

The Financial Secrecy Index and the OECD blacklist

In April 2009, following the London G20 summit, the Organisation for Economic Co-operation and Development (OECD) announced a black / grey and white list system for categorising financial centres which fail to co-operate with other jurisdictions on tax and transparency issues. Unfortunately – and despite good intentions – the result has been more of a whitewash than a blacklist.

The OECD's list system is based on a weak standard of transparency. Under the OECD model, financial centres need only provide information to other jurisdictions 'on request'. Yet many financial centres specify that they will not honour a request for information until evidence of a problem is provided. The result is that secrecy jurisdictions refuse information requests from legitimate authorities claiming that those authorities lack evidence of wrongdoing. Unfortunately, evidence of wrongdoing is precisely what the authorities are seeking from the secrecy jurisdiction in the first place. Requesting information from a secrecy jurisdiction will typically be unsuccessful unless one *already has* the evidence being sought – in which case, the request is obviously pointless. Yossarian in the novel [Catch-22](#) would instantly recognise the problem:

Yossarian was moved very deeply by the absolute simplicity of this clause of Catch-22 and let out a respectful whistle. "That's some catch, that Catch-22," Yossarian observed.

"It's the best there is," Doc Daneeka agreed.

To make matters worse, the OECD's criteria for making it onto the financial white list are hopelessly inadequate. A financial centre can qualify by signing Tax Information Exchange Agreements (TIEAs) with 12 other jurisdictions. *Any* 12 jurisdictions will do, including other blacklisted financial centres and economically marginal microstates. This helps explain why there has been [such a rush](#) by secrecy jurisdictions to sign TIEAs with such economic giants as Greenland and the Faroe Islands.

Furthermore, achieving OECD white list status is no indication of information actually being exchanged. A secrecy jurisdiction could sign 12 TIEAs, never exchange any information whatsoever, and still remain on the white list.

Finally, the OECD list system does not include OECD member states – like Delaware and the City of London – which are also secrecy jurisdictions, and as revealed by the Financial Secrecy Index (FSI), are amongst the most important suppliers of financial secrecy.

The OECD system has served a purpose in drawing attention to a part of the problem, but it will not significantly alter the provision of international financial secrecy.

The FSI keeps secrecy jurisdictions at the forefront of international policy-making, by identifying them as continued providers of financial secrecy even if they have graduated to the OECD white list. The FSI is also a springboard for reforming the infrastructure of international secrecy: among other things, it draws attention to the role of offshore [trusts](#) in creating complex and opaque structures for tax evasion and avoidance.

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