

CAPITAL FLIGHT, SAFE HAVENS AND SECRECY JURISDICTIONS*

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Abstract

The terms “safe haven” and “secrecy jurisdiction” are arguably more appropriate than “tax haven” or even “offshore financial center” in discussing capital flight. Florida, for example, is thought to be the main destination for capital flight from Latin America, though it is rarely—if ever—listed under either of the last two headings. Most capital flight is thought to reflect the transfer—typically to jurisdictions characterized by strong financial secrecy regulations—of the receipts of plunder, money laundering, and tax evasion. These same jurisdictions are occasionally used by governments to dodge reparations, evade the impact of sanctions, and/or covertly fund political interference in rival states. The paper considers how capital flight safe havens operate. It also reviews the arguments over financial secrecy laws and practices, and considers recent multilateral and unilateral attempts—by the OECD, the EU, the US and others—to counter secrecy abuses.

Key Words: Capital flight; illicit financial flows; secrecy jurisdictions; safe havens; offshore financial centers; Africa; transfer pricing.

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1. Introduction

Most unrecorded capital flows are thought to reflect illicit transactions pursued for motives such as money laundering, tax evasion, and the transfer of the receipts of plunder. The focus of this paper is on the jurisdictions that serve as destinations for such capital flight. A widespread assumption is that only those jurisdictions that are occasionally labelled offshore financial centers and/or tax havens are involved. As the Financial Stability Forum (2000) notes, however: “The term ‘offshore’ carries with it in some quarters a perception of dubious or nefarious activities. There are, however, highly reputable OFCs. . . Also, it is recognized that there may be jurisdictions not formally thought of as OFCs that are more problematic.” Much flight capital indeed ends up in advanced countries. The main destination for capital flight from Latin America, for example, is thought to be Florida (Maingot, 1995). Strong financial secrecy regulations are the most highly prized characteristic of a capital flight safe haven and such regulations are not confined to the jurisdictions that populate tax-haven blacklists.¹

This paper considers how safe havens operate and facilitate capital flight. It also reviews the arguments over financial secrecy laws and practices, and considers recent multilateral and unilateral attempts—by the OECD, the EU, the US and others—to counter secrecy abuses. The paper proceeds as follows. The next section provides an overview of the historical emergence of offshore locations, tax havens and secrecy legislation and practices. This is followed by a review of the findings of some official investigations into taxation and secrecy abuses in offshore locations, with special attention given to offshore haven activities relating

¹ The advocacy group Tax Justice Network uses qualitative data on laws, regulations, and cooperation with information exchange processes to provide a *secrecy score* for a broad range of countries. The items taken into account in preparing the secrecy score are listed in Appendix Table 1 and the list of jurisdictions, ranked in order of their secrecy score, is presented in Appendix Table 2.

specifically to Africa. The following section reviews the attempts made at national and international level to tackle the abuses that have come to light, and the paper closes with some concluding comments.

2. The Emergence of “Offshore” Havens

The main characteristics of today’s offshore safe havens and secrecy jurisdictions first developed separately before they were drawn together purposefully in countries such as Switzerland and Liechtenstein from the end of World War I (Palan, 2009).

The technique of “easy incorporation” developed in the states of New Jersey and Delaware in the US during the late 19th century. At the time, laws of incorporation were still highly restrictive in Anglo-Saxon countries as a long-term consequence of the 1720 South Sea bubble. The Governor of New Jersey was persuaded to adopt as a revenue-raising device the idea of attracting companies to establish their headquarters there through liberal incorporation laws, subject to the payment of a franchise tax. Companies could be bought “off the shelf” and begin to trade in less than twenty-four hours. Delaware followed this path shortly afterwards.

The origins of “virtual” residency—whereby companies are allowed to incorporate without paying tax—can be traced to a series of court rulings in the UK culminating in the 1929 *Egyptian Delta Land and Investment Co.* case, which found that a company registered in London but without any activities in the UK was not subject to British taxation. This laid down the rule for all jurisdictions whose legal framework derived from that of the UK. The concept of the tax-exempt holding company was introduced by Luxembourg in 1929.

Banking secrecy represented another pillar in the strategy. Under the Swiss Banking Act of 1934, bank account details were to be protected from any government, including the Swiss, and any inquiry or research into such details became a criminal offense.

During the 1920s and 1930s, Switzerland and Liechtenstein began to develop the characteristics of tax havens, as did Bermuda, the Bahamas, Jersey, and Panama. Shaxson (2012, p. 68) cites a 1937 letter from the then-Treasury Secretary to President Roosevelt illustrating that the problem of tax-haven secrecy was becoming of increasing concern to the US: “companies are frequently organized through foreign lawyers, with dummy incorporators and dummy directors, so that the names of the real parties in interest do not appear.”

The concept of “offshore” emerged more fully with the growth of the Eurodollar market. From 1957 the Bank of England began to take the view that transactions undertaken by UK banks on behalf of lenders and borrowers who were not located in the UK were not to be viewed as having taken place in the UK for regulatory purposes. However, no other authority could regulate the market either, since the transactions took place in London. As the Financial Stability Forum Report of the Working Group on Offshore Centers (2000) explains, “the growth of London as the largest offshore banking center has been linked directly to regulations imposed on the US banking sector. By establishing foreign branches to which these regulations did not apply, US banks were able to operate in more cost-attractive environments.” According to Palan (2009), this proved to be the principal force behind an integrated offshore economy centered on London and extending to the remnants of the British Empire.

Because many of the same offshore jurisdictions surface in discussions of capital flight and aggressive tax planning by MNCs, and because both featured equally in a 1998 OECD initiative on harmful tax competition, we provide a brief discussion of the use of offshore

jurisdictions for aggressive tax planning purposes. Though these practices do not fulfil the technical definition of capital flight employed in Ajayi and Ndikumana (2014), Ndikumana et al. (2014) deem them to be a “first cousin to capital flight.”

Largely driven by transfer pricing practices related to the location of intellectual property, the use of low-tax offshore centers by MNCs has grown dramatically over recent decades (Sullivan, 2004, p. 1190). As Desai et al. (2006, p. 515) point out, “OECD governments require firms to use transfer prices that would be paid by unrelated parties, but enforcement is difficult, particularly when pricing issues concern differentiated or proprietary items such as patent rights. Given the looseness of the resulting legal restrictions, it is entirely possible for firms to adjust transfer prices in a tax-sensitive fashion without violating any laws.”²

Besides low taxation, the freedom from scrutiny that these jurisdictions offer is also of value to MNCs, as evidenced by their unwillingness to countenance country-by-country reporting of profits (Shaxson, 2012, pp. 251 and 319, footnotes 1 and 9). As UNODC (1998) notes, “firms can use offshore financial and bank secrecy jurisdictions as part of a deliberate effort to maintain their privacy and thereby their competitive edge in a business environment in which competitive intelligence has become almost mandatory.” Ambrosanio and Caroppo (2005) point out that “the effective sharing of information . . . would be most helpful in curbing tax abuses connected, for example, with lack of substantial activity, making them easy targets for domestic anti-avoidance measures.”

The fact that it has been largely acceptable to FDI source countries that their multinational corporations use low-tax OFCs so extensively points to the fact that laws and regulations, and how they are administered, reflect a balancing of competing interests. The broader

² On the mechanics of transfer pricing see Dean et al. (2008), PWC (2011), and UN (2013). Developing-country tax authorities are of course much less well-resourced than the US Internal Revenue Service (IRS) and are virtually defenseless in battles over transfer pricing (Shaxson, 2012, p. 28).

applicability of this point will become apparent later when we consider why financial secrecy remains so common a feature of the global economic landscape. Understanding it requires a brief detour into the history of the tax treatment of MNCs. Because the modal MNC is American we focus on the tax treatment of US MNCs.

Until 1962, foreign subsidiaries of US corporations were able to avoid US taxation so long as their profits remained offshore. In response to concerns about erosion of the tax base as US corporations increasingly globalized after World War II, the Kennedy Administration proposed in 1961 to tax the overseas income of US corporations exactly the same as income earned within the US.³

Congressional Republicans argued that this would damage their international competitiveness, as they would be paying higher global taxes than competitors from lower-tax jurisdictions. A compromise was reached in 1962 whereby US taxation on overseas profits could be deferred until the profits were repatriated, except in the case of passive income such as that deriving from the ownership of intellectual property, because the latter could be easily “offshored.”

New “check-the-box” regulations introduced by the Internal Revenue Service in 1997, however, inadvertently allowed corporations to largely avoid these restrictions. Interest-group pressures proved too strong when the IRS tried to reverse position and the new regulations instead became enshrined in law as the “look-through rule.” As a 2012 memo from Senator Carl Levin, the chairman of the US Senate Subcommittee investigating offshore profit shifting and the US tax code explained, “check-the-box tax regulations issued by the Treasury Department in 1997, and the CFC Look-Through rule enacted by Congress . . . in 2004, have

³ The present synopsis draws largely on Sweitzer (2005).

reduced the effectiveness of the anti-deferral rules . . . and have further facilitated the increase in offshore profit shifting, which has gained significant momentum over the last 15 years.”⁴

The stalemate over US tax policy has continued to this day. John Kerry, the 2004 Democratic Party candidate for the US presidency, favored complete anti-deferral and this, too, was the platform on which Barack Obama ran in his first presidential campaign.⁵ The initiative introduced in his first term led to only very minor changes in deferral, however (Barry and Bergin, 2012).

The paralysis in the US stance can be further illustrated by the US response to the OECD’s 1998 initiative on “harmful tax competition.” In Kudrle’s (2008, p. 4) words, “the project aimed to eliminate (mainly) corporate tax avoidance and (mainly) individual tax evasion.” The corporate tax element faded into the background, however, when support from the Clinton Administration gave way to opposition from the incoming administration of George W. Bush.⁶

As Engel (2001, p. 1562) points out, in the United States “neither the political forces in favor of a pure anti-deferral approach nor the political forces in favor of a pure territorial approach have the clout for complete victory.” The global implications are that tax havens are likely to remain open for corporate business while ongoing OECD initiatives have a greater chance of curbing individual abuses such as tax evasion and money laundering.

⁴ Statement of Senator Carl Levin to the U.S. Permanent Subcommittee on Investigations on Offshore Profit Shifting and the US Tax Code, 20 September 2012. (<http://www.hsgac.senate.gov/subcommittees/investigations/hearings/offshore-profit-shifting-and-the-us-tax-code>)

⁵http://www.whitehouse.gov/the_press_office/leveling-the-playing-field-curbing-tax-havens-and-removing-tax-incentives-for-shifting-jobs-overseas

⁶ Specifically, the “no substantial activities” criterion for a jurisdiction to be deemed a tax haven was rejected by the Bush administration in 2001 and was subsequently withdrawn. Instead the focus turned to “ring fencing,” whereby foreign corporations were treated differently from domestic ones. This practice was gradually eliminated, but with little effect on the international financial landscape. This suggests that at least some elements of the US political establishment view tax havens benignly, believing that their use by US corporations provides these corporations with a competitive edge.

3. Offshore Financial Centers: Abuse Investigations

There have been numerous investigations into abuses associated with secrecy restrictions in capital flight safe havens. One of the reports—*Financial Havens, Banking Secrecy, and Money Laundering*—was carried out by the UN Office on Drugs and Crime (UNODC, 1998). Others have been issued at various times by the US Senate Permanent Subcommittee on Investigations (USPCI).

The UNODC report notes that money launderers frequently use jurisdictions that offer an instant “offshore” corporation, and that similar money laundering techniques are used by conventional business corporations to disguise the payment of bribes or kickbacks, while some governments use the same apparatus to dodge reparations, evade the impact of sanctions, or covertly fund political interference in rival states:

Once the corporation is set up . . . a bank deposit is made in the haven country in the name of that offshore company, particularly one whose owner’s identity is protected by corporate secrecy laws. Thus, between the law enforcement authorities and the launderer, there is one level of bank secrecy, one level of corporate secrecy and possibly the additional protection of lawyer-client privilege if counsel in the corporate secrecy haven has been designated to establish and run the company. In addition, many laundering schemes involve a third layer of cover, that of the offshore trust, which is usually protected by secrecy laws and may have an additional level of insulation in the form of a “flee clause” that permits, indeed compels, the trustee to shift the domicile of the trust whenever the trust is threatened.⁷

⁷ UNODC (1998), Executive Summary.

Shaxson (2012, pp. 25 and 152) notes that “laddering,” whereby an account in one haven is set up in the name of a trust established in another haven, is used extensively—as in the well-known BCCI scandal—to further strengthen anonymity and prevent regulators from seeing the overall picture.

The UNODC report is particularly critical of shell banks, trusts that hide the identity of the parties involved, “asset protection” trusts that shield assets from civil judgments in individuals’ home countries, and International Business Corporations.⁸ It remarks, “the purpose of the IBC’s corporate form is to enable its owners to act with complete anonymity. (The) concept of limited liability has been extended to a concept of no legal responsibility for any action” (UNODC, 1998, p. 120).

The report notes that most successful international investigations have required that the law enforcement authorities know exactly where to go and what kind of financial information to ask for. “The success rate of investigations,” it remarks, “is very low.”

The 2001 USPCI report on *The Role of US Correspondent Banking in International Money Laundering* exposed details of the important role played by onshore US banks in providing correspondent services—such as moving funds, exchanging currencies, or cashing monetary instruments—to certain tax-haven banks.

Testimony was provided by one witness who had been the majority owner and chief executive of an offshore Cayman Islands bank. He stated that his bank opened client accounts in the name of off-the-shelf shell corporations that the bank itself had established. Clients were provided with nominee shareholders and directors to shield the beneficial ownership from public records. The real ownership records were kept in the Cayman Islands, under

⁸ Most stand-alone shell banks were closed down in the wake of the 9/11 attacks on New York and Washington, DC.

Cayman banking and corporate secrecy laws, as were clients' bank account statements. Without the correspondent accounts opened with banks in the United States and through which all transactions were conducted, his bank, he reported, would have been unable to conduct any of its business.

Another Senate report entitled *US Vulnerabilities to Money Laundering, Drugs, and Terrorist Financing: HSBC Case History* was issued in 2012. The subject was HSBC, one of the largest financial institutions in the world, and its key US affiliate HBUS.

Prior to the Patriot Act of 2002, which was enacted in the wake of the 9/11 attacks on the United States, most US banks had opened correspondent accounts for any foreign bank with a banking license. Henceforth, banks were supposed to evaluate the riskiness of the foreign bank's owners and business lines, its clients, and its anti-money laundering controls before agreeing to open an account. They were also required to monitor accounts routinely for suspicious activities.

The 2012 report found that correspondent banking in the US continued to be beset by money laundering and terrorist financing problems. Correspondent accounts had been opened for high-risk affiliates, correspondent services had been provided to banks with links to terrorism, high-risk bearer share corporate accounts had been offered, and bulk US dollar travelers checks cleared despite signs of suspicious activity.

Subcommittee hearings held in 2006 explored the use of tax havens by US citizens as a means of avoiding US taxes. The hearings revealed reports of US citizens creating networks of numerous offshore trusts and corporations, transferring assets to these networks and directing the investment of these offshore assets without paying taxes on either the initial transfers or the offshore income.

The 2008 Subcommittee report entitled “Tax Haven Banks and US Tax Compliance” is of particular relevance to the present study. The report states that offshore tax havens hold trillions of dollars in assets of other countries’ citizens and that it is likely that a significant proportion of these represent funds hidden from tax authorities. It estimates that the United States might lose up to \$100 billion in tax revenues each year due to such offshore tax abuses.

The background to the report consisted of a series of revelations pertaining to two banks: LGT Bank of Liechtenstein and UBS of Switzerland. In February 2008, a former employee provided tax authorities with data on about 1,400 persons with accounts at LGT Bank. Shortly thereafter, nearly a dozen countries, including the US, the UK, and Germany, began to investigate taxpayers with Liechtenstein accounts. At around the same time, the US arrested a number of individuals with links to UBS on charges of having conspired to defraud the IRS through the use of offshore accounts in Switzerland, and took steps to compel UBS to name its US clients.

Based on its investigation, the Subcommittee staff ascertained the following:

- *Bank Secrecy:* Bank secrecy laws and practices served as a cloak not only for client misconduct but also for misconduct by banks colluding with clients to evade taxes, dodge creditors, and defy court orders.
- *Bank Practices That Facilitate Tax Evasion:* The two banks employed banking practices that resulted in tax evasion by their US clients. These practices include assisting clients to open accounts in the names of offshore entities, advising clients on complex offshore structures to hide ownership of assets, using client code names, and disguising asset transfers into and out of accounts.

- *Billions in Undeclared US Client Accounts:* Since 2001, LGT and UBS collectively maintained thousands of US client accounts with billions of dollars in assets that were not disclosed to the IRS.

Of course, as stated earlier, secrecy regulations are not confined to jurisdictions typically regarded as tax havens. Gregory (2011–12) notes that under current US law, foreign (non-resident) nationals are not taxed on portfolio interest earned on bank accounts and bonds, and US law prohibits banks from disclosing account information to foreign governments if the United States does not have a tax treaty with that country.⁹ *Time Magazine* suggested that the introduction of these rules in 1984 made the US “the largest and possibly the most alluring tax haven in the world.”¹⁰ As Richard W. Rahn, a senior fellow at the Cato Institute and proponent of the benefits of tax havens, explains: “We benefit from hundreds of billions of dollars of needed capital invested here.”¹¹ Furthermore, as Shaxson (2012, pp. 138–9) notes, a number of US states—including Delaware, Nevada, and Wyoming—allow companies to be incorporated in ways that prevent the identity of beneficial owners from being uncovered.

Indeed, Sharman (2010b) reported on an experiment where he attempted to set up anonymous bank accounts and establish anonymous corporations in various jurisdictions, noting that he encountered much greater difficulties in commonly-recognized tax havens such as the Bahamas, the British Virgin Islands, the Cayman Islands, and the Seychelles than in OECD countries such as the United States and the United Kingdom.¹²

⁹ See also: <http://www.economist.com/news/special-report/21571554-some-onshore-jurisdictions-can-be-laxer-offshore-sort-not-palm-tree-sight>.

¹⁰ <http://www.secrecyjurisdictions.com/PDF/USA.pdf>

¹¹ Wall Street Journal, 18 March 2009. The same point is made elsewhere; see <http://www.dlapiper.com/treasury-finalizes-controversial-non-resident-alien-us-bank-deposit-reporting-regulations/>

¹² For numerous examples of the complicity of international banks in laundering public corruption, including in the OECD, see Gordon (2009). *The Economist* makes the point, furthermore, that many OECD countries, and Luxembourg in particular, are less compliant than the leading OFCs in meeting the requirements of the

4. Offshore Financial Center Activities Pertaining to Africa

4.1 *The Bank for International Settlements Data*

The Basel-based institution, *The Bank for International Settlements*, releases statistics showing non-resident deposits into reporting-country banking institutions. These forty-two countries account for over 90 percent of the world's total deposits.¹³ These data include all deposits, whether associated with entirely legitimate activities or with flight capital.

In 2013, total deposits from sub-Saharan African countries came to around USD 200 billion. (Appendix Table 3 lists the SSA countries for which deposits of over USD 1 billion were reported). Unpublished data from the BIS reveal that, of the reporting countries that agree to make their bilateral data against Africa publicly available—and which account for around one half of these deposits—USD 64.3 billion are held in Great Britain, 15.1 billion in France, 8.7 billion in the US, 7.6 billion in Portugal, 4.1 billion in Belgium, and 3.1 billion in the Cayman Islands. Switzerland is not one of the countries included, though Zucman (2013, Tables A24-A26) estimates that sub-Saharan African countries plus Algeria were the source of around USD 7 billion in fiduciary deposits in Swiss banks in 2004. This sum jumps to around USD 17 billion when the presumptive sources of tax haven deposits are also included.

Even these sums, which include entirely legitimate deposits, are tiny in comparison to the more than USD 1 trillion in capital flight estimated by Ndikumana et al. (2014) over the period 1970–2010.

Financial Action Task Force (FATF), the multilateral body that sets standards for anti-money-laundering procedures:

<http://www.economist.com/news/special-report/21571554-some-onshore-jurisdictions-can-be-laxer-offshore-sort-not-palm-tree-sight>.

¹³ Global Financial Integrity (2010).

As Global Financial Integrity (2010) notes, there are two substantial limitations to the BIS data. First, there is no reporting of business managed off the balance sheet, which “can be several times higher than on-balance sheet activity.” Second, BIS data do not include information on assets held by mutual funds or private trusts and companies such as International Business Corporations whose beneficial owners do not need to be reported.

4.2 *Capital Flight by Individuals*

Section 3 dealt mainly with abuses revealed by US investigations. It must be presumed that had African countries equivalent investigative resources at their disposal, similar or even relatively more substantial evidence of wrongdoing would be unearthed.¹⁴ We have far fewer details on this, of course, though the present section summarizes what has been discovered.

Transparency International (2004) identified Mobutu Sese Seko, President of Zaire from 1965 to 1997, and Sani Abacha, President of Nigeria from 1993 to 1998, as among the greatest kleptocrats in recent history. The former was estimated to have stolen assets of \$5 billion and the latter between \$2 and 5 billion, most of which ended up in Swiss bank accounts.

Abacha’s methods included theft from the public treasury through the central bank, inflation of the value of public contracts, extortion of bribes from contractors, and fraudulent transactions. The proceeds were found to have been laundered through a complex web of banks and front companies in countries including the United Kingdom, Luxembourg, Liechtenstein, Jersey, the Bahamas, and Switzerland (World Bank, 2007).

¹⁴ The lack of investigative resources might be expected to lead to greater abuses.

Gordon (2011) provides details of how funds were held by two of Abacha's sons in Citibank in London and how they were able to move \$39 million out of these accounts in the face of an ongoing Nigerian government investigation when Abacha died in 1998.

The International Consortium of Investigative Journalists in 2013 revealed details of leaked records concerning covert companies and private trusts in a number of tax havens, several of which had African connections.¹⁵ One secret company was owned by a Thai government official whose US assets had been frozen by the Treasury Department on suspicion of “secretly supporting the kleptocratic practices” of Zimbabwe, which it described as one of Africa's most corrupt regimes. Another secret company belonged to a Zimbabwean businessman blacklisted by the US for helping to organize huge mining projects in his home country that “benefit a small number of corrupt senior officials.” Another company controlled by this same individual had been fined millions of US dollars upon pleading guilty to criminal charges in South Africa.

As detailed elsewhere in Ajayi and Ndikumana (2014), the son of the president of Equatorial Guinea, whose salary as a government minister came to US \$8,000 a month, until recently held ostentatious wealth around the world, including luxury estates in California and France. Some of the funds for these purchases were pre-laundered using shell corporations and offshore bank accounts, though much of it was deposited directly in US banks. Worryingly, the *New York Times* reported in 2009 that the US turned a blind eye to the associated corruption, repression, and capital flight because US companies were dependent on the country's oil.¹⁶ Finally, in 2011, the US Department of Justice and the French authorities instituted actions against some of these assets.

¹⁵<http://www.icij.org/offshore/secret-files-expose-offshores-global-impact>

¹⁶http://www.nytimes.com/2009/11/17/us/17visa.html?ref=us&_r=0

Until 2004, most of the oil revenue from Equatorial Guinea had been paid into Riggs Bank in Washington D.C., which was subsequently fined for violation of money-laundering laws and was ultimately overhauled and renamed. The president, his family, and senior officials of the regime have apparently been able to siphon off vast amounts of money. This same bank had aided the former Chilean dictator Augusto Pinochet in retaining access to his funds in defiance of court orders.

4.3 *Aggressive Tax Planning by MNCs in Africa*

Aggressive tax planning is practiced by MNCs in all jurisdictions, as revealed by the concurrent investigations undertaken by the UK House of Commons and the US Senate into the corporate tax affairs of a number of high-profile multinational companies in the summer of 2013. The losses to African jurisdictions may be particularly heavy because of inadequacies in the technical capacity of African governments to monitor the activities of the private sector, and particularly of MNCs. For instance, many African governments are thought to enter into sub-optimal contracts with MNCs regarding rent-sharing in the natural resource exploitation sector.¹⁷

Though these practices do not comprise capital flight according to the definition employed in Ajayi and Ndikumana (2014), we briefly consider them here for two reasons: firstly because, as mentioned earlier, the resulting profits tend to end up in the same secrecy jurisdictions as flight capital, and secondly because, as in the case of the latter, transfer mispricing by MNCs impacts adversely on economic development and poverty reduction in low-income countries.

¹⁷ The Extractive Industry Transparency Initiative (EITI) does not address this because it focuses solely on the official amounts paid to government. As Sharife (2011) points out, corporations may be able to circumvent taxation through having shell companies pay for services supposedly rendered, or through thin capitalization (where a subsidiary makes high interest payments to the parent company or related parties, thereby diminishing taxable profits). Subsidiaries in other jurisdictions can also be used to make corrupt payments to politicians. Sharife notes that these methods are often utilized.

Fuest and Riedel (2010) argue that the results of many NGO studies on aggressive tax planning in developing countries, including Christian Aid (2008, 2009), are difficult to interpret because of problems with the metrics that the NGOs employ. However, their own preferred methods support the view that profit shifting from developing countries to tax havens does occur. Furthermore, PWC (2011) find that, even in their low-impact scenario, the potential increase in tax revenues from transfer pricing reforms in developing countries should outweigh the anticipated costs of such programs.

Three NGO reports on transfer pricing practices in MNCs operating in sub-Saharan Africa are now considered.

A. ActionAid (2010, 2nd edition 2012) *Calling Time*

SABMiller is the world's second largest beer company with a dominant share of the beer market in Africa. *Calling Time* details the tax structures employed by the company in its interactions with Ghana.¹⁸ The report suggests that the company sharply reduces its African corporation tax bill by siphoning profits into tax havens. The rights to the African beer, Castle, are held in the Netherlands (while the Italian Peroni brand is owned by a group company in the Isle of Man). Under intellectual property rights laws the company can command royalties for the use of these brand names. The brand rights for Chibuku, a 60-year old sorghum-based beer developed in Africa, were transferred recently from Zambia to SABMiller International BV for a fee that will enable further tax-deductible royalty payments to be made from Africa.

¹⁸ In 2010 SABMiller bought out the minority shareholders in the Ghanaian brewery, removing it from the Ghanaian Stock Exchange and escaping the obligation to make its financial information public.

The report details four tax practices that enable the transfer of capital across jurisdictions and that lead to estimated tax losses to African governments of around £20 million (sterling) annually.¹⁹

Tax Practice 1 (“Going Dutch”): Rotterdam-based SABMiller International BV owns African brands such as Castle and Chibuku, and takes advantage of Dutch tax rules that enable companies to pay next to no tax on the royalties they earn. The suggested motivation is a Dutch tax rule that allows the cost of acquiring the trademarks to be gradually written off against taxable profits. SABMiller International BV acquired a vast number of the group’s trademarks from a sister Dutch company at their market value of well over US\$200 million in 2005. Each year since then it has used a proportion of this amount to reduce its taxable profits. The only taxes the company had to pay in 2009–10 were withholding taxes paid to overseas governments by the subsidiaries that paid these royalties.²⁰

Tax Practice 2 (“the Swiss role”): SABMiller’s African and Indian subsidiaries pay huge “management service fees” to sister companies in European tax havens. Many of these are located in the Swiss town of Zug, which offers special tax incentives to management companies. Each year, Zug-based Bevman Services AG, a SABMiller subsidiary, receives management fees from Ghana amounting to precisely 4.6% of Accra Brewery’s turnover. For the company’s operations in India, the fees are enough to wipe out taxable profits entirely.

SABMiller stated that the management fees to Bevman are “in respect of a variety of services” including “financial consulting,” “personnel strategy,” “business advisory services,” “marketing,” and “technical services.” The head of the Ghana Revenue Authority

¹⁹ The correspondence with the company is available at:
<http://www.actionaid.org.uk/tax-justice-campaign/calling-time-the-research>

²⁰ Withholding-tax rates are one of the key areas over which jurisdictions battle when negotiating double taxation agreements. The UN model tax treaty gives developing countries stronger rights to tax at the source, while the OECD model does not provide for any withholding taxes on royalty payments.

stated that “management fees [are] an area that we know is being used widely [to avoid tax], and it’s mainly because it’s difficult to verify the reasonableness of the management fee” (ActionAid, 2012, p. 8)

Tax Practice 3 (“Trip to Mauritius): Goods are procured by Accra Brewery from another SABMiller subsidiary in Mauritius, 7,000 km away in the Indian Ocean. Sensible commercial reasons—including economies of scale and the management of currency and commodity price risks—lie behind the centralization of SABMiller’s purchasing across Africa. The maximum effective tax rate of 3% for a “global business” company in Mauritius is likely to have served as an inducement to locate there. By 2009–10 Accra Brewery was buying 50% of its supplies from the Mauritius company, though the malt came from Belgium, the maize from South Africa, and the sugar from Brazil.

Tax Practice 4 (“Thinning on Top”): Accra Brewery borrowed a large amount of money from this same Mauritius company. The loan is for more than seven times Accra Brewery’s capital. This means that the company is “thinly capitalized,” wiping out a significant share of Accra Brewery’s tax liability each year.

B. Counter Balance (2010) *The Mopani Copper Mine, Zambia*

In 2000, the Swiss company Glencore led a consortium that bought out the Mopani Copper Mines (MCM) in Zambia. MCM is 73 percent owned by Carlisa Investments, a British Virgin Islands company that is 82 percent owned by Bermuda-based Glencore Finance, which is in turn 100 percent owned by Glencore International AG (Sharife, 2011).

In some years, over half of Zambia’s copper exports were recorded as going to Switzerland. The WTO suggests that this is more a matter of accountancy than real transfers of minerals. Counter Balance points to the far higher prices recorded for Swiss than for Zambian copper

exports, suggesting that this may be indicative of transfer mispricing. The company recorded no profits in Zambia over the period up to 2010.

C. ActionAid (2013) *Sweet Nothings*

This 2013 investigation into Associated British Food's Zambian subsidiary, Zambia Sugar, found that around one-third of the company's pre-tax profits were paid into sister companies in Ireland, Mauritius, and the Netherlands, serving to reduce Zambia Sugar's taxable profits or otherwise avoid paying Zambian taxes altogether. The report identifies four strategies employed, which, together with tax incentives received, may have led to estimated tax losses of around US\$27 million over the period 2007–12 .

Tax Practice 1 (“Mystery management”): Zambia Sugar paid out large “purchasing and management” fees to an Irish sister company that seems to have no physical presence in Ireland, and made similar payments for “export agency” services to a sister subsidiary in Mauritius that had no permanent employees.

Tax Practice 2 (“Treaty shopping”): Large loans from South African and US commercial banks, borrowed to finance expansion in Zambia, were routed through Ireland despite being borrowed in Zambian currency and repaid via a bank account held by the Irish company in Zambia. This took advantage of a clause in the tax treaty between Zambia and Ireland that prevents the Zambian government from charging any of the tax that would normally be levied on interest payments made on such loans. This provides an example of how corporations can aggressively exploit regulations that are aimed to protect them.

Tax Practice 3 (“Almost tax-free profit repatriation”): Zambia Sugar was able to send profits back to its parent company almost tax-free by re-shuffling the ownership of the company

through a string of Irish, Mauritian, and Dutch holding companies, taking advantage of tax treaty loopholes and tax haven regimes to cancel tax on its dividend payments.

ActionAid also published the correspondence that it had with the company.²¹ The company responds that the Irish sister company facilitates “various services required by Zambia Sugar including the provision of senior management, engineers, and agronomists . . . Many of these third party service providers would not have been willing to contract directly to Zambia Sugar due to possible financial or political risk and, if they had contracted directly, the cost to Zambia Sugar would have been substantially higher.” It accepts that routing the loan through Ireland meant that interest payments avoided withholding tax but notes that the terms of the loan would have been different if it were subject to withholding tax. (Thus it makes commercial sense, even if it is accepted that Zambia is deprived of tax revenues). The company claimed furthermore that the payments made to fellow subsidiaries were all made at cost and that any small residual profits residing in Ireland or Mauritius were subject to 28 percent tax in South Africa under that country’s (controlled foreign companies) rules.

5. Initiatives to Combat “Offshore Abuse”

As noted earlier, the 1998 OECD initiative on harmful tax competition targeted both corporate tax avoidance and personal tax evasion. Because of the conflicting interests surrounding the corporate dimension, there has been much greater progress on the second element than on the first.

UNODC (1998) listed a series of developments to tackle money laundering and other criminal activities that had taken place up to that time. These included initiatives by the UK to close “brass plate” banks in the Caribbean and review regulations in Jersey, Guernsey, and

²¹http://www.actionaid.org.uk/sites/default/files/doc_lib/company_response.pdf

the Isle of Man. There were also global initiatives to promote cross-jurisdictional sharing of information relevant to criminal investigations and to strengthen the effectiveness of the supervision of banks operating outside their national boundaries.

Initiatives undertaken to combat offshore tax abuses were summarized in the 2008 US Senate Subcommittee report on *Tax Haven Banks and US Tax Compliance*. An update of some of the most important initiatives is provided here:

5.1 Tax Treaties, Tax Information Exchange Agreements and the OECD Uncooperative Tax Haven Initiative

Tax treaties encompass two primary forms of information exchange across jurisdictions: (1) the exchange of information on request, in which specific information on specific taxpayers is requested, and (2) the automatic exchange of information. The first form clearly requires that potential tax evaders be identified in advance. While this may have a deterrent effect, the available evidence suggests that it will not make significant inroads on tax evasion.

Tax information exchange agreements (TIEAs) are a particular sub-category of this first type. As Szarmach (2010) notes, the majority of TIEAs apply only to criminal matters, which are thought to comprise only a minor part of the revenues at stake (since tax evasion is only infrequently deemed to be a criminal matter) and which present difficult issues of evidence. Some agreements, furthermore, require that the activities on which information is sought constitute crimes in both contracting states.

A further practical hurdle is that if the jurisdiction's corporate laws require no identification of shareholders or directors—or little or no financial recordkeeping—there is little information to be exchanged. As the UNODC (1998) report points out, criminal money is

normally held not by an individual (even with a “numbered” account), but by a corporation. Prior to sending the money to Austria, Luxembourg, Switzerland, or elsewhere, the launderer will typically transact in one of the many jurisdictions that offer an instant-corporation manufacturing business. The Cayman Islands, the British Virgin Islands, Liberia, and Panama are among the favorites, although there are many others that sell “offshore” corporations that are licensed to conduct business only outside the country of incorporation, are free of tax or regulation, and are protected by corporate secrecy laws.

UNODC (1998) thus concludes that even though Switzerland has made money-laundering a crime and has over the last two decades progressively reduced the protection afforded by its secrecy laws, has signed treaties of cooperation in criminal investigation with other countries, and has moved actively and rigorously to freeze suspect accounts, it is likely that much criminal money still finds refuge there, having been pre-washed elsewhere. According to Johannesen and Zucman (2012), the large sums recorded in international investment statistics as “belonging” to Panama or the British Virgin Islands suggests that tax evaders routinely use sham corporations domiciled in these jurisdictions as the nominal holders of their bank accounts in Switzerland and Luxembourg.

In April 2009 the G20 countries used the threat of economic sanctions to force tax havens to sign a minimum of 12 bilateral treaties providing for the exchange of bank information.²² It drew up a list of 42 non-compliant havens. In just five days, all havens committed to signing 12 treaties, and between the summit and the end of 2009, tax havens signed more than 300 treaties.

²² Treaties signed with other tax havens counted amongst the 12. Johannesen and Zucman (2012) suggest that these have no economic meaning and reflect the desire to reach the desired number of treaties while yielding as few concessions as possible. In 2009, as they point out, haven-haven treaties accounted for almost one third of all treaties concluded by tax havens.

Several studies, however, have found that the cooperation achieved did not decrease the attractiveness of tax haven investments. Kudrle (2008) found no discernible impact on the volume of tax haven liabilities. In a more comprehensive study using a panel dataset provided by the Bank for International Settlements, Johannesen and Zucman (2012) find that most tax evaders did not respond to the treaties.²³ Of the minority that did respond, most transferred deposits to other tax havens. Deposit gains and losses correlate strongly with the number of treaties signed by each haven: the least compliant have attracted new clients, while the most compliant have lost clients. They note that the fact that havens are taken off the blacklist with the signature of 12 treaties leaves considerable scope for tax evaders to transfer their funds to havens that do not have a treaty with the evader's home country.

They conclude that the treaties do not substantially increase the probability of evasion being detected, since requests must be “foreseeably relevant”—there must be a well-documented suspicion that a particular individual is evading taxes. Such prior knowledge is exceedingly difficult to acquire.²⁴ The OECD, however, has repeatedly proclaimed that it never intended its project to encourage or permit “fishing expeditions” (OECD, 2006:10). Nevertheless, as of 2013 the OECD has claimed to discern growing political support around the globe for automatic information exchange rather than information exchange upon request.²⁵

5.2 *EU Savings Directive*

This initiative focuses on European Union residents who open up a savings account in another EU country in an attempt to hide assets and evade taxes.²⁶

²³ Their data appendix is available at: <http://www.parisschoolofeconomics.eu/en/zucman-gabriel/>

²⁴ Compare the 19,000 US clients with undeclared bank accounts that a single Swiss bank admitted to in 2008 to the mere 894 requests that the US placed between 2006 and 2010 under its more than 80 tax treaties.

²⁵ http://www.oecd.org/ctp/exchange-of-tax-information/taxtransparency_G8report.pdf

²⁶ It does not address the problem of deposits held by European residents through sham corporations, however (Johannesen and Zucman, 2012).

From the beginning, the interests of the UK clashed with those of Belgium, Austria, and particularly Luxembourg. The latter were vehemently opposed to any information-sharing agreement as they see strict secrecy as one of their financial services sectors' key competitive advantages. Britain, however, was equally opposed to the withholding tax alternative. Though companies, trusts, and many kinds of bonds are exempted, the UK argued that the administrative costs for banks in identifying those covered by the Directive would make London's \$3 trillion international bond market uncompetitive.

Co-existence emerged as a (supposedly) temporary compromise. Member states could choose either to exchange information or apply a withholding tax.²⁷ At the end of a transition period, all states were supposed to adopt the information exchange model, but were required to do so only if Switzerland and other named third parties also agreed to exchange tax information upon request, as in the OECD Model Agreement.²⁸ The jurisdictions suspected of hosting the bulk of the hidden funds—Austria, Belgium, Luxembourg, Switzerland, the four microstates, and the Crown Dependencies—have all opted for the withholding tax option.

In moves widely regarded as an effort to attract funds beyond the reach of the new measures, Singapore began in 2001 to tighten bank secrecy, ease residency requirements, and make its trust laws more attractive. Swiss and Liechtenstein banks have since expanded their presence in Singapore. Impressive growth in the Hong Kong and Dubai financial sectors has also been ascribed in part to displacement from Europe and the Caribbean, and the European

²⁷ The work of Schwarz (2009) suggests that it is easier for individuals to avoid taxation in jurisdictions that operate under the withholding-tax option.

²⁸ The other third parties are Andorra, Liechtenstein, Monaco, San Marino, and the ten overseas dependent territories associated with the United Kingdom and the Netherlands: Anguilla, Aruba, the British Virgin Islands, the Cayman Islands, Guernsey, the Isle of Man, Jersey, Montserrat, the Netherlands Antilles, and the Turks & Caicos Islands.

Commission has responded by engaging in discussions with Singapore, Hong Kong, and Macao with a view to extending the Savings Directive to these jurisdictions.²⁹

After the Liechtenstein tax scandal erupted, Germany requested that the regular three-year review examine whether the Directive should be expanded to cover more types of payments and more types of accountholders. This discussion is ongoing.³⁰

5.3 ***International Disputes with Switzerland***

In 2008 the US Internal Revenue Service successfully petitioned a US Court for leave to serve a summons on UBS demanding that it disclose records of US persons who maintained unreported accounts with it in Switzerland. The matter was eventually settled out of court alongside a Swiss promise to renegotiate the tax treaty between the two countries to include information exchange standards meeting the OECD model.

The US continued to pursue Swiss banks and bankers aggressively in the intervening years, leading to large fines and the closure of Switzerland's oldest private bank following a guilty plea to charges of helping wealthy Americans evade taxes through secret accounts.

The US Foreign Account Tax Compliance Act (FATCA) threatens to impose heavy penalties on foreign financial firms that fail to respond to Washington's requests for information on individuals subject to US tax liability. Compliance costs, which will be borne abroad, are expected to be substantial. A draft agreement between Washington and Bern, however, which would have effectively ended Swiss banking secrecy as it applied to these individuals, was rejected by the Swiss parliament in the summer of 2013. The United States and Switzerland remain in dispute.

²⁹ The bulk of this section is drawn from Sharman (2008).

³⁰ Hemmelgarn and Nicodème (2009).

In August 2011, Switzerland and Germany signed a tax deal under which German clients would pay a retroactive lump sum on their assets at Swiss banks plus an annual tax on capital gains and interest income. This would allow the anonymous taxation of German assets in Switzerland without lifting Swiss bank secrecy. A similar agreement was signed between Switzerland and the United Kingdom in October 2011. The EU Tax Commissioner has insisted that these bilateral tax agreements are incompatible with the existing EU-Swiss agreement on taxation of savings income and has called for them to be withdrawn.³¹ In summer 2013, the German parliament also rejected the German-Swiss deal.

6. . Concluding Comments

This paper traced how the secrecy characteristics of particular jurisdictions facilitate tax evasion and avoidance, money laundering, and the concealment of plunder by individuals from both developed and developing countries. These safe havens comprise a much broader group of countries than are typically recognized as tax havens or offshore financial centers.

There has been little progress on closing the channels used by MNCs because of the substantial political influence that they wield. The OECD withdrew its proposal to require that “substantial activities” be carried out in OFCs before their use for corporation tax purposes would be accepted as legitimate. The battle in the US over the use of tax havens by US corporations has been in a position of stalemate for decades.

Though the Council of Europe in an April 2013 document entitled *Promoting an Appropriate Policy on Tax Havens* came out in favor of mandatory country-by-country reporting by MNCs, this seems unlikely to be enacted at the global level, at least into the medium term.³²

³¹ Council of Europe (2012).

³² Fröberg and Waris (2011) suggest that eligibility to participate in development-aid funded projects could be restricted to companies that agree to report their financial activities on this basis.

Since even advanced countries cannot prevent aggressive corporate tax planning, there seems to be little that developing countries can achieve on their own. They could benefit, however, by updating double taxation agreements with partner countries to close off the most egregious loopholes. Resource-rich developing countries might appear to have more power than others in negotiating with MNCs, though, as the “resource curse” literature warns, they face their own specific difficulties.

Most agree that the loopholes exploited by aggressive tax planning practices such as those documented earlier can only be tackled by global agreement, and many believe that the buy-in of the havens themselves needs to be secured.³³ This applies to capital flight as well. Schwarz (2009, p. 104) suggests that “as tax havens have little reason to behave cooperatively, it is useful that part of the revenues of a withholding tax remain in the source country as a means of increasing their cooperation.” Carlson (2001–02) and Sharman (2006) agree that the use of side payments to the haven countries can be efficiency enhancing, given the mismatch between the revenues lost to non-havens and the tiny fraction that is gained by the havens themselves. UNODC (1998, p. 41) agrees that “it should be possible to imagine alternative economic development solutions for such . . . havens, developed in conjunction with the world business community,” while Gregory (2011–12, p. 893) notes that the development of a voluntary Global Tax Organization along the lines of the WTO that would confer special benefits on members willing to cooperate would make “the sovereignty argument . . . moot.” The deadlock in negotiating the Doha round at the WTO, however, reminds us that securing progress even beyond this major first step would not be straightforward.

³³ Switzerland has secured concessions from Brussels as part of the bargaining over the EU Savings Tax Directive, while the UK in its dealings with the Caribbean Overseas Territories yielded concessions in the form of recognition of local stock markets, tax-treaty agreements, and assistance with tourism-promoting EU aid for roads and airports.

Let us now consider the arguments that have been advanced in favor of secrecy regulations. Sovereignty considerations are frequently alluded to. Though the ready availability of shell companies has been identified in US Senate Sub-Committee reports as conducive to criminality, they remain readily available for purchase within the United States itself. Antoine (2002) defends the legitimacy of offshore confidentiality on the basis of widely-accepted legal principles, while Teather (2002) draws attention to the long-established principle that governments do not enforce each other's taxes.

Gregory (2011–12) characterizes the issues surrounding secrecy as follows. On the one hand, it facilitates the concealment of illegally obtained funds and limits the ability of governments to tax unlawfully concealed money. On the other hand, it helps to protect citizens from rogue governments and the possible malicious leaking of information (Carlson, 2001–02). This was one of the stated motivations behind US opposition to reporting deposit interest paid to “non-resident alien individuals.”³⁴

The findings of Brown et al. (2011) that residents of countries with weak political governance systems hold more Swiss deposits might be read as supporting this perspective, though it may also be the case that it is the governing elites of these countries that hold their funds in Switzerland. As Shaxson (2012, p. 162) notes, developing-country elites would be forced to seek to rectify the problems arising in their home countries if funds could not be shifted offshore. Where one stands on these issues depends on one's view as to whether it is rogue governments or their victims that seek the protection of secrecy.

While supportive of the automatic exchange of information, the Council of Europe nevertheless warns of the need for “appropriate safeguards for adequate personal data

³⁴ <http://www.dlapiper.com/treasury-finalizes-controversial-non-resident-alien-us-bank-deposit-reporting-regulations/>

protection and reinforcement in administrative capacity for dealing with cross-border information flows.” Of particular relevance in this regard is a 2012 OECD guide on confidentiality (*Keeping it Safe*) which cautions that before entering into an agreement on automatic exchange with another jurisdiction it is essential that the receiving country has the legal framework and administrative capacity to protect the confidentiality of the information received. Confidentiality, it warns, is not simply the result of legislation but also of a “culture of care” within the tax administration.

OECD (2013) takes up these themes, setting out the key success factors for an effective model for the automatic exchange of information (though an important issue here is whether this would apply just to savings accounts—which are thought to be little used to hide income—or whether it would also include foundations and trusts). Broad framework legislation needs to be enacted to facilitate the expansion of a country’s network of partner jurisdictions. A legal basis for the exchange of information must be selected, due diligence requirements implemented, and common or compatible IT standards developed.

Sub-Saharan African countries lag behind most OECD member states in the resources and institutional capacity available to them to progress along each of these dimensions, though initiatives such as the African Tax Administration Forum and the OECD Task Force on Tax and Development should be of assistance. Even as progress is achieved, outside support will remain crucial—either, optimally, to progress towards a multilateral system of information exchange agreements or, as an alternative, to bring pressure to bear on capital flight destinations to negotiate tax treaties with sub-Saharan African countries. Automatic exchange of information is likely to remain elusive for some time to come.

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Appendix Table 1: Indicators used to score a jurisdiction’s level of financial secrecy

Knowledge of Beneficial Ownership	
1	Bank Secrecy: Does banking secrecy have a statutory basis and are banks required to collect and maintain adequate records about their clients?
2	Registration of foundations and trusts: Can foundations and trusts be created and is there a public registry of foundations and trusts?
3	Recording of company ownership: Are details of the beneficial ownership of companies submitted to and kept updated by a competent authority?
Key Aspects of Corporate Transparency Regulation	
4	Publication of company ownership details: Are details of company beneficial ownership maintained and made publicly available on the internet at reasonable cost?
5	Availability of company accounts: Does the jurisdiction require company accounts to be submitted to a public authority, and are these accounts made publicly available on the internet at reasonable cost?
6	Country-by-country reporting: Does the jurisdiction require companies listed on the national stock exchange to comply with a country-by-country reporting standard?
Efficiency of Tax and Financial Regulation	
7	Fitness for information exchange: Are all paying agents (e.g. banks, trusts, and foundation administrators, etc.) required to automatically report payments to non-residents to the tax administration?
8	Efficiency of tax administration: Does the tax administration make use of taxpayer identifiers?
9	Taking measures not to promote tax evasion: Does the jurisdiction apply a tax credit system for receiving interest and dividend income payments?
10	Harmful legal vehicles: Does the jurisdiction allow the creation of cell companies, and are flee clauses for trusts prohibited by law?
International Standards and Cooperation	
11	Anti-money laundering measures: Assessed on the basis of compliance with FATF standards
12	Provisions for automatic information exchange: Does the jurisdiction participate in the AIE provisions of the EU’s savings tax directive, or does it offer a withholding tax alternative?
13	Bilateral treaty provision for information exchange: How many double tax agreements and tax information exchange agreements have been agreed?
14	International treaty commitments: Including the 1988 Council of Europe/OECD Convention; 1988 UN Drug Convention; 1999 UN International Convention for the Suppression of the Financing of Terrorism; 2003 UN Convention Against Transnational Organised Crime; 2005 UN Convention Against Corruption.
15	International judicial cooperation: FATF recommendations 36, 37, 38, 39, and 40 relating to mutual legal assistance and other forms of cooperation

Source: <http://www.financialsecrecyindex.com/documents/FSI-Methodology.pdf>

Appendix Table 2: List of Jurisdictions Ranked in Terms of Secrecy Score

Jurisdiction	Secrecy Score	Jurisdiction	Secrecy Score	Jurisdiction	Secrecy Score	Jurisdiction	Secrecy Score
Nauru	93	British Virgin Islands	81	Cayman Islands	77	Belgium	59
Maldives	92	St Kitts & Nevis	81	Malaysia (Labuan)	77	Israel	58
Turks & Caicos Islands	90	Liberia	81	Panama	77	USA	58
Marshall Islands	90	Liechtenstein	81	Costa Rica	77	Cyprus	58
Belize	90	Guatemala	81	Cook Islands	75	Germany	57
St Lucia	89	Dominica	80	Monaco	75	Canada	56
Vanuatu	88	Anguilla	79	Aruba	74	Korea	54
Seychelles	88	Dubai (UAE)	79	Mauritius	74	India	53
Montserrat	86	Ghana	79	Philippines	73	Portugal (Madeira)	51
Bermuda	85	Barbados	79	Hong Kong	73	Netherlands	49
Samoa	85	San Marino	79	Andorra	73	Italy	49
Brunei Darussalam	84	Botswana	79	Singapore	71	Malta	48
Macao	83	Jersey	78	Luxembourg	68	Hungary	47
Netherlands Antilles	83	Gibraltar	78	US Virgin Islands	68	Latvia	45
Bahamas	83	Switzerland	78	Austria	66	United Kingdom	45
Grenada	83	Uruguay	78	Guernsey	65	Ireland	44
Lebanon	82	St Vincent & Grenadines	78	Isle of Man	65	Denmark	40
Antigua & Barbuda	82	Bahrain	78	Japan	64	Spain	34

Note: High score implies less transparent.

Source: <http://www.financialsecrecyindex.com/2011results.html>

Appendix Table 3: Sub-Saharan African countries from which the Bank for International Settlements reports deposits of over USD 1 billion

Deposits from:	Amount, USD billions
Angola	28
Botswana	1.8
Cameroon	1.7
Cape Verde	1.4
Congo	1.1
Democratic Rep of Congo	3.1
Côte d'Ivoire	2.1
Equatorial Guinea	1.3
Ethiopia	1.2
Gabon	1.5
Ghana	3.8
Kenya	10
Liberia	14.1
Mauritania	2
Mozambique	2.9
Nigeria	31.5
Senegal	1.4
Seychelles	8.8
South Africa	42.1
Sudan	1.1
Tanzania	2.5
Uganda	2.3
Zambia	1.5
Zimbabwe	1.1

Source: Bank for International Settlements, Preliminary International Banking Statistics, second quarter 2013, Table 7A