	No	G
10	Jersey	286.43	2.3%	Yes	G
11	United Arab Emirates	285.59	2.3%	Yes	G
12	Guernsey	262.92	2.1%	Yes	G
13	Luxembourg	258.43	2.1%	Yes	
14	France	251.47	2.0%	Yes	
15	Singapore	247.49	2.0%	Yes	
Top 15 financial secrecy providers		**5,367**			
Worldwide financial secrecy affecting this country		**12,426**			
Share of Top 15 of worldwide financial secrecy affecting this country		**45%**			

ANNEX B: 59 jurisdictions that provide financial secrecy to at least one EU member state, and which remain uncovered by automatic exchange of information (AEOI) relationships

Rank	Jurisdiction	(1) BFSI[26] affecting the EU uncovered by AEOI	(2) Share of BFSI affecting the EU uncovered by AEOI (out of total BFSI affecting the EU, regardless if covered by AEOI or not)	(3) Number of BFSI relationships with EU countries uncovered by AEOI	(4) Percentage of BFSI relationships uncovered by AEOI (out of total BFSI relationships with EU countries)
1	United States	4,955	100%	27	100%
2	Turkey	2,312	100%	27	100%
3	Taiwan	2,096	100%	17	100%
4	Thailand	1,855	100%	17	100%
5	Philippines	1,083	100%	18	100%
6	Israel	1,011	100%	25	100%
7	Kenya	825	100%	14	100%
8	Venezuela	798	100%	24	100%
9	Ukraine	697	100%	21	100%
10	Liberia	694	100%	15	100%
11	Paraguay	678	100%	11	100%
12	Marshall Islands	667	100%	19	100%
13	Dominican Republic	661	100%	13	100%
14	Hong Kong	418	18.2%	7	29%
15	Ghana	400	100%	13	100%
16	Guatemala	342	100%	10	100%
17	Bolivia	302	100%	9	100%
18	Tanzania	273	100%	10	100%
19	Montenegro	248	100%	20	100%
20	Macedonia	235	100%	17	100%
21	Puerto Rico	229	100%	9	100%
22	Macao	215	100%	7	100%
23	Trinidad and Tobago	203	100%	9	100%
24	Botswana	140	100%	7	100%
25	Curacao	130	7.3%	2	8%

[26] BFSI excluding indicator 18 on automatic exchange of information (see footnote 8).

26	US Virgin Islands	124	100%	8	100%
27	Russia	103	6.5%	2	8%
28	Antigua and Barbuda	90	100%	5	100%
29	Bahamas	89	8.8%	3	18%
30	Iceland	88	12.3%	3	12%
31	Guernsey	66	2.6%	2	7%
32	Cayman Islands	63	1.4%	2	8%
33	United Arab Emirates	62	2.4%	2	8%
34	Bermuda	61	2.4%	2	8%
35	Brunei	54	100%	1	100%
36	Panama	51	4.3%	4	21%
37	Lebanon	40	6.9%	1	8%
38	Jersey	38	1.5%	2	7%
39	Bahrain	37	6.4%	1	8%
40	Canada	36	2.0%	2	7%
41	Gambia	33	100%	1	100%
42	Norway	32	2.1%	2	7%
43	Isle of Man	30	4.4%	2	9%
44	Costa Rica	28	5.0%	1	7%
45	Mauritius	27	2.7%	1	7%
46	Australia	23	1.5%	2	8%
47	South Korea	22	1.3%	2	7%
48	British Virgin Islands	22	1.2%	2	7%
49	Seychelles	20	7.7%	1	9%
50	Brazil	19	2.1%	3	11%
51	Dominica	19	100%	1	100%
52	Japan	18	0.6%	2	8%
53	India	17	1.7%	1	5%
54	Singapore	16	1.0%	1	4%
55	South Africa	14	1.3%	1	4%
56	China	12	0.8%	2	8%
57	Chile	10	1.1%	1	4%
58	Mexico	8	0.5%	1	4%
59	Indonesia	7	0.6%	1	5%

ANNEX C: Methodological Guide - The Financial Secrecy Index and the Bilateral Financial Secrecy Index

Levels of secrecy

Individuals and entities may exploit different secrecy levels or strategies to engage in illicit financial flows.

Firstly, actors may try to hide their identity so that no one (neither authorities nor the media) will find out who they are. They could achieve this secrecy by never operating under their own name, but rather engaging in business or owning assets through layers of secretive legal vehicles (e.g. companies, trusts, partnerships) or by using nominees (also called front or straw men). A more subtle strategy is to also fake the person's residence (to add another obstacle when trying to identify someone). This may be accomplished via tax havens that offer golden visas (the possibility to acquire a residency or citizenship in exchange for an investment, without needing to actually move to a different country).

Second, actors may try to hide their assets or income so that they don't need to pay taxes on them, and to avoid investigations on how they got those assets in the first place (eg if they were acquired through a bribe or from drug trafficking). Ways to achieve such secrecy would involve acquiring assets that do not need registration (eg art, gold, jewelry) or storing them in facilities that will protect secrecy (eg safe deposit boxes or storages in a freeport). While it may be not infallible in theory, secrecy may also be achieved in practice by abusing institutions with poor recording or centralization of information, such as some real estate registries or banks that fail to comply with anti-money laundering procedures and thus fail to identify all the real owners of the bank account.

Third, actors may attempt to hide or at least disfigure the transactions that they engage in by exploiting the previous strategies (eg using secretive legal vehicles and assets that do not need registration, such as cash). The most clear example of this happens in money laundering, where several transactions will likely be needed to give ill-gotten money the appearance of a legitimate origin (eg a person sets up a company that runs a restaurant or hotel and records fake transactions with non-existing customers to justify how they got US$1 million, that were actually obtained through selling drugs).

A less known example refers to tax avoidance by multinationals, whose legality is usually questioned but many times hard to prove in court (thanks to the OECD-promoted arm's length principle that enables multinationals to engage in accounting and tax shenanigans). Unlike money laundering, tax avoidance involves a legal origin of the money (eg the sale of goods and services). However, the multinational's accounting is abused to shift profits to tax havens where the income will not be taxed (or where it will be taxed at a much lower rate than if the income had been registered in the country where activities and the added value actually took place). Multinationals achieve this profit shifting by manipulating transfer pricing, exploiting unilateral tax relief rules offered by different countries (eg to exempt foreign income), engaging in treaty shopping (setting up shell companies with no real activity in a specific country to benefit from the tax treaties offered by that country), and, among other things, by signing secret tax agreements with tax haven's authorities (eg Lux leaks). While many of these tax rules are known and were created deliberately in a race to the bottom among jurisdictions to enable multinationals to avoid taxes, multinationals don't want to be as open about their "tax minimization" schemes. For this reason, both multinationals and many countries (pushed by the OECD) refuse to publish multinational's country by country reports. These country by country reports offer data as to where multinationals operate (how many employees they have in each country, how much money they make in sales in each country) and where they actually pay taxes, if at all. Tax avoidance strategies would be unmasked, for example if a multinational has many employees and sales in jurisdiction X but it does not pay any taxes there, while all the profit is booked in jurisdiction T, with very few employees.

All of these secrecy strategies, and especially the last one for money laundering and tax avoidance, usually involve many different countries. This way, actors who engage in Illicit financial flows may enjoy both the different secrecy facilities offered by each jurisdiction, as well as the lack of exchange of information or international cooperation among those countries. Such cooperation would be needed to put together the data available in each jurisdiction and thus be able to understand the big picture of how an individual or company is involved in Illicit financial flows.

The Financial Secrecy Index

The Tax Justice Network's Financial Secrecy Index assesses more than 110 jurisdictions on their offer of the secrecy facilities mentioned above. The Financial Secrecy Index's "Secrecy Score" is composed of 20 indicators that cover all of these secrecy levels or strategies: banking secrecy, trusts and foundations register, recorded company ownership, other wealth ownership, limited partnership transparency, public company ownership, public company accounts, country by country reporting, corporate tax disclosure, legal entity identifier, tax administration capacity, consistent personal income tax, avoids promoting tax evasion, tax court secrecy, harmful structures, public statistics, anti-money laundering, automatic information exchange, bilateral treaties and international legal cooperation.

The “Secrecy Score” of any jurisdiction is the average of the secrecy obtained in each of the 20 indicators, with values ranging between 0 (full transparency) and 1 (full secrecy).

The Secrecy Score involves an analysis of the legal framework of each jurisdiction: their laws, regulations and enforcement. However, the Secrecy Score says nothing about whether any individual or company is actually exploiting that secretive legal framework or not.

The Global Scale Weight

In order to consider the actual use by individuals or companies of each jurisdiction’s secretive legal framework, the Financial Secrecy Index adds the Global Scale Weight. This measures each jurisdiction’s market share (percentage) of exports of offshore financial services (financial services offered to non-residents).

If for example the US supplied absolutely all of the financial services acquired in the world (eg to set up a bank account or a company), the US would have a Global Scale Weight of 100 per cent, meaning that people all over the world would *only* go to the US (but not to any other country) for their financial transactions. If two countries supplied all of the financial services in the world in equal terms, each would have a Global Scale Weight of 50 per cent (meaning that people from all countries would acquire financial services from those two countries only). In both examples, all other countries would have a Global Scale Weight of 0 per cent.

The Financial Secrecy Index Value

Suppose that we want to determine which of two countries is a worse tax haven for enabling illicit financial flows in practice through their offer of secretive laws and regulations:

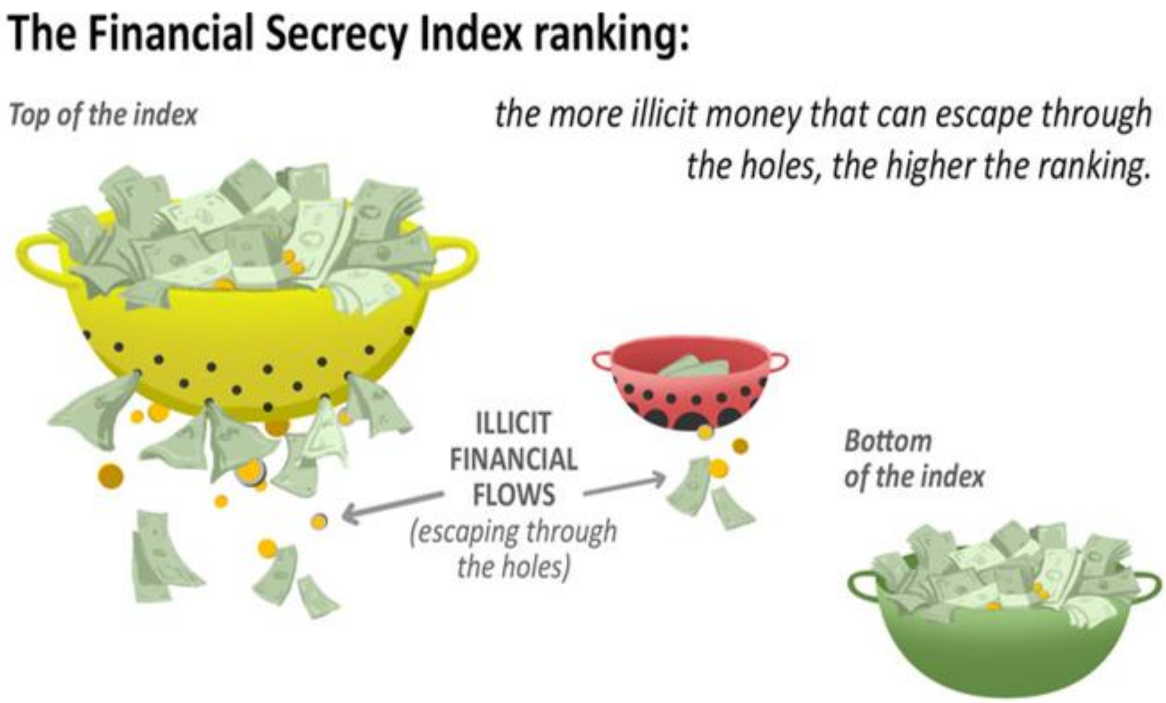
- a jurisdiction with a very high Secrecy Score (eg full banking secrecy) but a low Global Scale Weight (eg only very few people acquire financial services from that country);

or the reverse:

- a country with a very low Secrecy Score (the country is very transparent), but a very high Global Scale Weight (it’s a major financial centre).

The Financial Secrecy Index combines both elements (the Secrecy Score and the Global Scale Weight) to obtain one value, called the Financial Secrecy Index Value. The jurisdiction with the highest "Financial Secrecy Index Value" would be the worst offender. This is how the Financial Secrecy Index ranks jurisdictions.

Graphically, one could think of each jurisdiction represented by a cooking pot. The ranking would be determined by how much money (illicit financial flows) may escape through the cooking pot's holes (ideally, a pot should have no holes, just as a jurisdiction should have no secrecy legal loopholes).



Some countries/cooking pots have a lot of cash (a high Global Scale Weight, representing a major financial centre); while some jurisdictions only have a few coins (a very low Global Scale Weight, hardly any financial service is offered there).

But in addition to how much money (offshore financial services) are offered in each jurisdiction, the question is how easy it is for that money to be involved in illicit financial flows, by escaping through the cooking pot's holes (representing the secrecy "holes" in the laws and regulations of that country).

A jurisdiction with high secrecy would have very big holes like the red colander in the figure. If instead it were fully secretive (Secrecy Score = 1 or 100 per cent), it would be a ring (not a colander let alone a pot): every single coin or cash bill would fall through it, meaning that every single financial service taking place there would likely be related to an illicit financial flow. On the opposite side, if a jurisdiction were fully transparent (Secrecy Score = 0), it wouldn't have any hole (the green colander) so no matter how much money is inside the green pot, nothing would escape because there are no holes. This jurisdiction would be at the bottom, with the lowest Financial Secrecy Index Value, because no financial service offered there would be related to an illicit financial flow.

Apart from those extremes, a jurisdiction (like the yellow colander in the figure) may be a huge financial centre. Given how much financial services are offered there, this jurisdiction may be on the top of the ranking (the highest Financial Secrecy Index Value) even if this jurisdiction doesn't have the biggest holes: there may be jurisdictions with worse secrecy (bigger holes, like the red colander). However, the yellow colander's specific combination of medium secrecy with a huge financial centre may result in a lot of money escaping through the holes. In other words, the bigger the financial centre, the more responsibility to become more transparent to avoid affecting global financial secrecy and illicit financial flows.

Let's explore this concept mathematically. The Financial Secrecy Index Value is obtained by combining (multiplying) the Secrecy Score and the Global Scale Weight, after scaling their values so that they are comparable to each other. In essence, the formula (without the scaling factor) is:

Financial Secrecy Index Value = Secrecy Score * Global Scale Weight

The source of the Global Scale Weight is the US dollar value of the financial services offered to non-residents by each country, as published by the IMF [this value isn't perfect and it doesn't cover all relevant financial services. However, it's the best estimate that is available]. When values for one jurisdiction are not available, they have to be estimated using other sources.

Imagine Country A sells financial services to non-residents worth US$100 million. Is that good or bad? The Financial Secrecy Index will respond: it depends. If Country A's legal framework is fully transparent, the Index will say: it creates no risks. Since Country A offers no secrecy, all the financial services offered (the US$100 million) were likely involved in legal and legitimate activities.

On the other hand, suppose Country A was very secretive, with a Secrecy Score of 0.8 (80 per cent). In that case, the Index will respond: it's very likely (high risk) that 80 per cent of those financial services (USD 80 million) are related to illicit financial flows because they were offered by a country whose laws are mostly (80 per cent) secretive (eg all banks offer banking secrecy, all companies are opaque) and only 20 per cent of the regulations involve transparency (eg maybe the only transparency in that jurisdiction is that tax rulings signed with multinationals have to be published). The Index assumes that financial services offered by jurisdictions with secrecy laws are used for illegitimate reasons, because any individual or company engaging in completely legal and legitimate businesses would have no need for secrecy. This is a conceptual framing to compare jurisdictions with each other, but it cannot be taken literally.

In other words, the Financial Secrecy Index Value could be conceptualized as "the illicit financial flows (potentially) enabled by each jurisdiction in reality, through the secrecy they offer".

If Country A had perfect transparency, its Secrecy Score would equal 0 (the green colander). Anything multiplied by 0 is 0, so the Financial Secrecy Index Value of Country A would be 0. In other words, no matter how much financial services are offered there, the value of illicit financial flows enabled through Country A would be 0. If illicit financial flows are 0, that means that all financial services actually offered there, eg US$100 million, were involved in transparent activities (thus considered legal and legitimate).

If Country B had full secrecy (Secrecy Score = 1 or 100 per cent), but no financial service is offered there (Global Scale Weight = 0), then the Financial Secrecy Index Value will also be 0.

As of 2018, however, all countries lie somewhere within the spectrum between full secrecy and full transparency: no country achieves either extreme, all are concentrated between 40 per cent and 89 per cent secrecy, which is very far from an ideal transparent world (0 per cent secrecy). Likewise, all countries offer some offshore financial services, although a few countries have exponentially larger financial centres than others.

The 2018 edition of the Financial Secrecy Index has the following top ten worst offenders:

Rank	**Jurisdiction**	**FSI Value**	**Secrecy Score ("high secrecy score = big holes")**	**Global Scale Weight ("high global scale weight = a lot of money in the pot")**
1	Switzerland	1589.57	76.45	4.50%
2	USA	1298.47	59.83	22.30%
3	Cayman Islands	1267.68	72.28	3.79%
4	Hong Kong	1243.68	71.05	4.17%
5	Singapore	1081.98	67.13	4.58%
6	Luxembourg	975.92	58.20	12.13%
7	Germany	768.95	59.10	5.17%
8	Taiwan	743.38	75.75	0.50%
9	United Arab Emirates	661.15	83.85	0.14%
10	Guernsey	658.92	72.45	0.52%

The Bilateral Financial Secrecy Index

As expressed above, the Financial Secrecy Index ranks jurisdictions based on their secrecy score and their global offer of offshore financial services. This portrays the overall contribution of each country to global illicit financial flows.

From the perspective of Country A, the overall global ranking may be of little relevance. If all of Country A's residents use Panama's secrecy facilities to open bank accounts, set up companies and trusts or purchase real estate, Panama will pose the highest risk for Country A (A's residents may be engaging in tax evasion or corruption by hiding their money in Panama). At the same time, if residents from all other countries use Switzerland instead of Panama, Switzerland would likely be at the top of the Financial Secrecy Index (given the overall perspective). However, Switzerland would be of little relevant to Country A because none of A's residents actually go to Switzerland. Instead, Country A should use all of its efforts to obtain information from Panama (the financial centre used by A's residents in practice).

In order to understand the bilateral risk posed by every other country in relation to Country A, the Bilateral Financial Secrecy Index combines the Financial Secrecy Index's Secrecy Score not with the Global Scale Weight, but with a new Bilateral Scale Weight.

The Bilateral Scale Weight between Countries A and B will be based on the financial services offered by Country B to residents of Country A. For example, if all of A's residents acquire financial services in B for US$15 million, the Bilateral Scale Weight A->B will be USD 15 million.

Multiplying the Bilateral Scale Weight A->B by the Secrecy Score of B (because B is the one offering financial services) results in the Bilateral Financial Secrecy Index Value.

The Bilateral Scale Weight A->B is different from the Bilateral Scale Weight B->A, which refers to the financial services acquired by residents of B in Country A. In order to calculate the Bilateral Financial Secrecy Index Value B->A, the Bilateral Scale Weight B->A has to be multiplied by the Secrecy Score of Country A (the country offering the financial services).

This means that the figure with colanders and cooking pots still applies to the Bilateral Financial Secrecy Index. However, while the size of the holes (the Secrecy Store) stays exactly the same, the money held in each cooking pot or colander refers only to the financial services offered to the residents of a specific country (eg those of Country A).

Given the lack of sources, the Bilateral Scale Weight doesn't measure the export of financial services, but the portfolio investments of residents of one country in another one.

The Bilateral Financial Secrecy Index is available for download as an excel file here.