

KEY FINANCIAL SECRECY INDICATORS

Key Financial Secrecy Indicator 7: Public Company Accounts

What is measured?

This indicator considers whether a jurisdiction requires all available types of company with limited liability to file their annual accounts with a governmental authority/administration and to make them accessible online for free or at a maximum cost of US\$10, €10 or £10.¹

The secrecy scoring matrix is shown in Table 7.1, with full details of the assessment logic given in Table 7.3 below.

Table 7.1 Secrecy Scoring Matrix KFSI 7

Regulation	Secrecy Score [100 points = full secrecy; 0 points = full transparency]
<u>Not online (at small cost)</u> Companies do not always publish their annual accounts online for a cost of up to 10€/US\$/GBP, or unknown.	100
<u>Online at small cost</u> All types of companies file their annual accounts and publish them online at a cost of up to 10€/US\$/GBP.	50
<u>Online for free, but not in open data</u> All types of companies file their annual accounts and publish them online for free, but not in open data format.	25
<u>Online, free & in open data</u> All types of companies file their annual accounts and publish them online for free and in open data format.	0

If not all types of companies publish their annual accounts online, then the secrecy score is 100. If the annual accounts are available online but there is a cost to access them, the secrecy score will be reduced to 50. In cases

where the annual accounts are available online for free, the secrecy score will be further reduced to 25. To obtain a zero secrecy score, this data needs to be accessible online for free and in open data format. Even if the cost per record is low, it can be prohibitively expensive to import this information into an open data environment which limits the uses of the data. Access costs create substantial hurdles for conducting real time network analyses, for constructing cross-references between companies and jurisdictions, and for new creative data usages.² Complex payment or user-registration arrangements for accessing the data (e.g. registration of an account, requirement of a local identification number or sending a hard-copy request by post) should not be required.³

Other requirements from an open data perspective for obtaining a zero secrecy score relate to the type of license for data use, and if the data is fully downloadable from the internet. In cases where data was found to be freely available, we have consulted the corresponding jurisdiction at the Open Company Data Index published by Open Corporates.⁴ Data is considered open only if there is an open license or no license required for the reuse of the data and if the data was freely available for download.

We performed a random search of each of the relevant corporate registries to ensure that the accounts are effectively available and that technical problems do not persistently block access. A precondition for a reduction of the secrecy score is that all available types of companies with limited liability – including small companies – are required to keep accounting records, including underlying documentation for a period of at least 5 years; and that they are required to submit accounts to a public authority. Given the risks involved in the absence of proper requirement of retention of underlying documentation, we apply these criteria also for companies that are considered inactive or which ceased to exist from various reasons (except for liquidated companies, where the risks posed are fairly lower due to the involvement of an external party, eg insolvency practitioner).

We have drawn this information from five principal sources.⁵ First, the Global Forum peer reviews⁶ have been used to find out whether a company's financial statements are required to be submitted to a government authority, and if reliable accounting records need to be kept by the company in the jurisdiction. The latter is important because if the accounts are kept outside the jurisdiction, it is much more difficult – and sometimes even impossible – to enforce this legal obligation. Second, private sector internet sources have been consulted, including Lowtax.net⁷ and Ocra.com⁸. Third, results of the Tax Justice Network Survey of 2019 (or earlier) have been included.⁹ Fourth, in cases where the previous sources indicated that annual accounts are submitted or available online, or both, the corresponding company registry websites have been

consulted. Fifth, in that case, the Open Company Data Index published by Open Corporates has been consulted as well.¹⁰

Following the weakest link principle¹¹ for our Financial Secrecy Index research, a precondition for reducing the secrecy score in this component is that all available types of companies are required to publish the relevant information online and that the information is required to be updated at least annually. If any exceptions are allowed for certain types of companies, we assume that anyone intending to conceal information from public view will simply opt for establishing a company where these requirements do not apply.

All underlying data can be accessed freely in the  Financial Secrecy Index database. To see the sources we are using for particular jurisdictions please consult the assessment logic in Table 7.4 at the end of this document and search for the corresponding info IDs (**IDs 188, 189 and 201**) in the database report of the respective jurisdiction.

Why is this important?

Access to timely and accurate annual accounts is crucial for every company with limited liability in every country for a variety of reasons.

First, public accounts allow to assess potential risks when trading with limited liability companies. Public accounts thus help to protect the legitimate interests of a wide range of actors. These actors include consumers and clients, business partners and creditors, as well as public officials dealing with public procurement and public private partnerships.

Second, in times of financial globalisation, financial regulators, tax authorities and anti-money laundering agencies need to be able to assess cross-border implications of the activities of companies. Unhindered access to foreign companies' and subsidiaries' accounts empowers regulators and authorities to double check the veracity and completeness of locally submitted information and to assess the macro-consequences of corporate undertakings without imposing excessive costs.

Third, no company can be considered accountable to the communities where it is licensed to operate (and where it enjoys the privilege of limited liability) unless it places its accounts on public record. Journalists and civil society groups thus have a legitimate reason and need for accessing company accounts in order to assess them on matters of fair trade, environmental protection, the realisation of human rights and similar charitable purposes. This can be done only when accounts are available for public scrutiny.

Many transnational corporations structure their global network of subsidiaries and operations in ways that take advantage of the absence of any requirement to publish accounts on public record. Secrecy jurisdictions enable and encourage corporate secrecy in this respect. If annual accounts were required to be placed online in every jurisdiction where a company operates, the resultant transparency would severely inhibit transfer mispricing and other tax avoidance techniques. We do not, however, regard this requirement as a substitute for a full country-by-country reporting standard ([see indicator 8](#)).

All underlying data can be accessed freely in the  [Financial Secrecy Index database](#) (IDs 188, 189 and 201).

KFSI 7: PUBLIC COMPANY ACCOUNTS

Results Overview

Figure 7.1: Public Company Accounts - Secrecy Score Overview

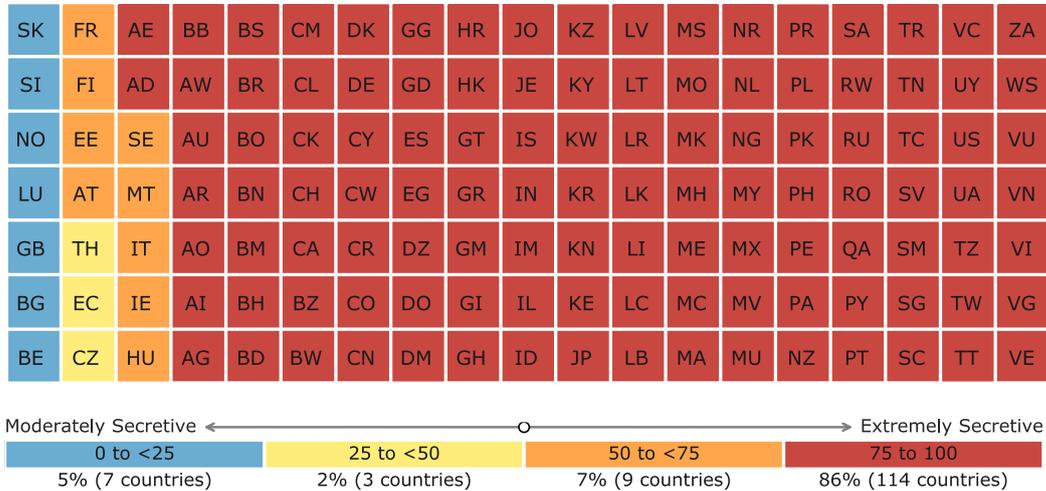
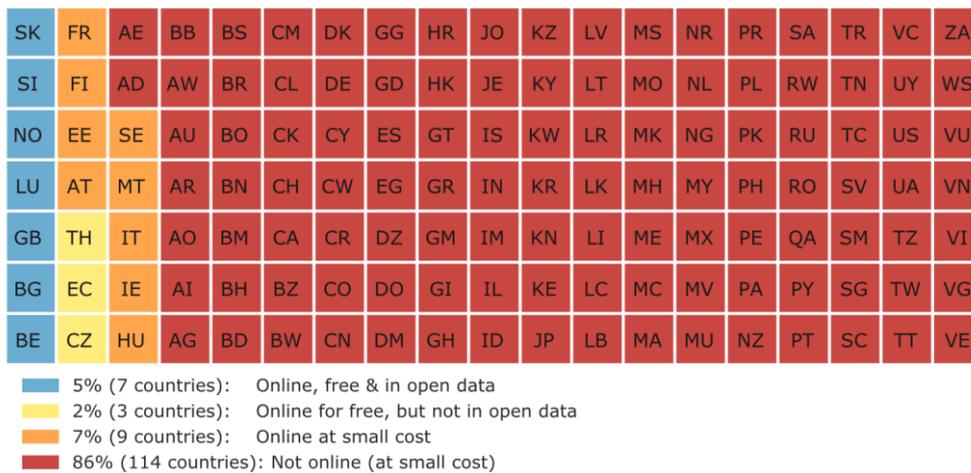


Figure 7.2: Public Company Accounts- Overview



KFSI 7: PUBLIC COMPANY ACCOUNTS

Table 7.2: Public Company Accounts Secrecy Scores



Table 7.3: Assessment Logic

Info_ID	Text_Info_ID	Answers (Codes applicable for all questions: -2: Unknown; -3: Not Applicable)	Valuation Secrecy Score
188	Is there an obligation to keep accounting data?	0: No; 1: Yes	0: 100 1: See below
189	Are annual accounts submitted to a public authority?	0: No, annual accounts are not always required to be submitted to a public authority; 1: Except for small companies, annual accounts need to be submitted to a public authority; 2: Yes, there is an obligation to submit annual accounts for all types of companies.	0 & 1: 100 2: See below
201	Are annual accounts available on a public online record (up to 10 €/US\$/GBP)?	0: No, company accounts are not always online (up to 10 €/US\$/£); 1: COST: Yes, company accounts are always online but only at a cost of up to 10€/10\$/10£; 2: FREE: Yes, company accounts are always online for free, but not in open data format; 3: OPEN: Yes, company accounts are always online for free & in open data format.	0: 100 1: 50 2: 25 3: 0 (only if answers re accounting data and submission are not "no")

¹ We believe online accessibility for free is a reasonable requirement given a) the prevalence of the internet in 2019 and b) the complete reliance of international financial flows on modern technology. It would be an omission not to use that technology to make information available worldwide especially as c) the people affected by these cross border financial flows are likely to be in many jurisdictions, and hence need information to be on the internet to get hold of it. This requirement is informed by the open data movement according to which all available company registry information, including accounts, should be made

available, for free, in open and machine-readable format. For more information about this see <http://opencorporates.com/>; 2.12.2019.

² These innovative ways to exploit the data are both widespread in the open data community and would greatly increase the likelihood of identifying illicit activity hidden behind corporate vehicles. For more information about this, see <http://opencorporates.com/>; 2.12.2019.

³ We consider that for something to be truly 'on public record' prohibitive cost constraints must not exist, be they financial or in terms of time lost or unnecessary inconvenience caused.

⁴ <http://registries.opencorporates.com/>; 2.12.2019.

⁵ To see the sources used for particular jurisdictions, please check the corresponding information in our database, available at <http://www.financialsecrecyindex.com/database/menu.xml>.

⁶ The Global Forum peer reviews refer to the peer review reports and supplementary reports published by the Global Forum on Transparency and Exchange of Information for Tax Purposes. Section A.2. in the reports refers to, among other things, the requirement to keep underlying documentation and the retention period for keeping accounting records. The reports can be viewed at: <http://www.eoi-tax.org/>; 2.12.2019.

⁷ <https://www.lowtax.net/>; 2.12.219.

⁸ <https://www.ocra.com/jurisdictions/>; 2.12.2019.

⁹ The survey was conducted by the Tax Justice Network in early 2019. The questionnaire sent out to Ministries of Finance and National Audit Offices can be viewed here:

https://www.financialsecrecyindex.com/PDF/FSI2020_Questionnaire-MOF-NAO.xlsx; and the questionnaire sent to Financial Intelligence Units can be

downloaded here:

https://www.financialsecrecyindex.com/PDF/FSI2020_Questionnaire-FIU.xlsx

¹⁰ <http://registries.opencorporates.com/>; 2.12.2019.

¹¹ The "weakest link" research principle is used synonymously with the "lowest common denominator" approach. During the assessment of a jurisdiction's legal framework, the review of different types of legal entities each with different transparency levels might be necessary within one indicator. For example, to ascertain the secrecy score, a choice between two or more types of companies might have to be taken. In such a case, we choose the least transparent option available in the jurisdiction. This least transparent option will determine the indicator's secrecy score.