



# Isle of Man banking leak:

Analysing banking  
data to reveal  
offshore strategies

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## Executive Summary

Automatic exchange of bank account information could reveal more than just the locations and amounts of offshore money holdings. It could also improve beneficial ownership transparency because it can help identify individuals who choose to place their offshore holdings not directly under their name, but rather under the name of an interposed entity, say a company or trust, as a secrecy strategy. If banking data were made available, authorities could better understand the offshore strategies pursued by their residents by analysing the types of entities in which individuals choose to hold their foreign accounts (eg an LLC versus a trust) and the tax havens, or secrecy jurisdictions as we refer to them, in which they choose to set up that LLC or trust. Authorities could then spend more resources investigating and auditing those specific countries and types of entities. A recent leak from an Isle of Man bank shows how this can be done. Confirming what we have been calling for years, the leak demonstrated how the automatic exchange of banking information could start revealing the offshore strategies used by residents of each country, assisting authorities around the world in the quest for financial transparency. This brief includes four proposals to make this happen.

## Beneficial ownership and banks at the local level

Beneficial ownership transparency, a crucial strategy for tackling illicit financial flows, is becoming common practice around the globe, but more needs to be done to make this strategy effective. Beneficial ownership transparency involves identifying the individuals (natural persons) who ultimately own, control, or benefit from a legal vehicle. Based on findings from the [Financial Secrecy Index](#), the Tax Justice Network's [State of play of play of beneficial ownership registration](#) reported that as of April 2020, there were more than 80 jurisdictions with laws requiring beneficial ownership to be registered (filed) with a government authority. More countries have enacted laws since then, including Nigeria and [the US](#). However, verification of the integrity of registered ownership data continues to be a big challenge. For this reason, we have been proposing ways to [verify the accuracy and truthfulness of beneficial ownership data](#), and we have shown how to find red flags by first [analysing](#) the typical structures of a country's entities.

Banks, based on the information they must collect, play a crucial role in helping improve the accuracy of beneficial ownership data. Based on the Financial Action Task Force (FATF) Recommendations on anti-money laundering, banks and other financial institutions must collect beneficial ownership information as part of the customer due diligence process. They ask their non-natural-person customers to disclose their beneficial owners. This additional source of beneficial ownership data held (and



checked) by banks can be very valuable to verify beneficial ownership data held in countries' official beneficial ownership registries. That's why the EU anti-money laundering directive (known as AMLD 5) requires banks to report any discrepancy they stumble upon. For instance, when opening an account, if Company A told its bank that its beneficial owner is Mary, but it registered John as its beneficial owner in the central beneficial ownership registry, the bank should report this discrepancy to the registry (or to some authority). This way, banks would help verify the accuracy of the registered beneficial ownership data held in central registries.

This system only works well, however, when everything happens locally. If John incorporates his company in one country, registers its beneficial ownership data in that country, and then opens a bank account in another country, that foreign bank would have no obligation to report discrepancies to the local beneficial ownership register where the company was incorporated. (The foreign bank will actually have no access to the local beneficial ownership register, unless it's a public register).

## **Access to foreign banking data to reveal offshore strategies**

Access to foreign banking data, either through a leak or through automatic exchange of information could reveal useful information for beneficial ownership transparency (in addition, of course, to information on the money held abroad).

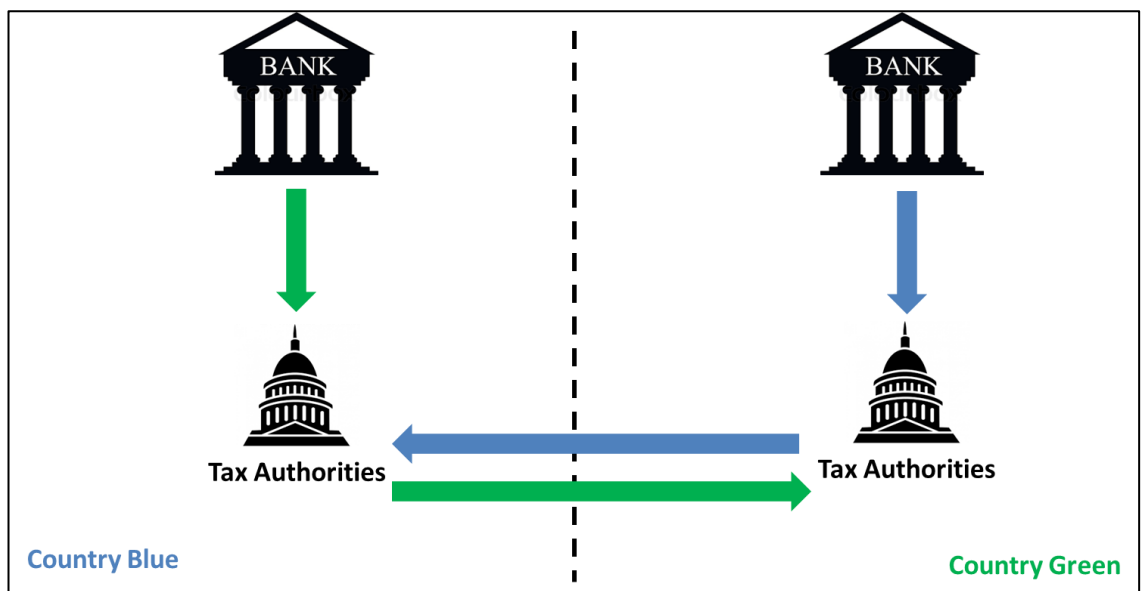
Access to full (foreign) banking data could reveal much more than discrepancies with registered beneficial ownership information. At the very least, the data would help if, for example, Company A registered John as the beneficial owner in the central beneficial ownership registry, but it told the foreign bank that Mary is the beneficial owner. In addition to reporting discrepancies, however, foreign banking data could reveal offshore strategies that were previously unknown to authorities. For instance, local authorities may have no idea that John set up Company A in secrecy jurisdiction Y and that Company A then opened a bank account in secrecy jurisdiction X. By accessing information on many foreign banks, authorities could analyse the most common ways in which their residents manage their offshore holdings. If the foreign banking data showed that all or most local taxpayers are going to secrecy jurisdiction Y to set up their offshore holdings, local authorities will know they have to use their resources to focus on secrecy jurisdiction Y. Authorities could try to sign an exchange of information agreement, send a group request of information, etc. What's more, foreign banking data could not only reveal these secrecy jurisdiction patterns, but also the specific types of vehicles used to hold bank accounts. For example, maybe all local taxpayers go to secrecy jurisdiction Y to set up joint stock companies but prefer secrecy jurisdiction Z to set up trusts. This would provide useful hints for auditors and investigators working for local authorities.

However, as banking leaks don't happen all the time, an alternative source of information may be the automatic exchange of bank account information. This brief explains how to use banking data to verify beneficial ownership and to reveal offshore strategies and how to improve the current automatic exchange framework to make use of this information. The cherry on top would be if countries improved their beneficial ownership frameworks to collect more information (see proposal 3 below).

## Using automatic exchange of banking information for beneficial ownership transparency

The automatic exchange of bank account information involves countries exchanging information with each other. Here's the logic: Let's say Mary is a resident of Country Blue, and she held a bank account in Country Green. Country Green would tell Country Blue that Mary had \$1 million in her Country Green bank account as of December 31 and made \$100,000 in income throughout the year. Country Blue would then check whether Mary had declared: (i) the account held in Country Green, (ii) the income and (iii) the account balance. If she had declared all of that, no penalties would be imposed upon her. Otherwise, authorities could impose sanctions, eg make her pay owed taxes and penalties, etc. Country Blue would exchange the same information with Country Green.

Figure 1. The automatic exchange of banking data



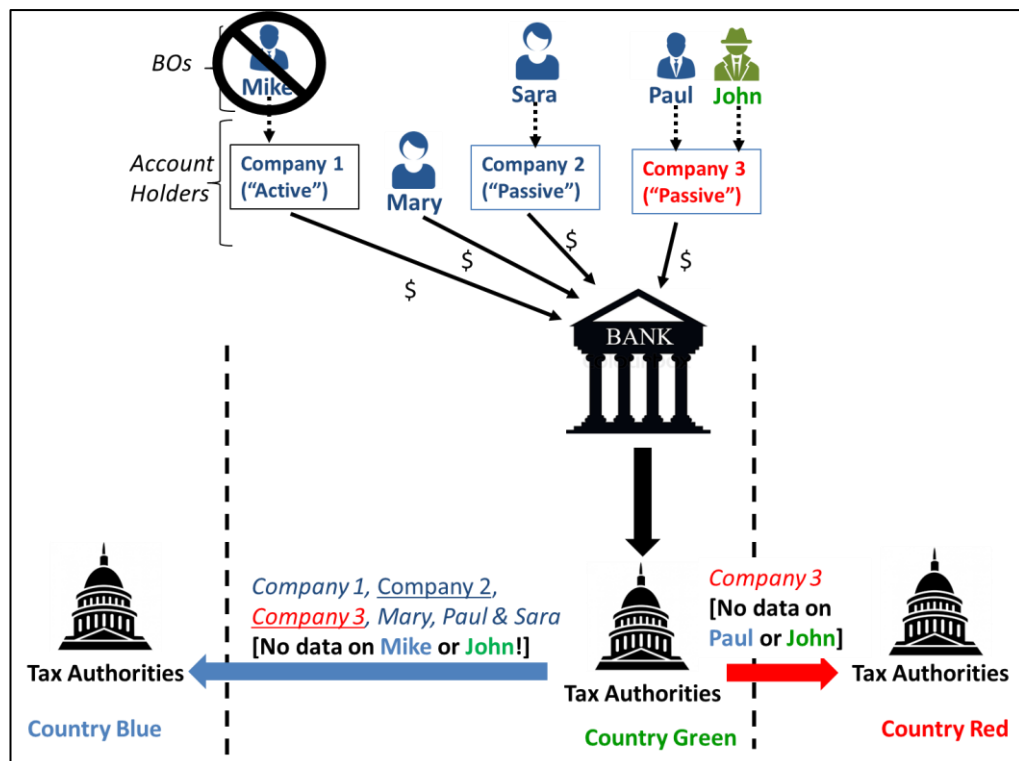
Unfortunately, not all the ownership data collected by banks as part of the due diligence is exchanged to all countries. The OECD developed the automatic exchange system, called the Common Reporting Standard, or CRS, with only a tax focus. Recently, there has been some improvement with countries signing the Punta del Este Declaration to use international

banking information for other purposes, such as the fight against money laundering. The relevance of this declaration is explained in the Financial Secrecy Index, [Indicator 18 on automatic exchange of information](#).

Among the many loopholes identified by our [previous papers](#) in the automatic exchange system, there are a few problems that affect its usability for beneficial ownership transparency. First, not all countries (especially lower income countries) are able to participate in the exchange system, so some of them receive no data at all. Second, the “tax focus” of the automatic exchange system means that in principle authorities only get information that may be relevant for tax purposes. In other words, they generally only get information on tax residents, but not on non-residents who would never be subject to tax (but whose information may be relevant for beneficial ownership transparency, as we will illustrate in Figure 2 below).

Another problem of the automatic exchange system is that countries only exchange information on beneficial owners if the bank account is held by an entity classified as “passive” (eg its income is mostly dividends, interests, etc). When the account holder is an entity classified as “active” (eg it mainly sells goods or services), there is no reporting of the beneficial owners. This is shown in Figure 2, where Country Blue would only receive information from Country Green on account holders and beneficial owners who meet the two conditions: (a) they are residents of Country Blue and (b) hold their accounts through a “passive” entity. By the same token, Country Red only receives information about its resident, Company 3, but nothing else.

**Figure 2. The limited cases in which beneficial ownership is exchanged as part of the automatic exchange system**

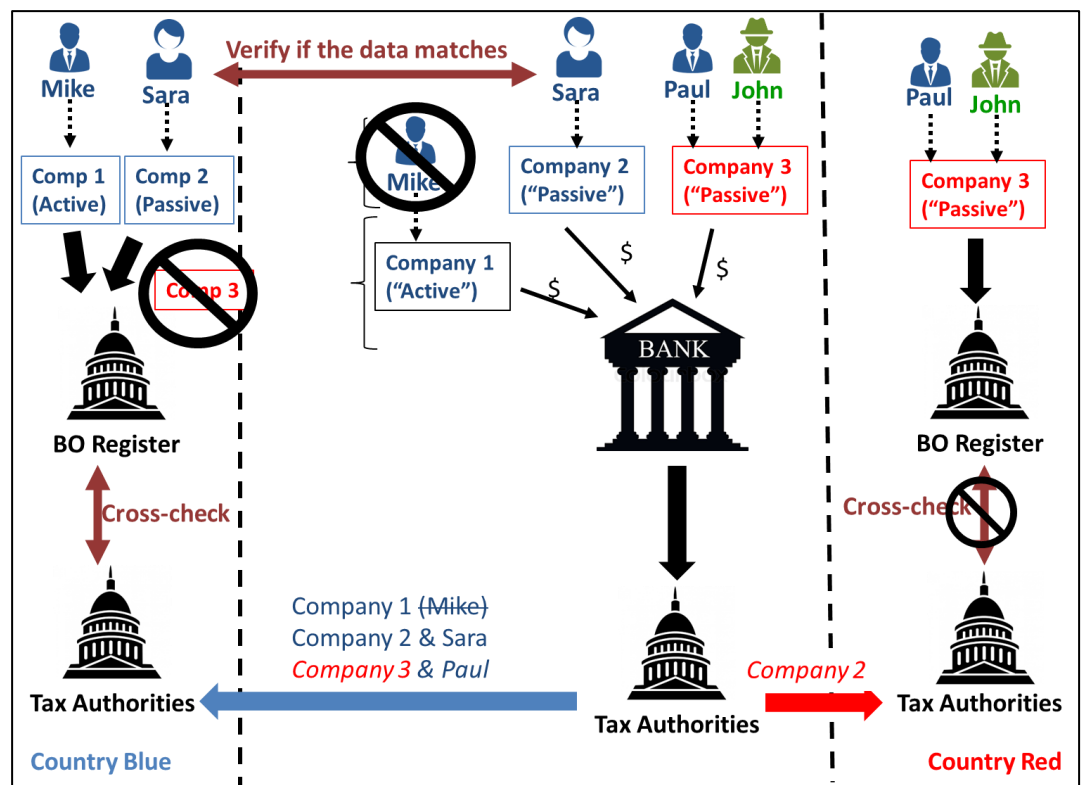


Even if Country Blue and Country Red have beneficial ownership registers, the current automatic exchange of banking data system only helps verify

information in very limited cases for the following reasons. First, most beneficial ownership registries cover only local entities (eg a company incorporated in the country). They lack data on foreign entities, even if these are owned or controlled by resident taxpayers. Second, the automatic exchange system focuses on local taxpayers, so countries receive in most cases information relating to their residents, but not on foreigners (there is a special case of Company 3 in Figure 3 below). Third, if the company is “active” (eg Company 1 in Figure 3) rather than “passive”, its beneficial owners are not exchanged.

Based on these limitations, it is only possible for Country Blue in Figure 3 to cross-check data regarding Company 2 and Sara because the local beneficial ownership register has data on Company 2 and because this company only has beneficial owners from Country Blue. In contrast, Country Blue’s beneficial ownership register has no data on Company 3 because it is not a local company. While Company 1 is resident and covered by both the beneficial ownership register and the automatic exchange, it’s “active” so there is no automatic exchange about its beneficial owner Mike. As for Country Red, even though its beneficial ownership register covers Company 3 (a local company), the automatic exchange system does not include data on Company 3’s beneficial owners because none of them are resident in Country Red.

**Figure 3. The limited cases where beneficial ownership data from registries and automatic exchanges can be cross-checked**



A summary of the limited cases in Figure 3 where countries can cross-check data held in their beneficial ownership registries against data from automatic exchanges is provided in Table 1.

Table 1. The limited cases where beneficial ownership data from registries and automatic exchanges can be cross-checked

	Local BO Register has data on local companies and their BOs:	Tax authorities receive automatic information on:	Can BO information be cross-checked?
Country Blue	Company 2 and Sara	Company 2 and Sara (both are resident and Company 2 is “passive”)	Yes
	Company 1 and Mike	Company 1 but not Mike (though both are residents, Company 1 is “active”)	No
	<del>Company 3</del> (let alone Paul and John) (it is not a local company)	Company 3 (special case) and Paul (resident)	No
Country Red	Company 3, Paul and John	Company 3 (resident), but not Paul & John (they are non-residents)	No

On the positive side, there is a special case regarding Company 3 in Figure 3 that could help reveal offshore strategies. Based on the [Common Reporting Standard](#) (page 248), when Country Blue receives information on its resident beneficial owners (eg Paul), it will also obtain information on the offshore entity account holder (Company 3), even if the entity is resident somewhere else (in Country Red). This is the crucial information to reveal offshore strategies with. Given that most local beneficial ownership registries (if they exist), don’t cover foreign companies, this information reveals information to authorities the offshore holdings of its resident taxpayers. What’s more, once Country Blue receives information about thousands of offshore entities set up by their resident taxpayers, it will be able to understand the offshore strategies used by their residents to hold assets. With sufficient data, it will be possible to reveal the preferred tax havens and also the preferred types of legal vehicles to manage offshore assets.

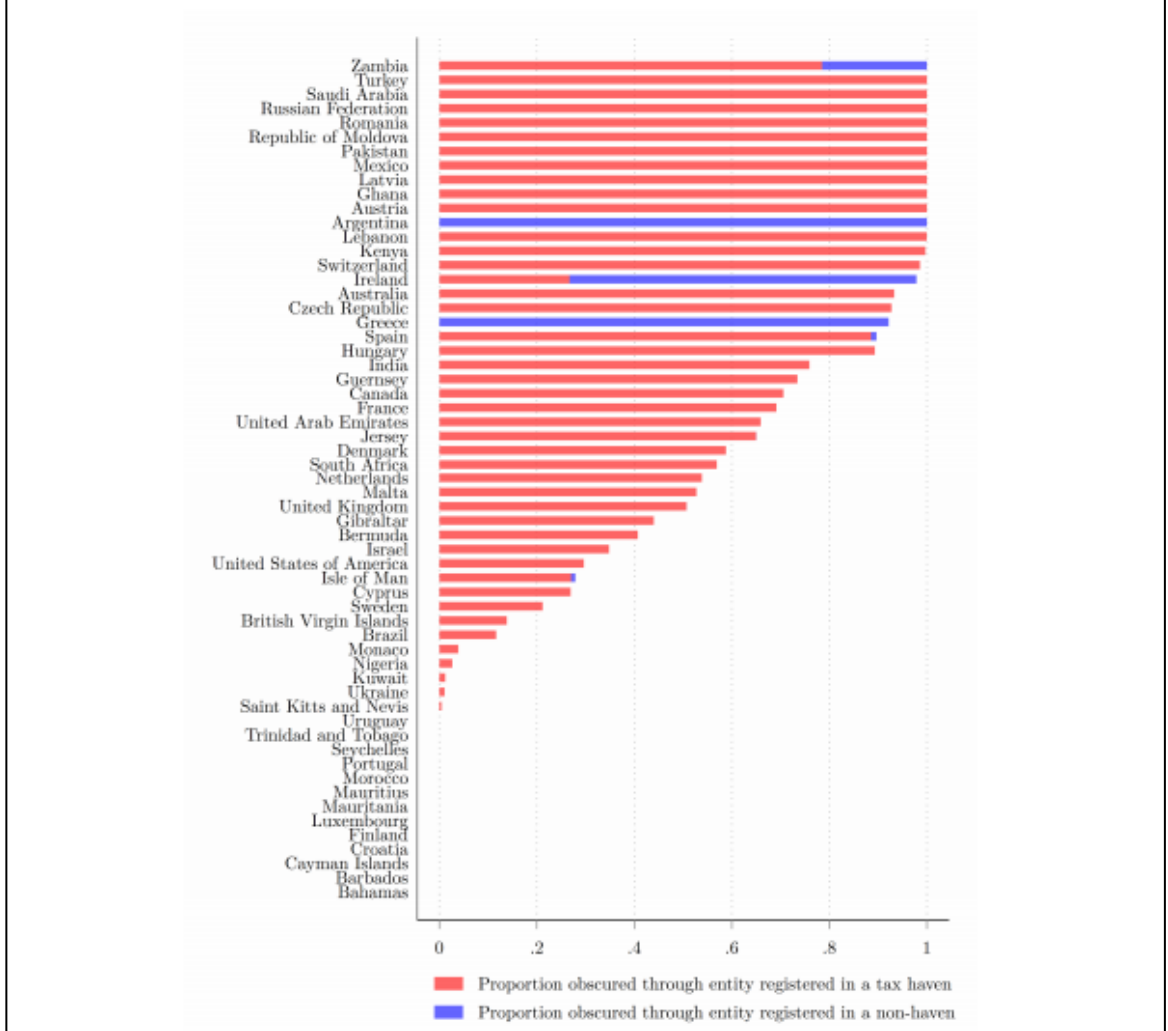
## The Isle of Man Banking Leak: Revealing the Offshore Strategies of Account Holders

Economist Matt Collin at the Brookings Institution published a brilliant paper titled [“What lies beneath: Evidence from leaked account data on how elites use offshore banking”](#) in which he used a leak from a private bank from the Isle of Man to analyse many interesting patterns. One of




the patterns that caught our attention in relation to beneficial ownership transparency is illustrated below in Figure 11, as it is labelled in Collin's paper.

**Figure 11: Share of deposits that are obscured from BIS reporting due to the use of a company registered in a different jurisdiction than the beneficial owner(s)**



This table shows that the Bank for International Settlements' (BIS) statistics on foreign deposits by country of origin may be misleading due to data being reported at the account holder level instead of the beneficial ownership level. In other words, if Jane from the UK set up a shell company in the Cayman Islands (with no operations, no office, no employees or equipment), and holds a bank account in Switzerland though this shell company, the Bank for International Settlements' statistics will report that Swiss account as belonging to a party in the Cayman Islands, even though it clearly belongs to Jane in the UK (for most countries, the statistics don't differentiate between individuals or entities either).

While the issue of misleading statistics is very relevant, our interest was to know more about the entities used to hold the bank accounts: where they were incorporated (in which secrecy jurisdiction) and their type (a company, trust, partnership, etc).



It was extremely helpful of Matt Collin to share statistical data from the leak with us. No names or account numbers were shared, only the number of accounts based on the residence of the beneficial owner and other details.

## Results

Before we go into the findings, some caveats must be mentioned. First, this is a leaked database from a small private bank, which doesn't include all the details the bank may have on each customer, and which may involve errors (eg if the bank recorded the information incorrectly or if the customer declared wrong information). The data contained in the leak is obviously not representative of the whole world. Our point, however, is not to draw conclusions about global offshore strategies, but to show what could be done – and how – if this analysis were conducted across the whole of the banking data that is being exchanged under the OECD's automatic exchange system.

Second, our focus is on how the Isle of Man is used by beneficial owners from elsewhere in the world in their offshore strategies, so first we excluded all beneficial owners from the Isle of Man. In addition, we excluded all accounts with a beneficial owner using an entity from their country of residence to hold a bank account in the Isle of Man. In other words if Joanne from the France held her bank account in the Isle of Man through a French company, this was excluded because both Jane and the company are from the same country: France (in this case, Joanne didn't go offshore to set up a company). Instead, if she held the bank account in the Isle of Man through a company in Luxembourg, this was considered. In essence, we removed from the sample cases where the beneficial owner and the company are from the same country.

Third, given the potential bias for having a local entity in the same place where you hold your offshore bank account (this may be a package offered whenever you set up an offshore company), we excluded entities from the Isle of Man, which represented 67 per cent of all the offshore cases. If Joanne from France held the bank account in the Isle of Man through an Isle of Man entity, this was excluded. The strong assumption here is that if the bank account was not in the Isle of Man, then we would expect a much lower percentage of Isle of Man entities. We may be wrong, however. It may be case that the Isle of Man is indeed the preferred secrecy jurisdiction of the world to set up an offshore entity, regardless of where the money will be held, either in the island or anywhere else. In essence, we removed from the sample cases where an entity from the Isle of Man was used to hold the account in the Isle of Man.

Finally, we disregarded cases where the entity was “unknown” or had an invalid value. To sum up, this is what we removed from the sample on “offshore strategies”:


- Beneficial owners from the Isle of Man, because the bank account was in the Isle of Man so it's not an offshore strategy

- Beneficial owners who use an entity from their country of residence (a French beneficial owner using a French company) to hold the bank account in the Isle of Man, because again this is not an offshore entity
- Beneficial owners (from any country) using an Isle of Man entity to hold the Isle of Man bank account (here we assume there is a bias in favour of using an entity from the same country as the bank account, so this would overstate the relevance of the Isle of Man as the preferred tax haven to set up entities)
- Unknown or invalid values

This is what we found:

- The sample involved 249 bank accounts indirectly held by beneficial owners from 36 countries. These owners held their accounts not through their own names, but through offshore entities. It's possible that the number of countries where the beneficial owners are apparently resident may be inaccurate due to several of these countries themselves being secrecy jurisdictions: Belize, Cayman Islands, Cyprus, Gibraltar, Guernsey, Hong Kong, Jersey, Seychelles, Singapore, Switzerland and the UAE. On the one hand, it could be the case that rich individuals from these secrecy jurisdictions (eg the Cayman Islands) are holding their accounts in the Isle of Man, in which case there are no inaccuracies and the 36 countries of residence identified among the beneficial owners are genuine. On the other hand, the more likely case is that the account holder lied on their documents and (wrongly) declared a nominee from the Cayman Islands as the beneficial owner. In this case, we have no clue as to the real residence of the beneficial owner. A third alternative explanation is that this is just a mistake by the bank when recording the data.
- The beneficial owners from these 36 countries used entities from 17 offshore jurisdictions: 45 per cent from Cyprus, 18 per cent from the British Virgin Islands, 9 per cent from the UK, 7 per cent from St. Kitts and Nevis, 4 per cent from Seychelles, and another 4 per cent from Switzerland.
- The most common types of legal vehicle used to hold the 249 accounts in the data sample included private companies limited by shares (45 per cent) and discretionary trusts (35 per cent). Most of the private companies limited by shares were from the British Virgin Islands, followed by Cyprus and the UK. Most discretionary trusts were from Cyprus followed by St. Kitts and Nevis. As described in our paper [Trusts: Weapons of Mass Injustice?](#), Nevis offers one of the most abusive types of offshore trusts.)

If we had had a large enough sample, these could have been valid global conclusions. For example, it would be possible to conclude that Cyprus and the British Virgin Islands are the preferred secrecy jurisdictions in which to hold bank accounts. In turn, country authorities would know to be especially wary of private companies from the British Virgin Islands, Cyprus and the UK, as well as discretionary trusts from Cyprus and St. Kitts and Nevis. Country authorities could also learn which secrecy



jurisdictions and types of entities are most often utilised by their local taxpayers to hide their wealth.


This all goes to show the leap in tax transparency that can be achieved, and the better equipped country authorities can be to tackle global tax abuses, if the data collected under automatic exchange of bank account information was publicly disclosed and properly analysed using our template.

Here are some of the more detailed findings we obtained by applying our analysis template to the small data sample (the number in parenthesis refers to the number of beneficial owners in the database):

- In Africa, beneficial owners from Ghana (4), Nigeria (1) and Zimbabwe (1) used offshore companies from the British Virgin Islands, Seychelles and the UK respectively.
- In Latin America, beneficial owners from Argentina (1), Brazil (1), Costa Rica (2), Mexico (1) and Paraguay (1) mostly used offshore companies from other countries in their region with a history of being tax havens: Uruguay, the British Virgin Islands, Panama and Belize respectively.
- In Southeast Asia, beneficial owners from India (4) and the Philippines (3) used offshore companies from the British Virgin Islands, Malta and Jersey respectively.
- In the EU, the choice of tax havens and types of entities is more diverse. Beneficial owners from Czechia (6), France (1), Greece (1), Hungary (1), Latvia (1), Spain (6) and Sweden (6), mostly used offshore companies from the UK, the British Virgin Islands, Cyprus, Belize and Seychelles. However, beneficial owners from Latvia (1) and Sweden (1) also used discretionary trusts from St. Kitts and Nevis. Seventy per cent of beneficial owners from the UK used offshore trusts to hold their accounts, mostly via Cyprus, St Kitts and Nevis and the Cayman Islands. Oddly enough, the leaked data shows some UK beneficial owners using trusts from Switzerland to hold their bank accounts despite it not being possible to create a trust under Swiss law. It may be that in all these cases, the data refers to the location of the trustee, rather than the governing law of the trust.

To stress the relevance of this data one last time, consider the following. If Indian authorities had access to this data regarding all of their residents' offshore holdings (not just for the 4 Indians mentioned in the leaked database), they would know which secrecy jurisdictions to prioritise safeguarding against, either by signing agreements to exchange information, making requests for information, or including those jurisdictions in their secrecy jurisdiction list.

## **Proposals for change**



Proposal 1 – Upgrade the automatic exchange system to include data on the account holder and the beneficial owners (even if not a resident in the country)

In case you are unfamiliar with the automatic exchange system and its flaws, here's a box outlining its basic concepts. If you are already familiar with the current automatic exchange system, feel free to skip it and jump to the proposal.


## The flaws of the automatic exchange of information system

In June 2020, the OECD [reported](#) that “nearly 100 countries carried out automatic exchange of information in 2019, enabling their tax authorities to obtain data on 84 million financial accounts held offshore by their residents, covering total assets of EUR 10 trillion”. This may sound like a great achievement, and to an extent, it is. Countries are finally exchanging useful banking information with each other.

The current system, however, is far from perfect. The “nearly 100 countries” involve mostly rich countries, and very few lower income ones. Second, the US does not participate in this multilateral exchange system, but instead implements its own bilateral system based on a domestic law called the Foreign Accounts Tax Compliance Act (FACTA). FACTA allows the US to receive a lot of information while sharing very little, if anything at all, in return. Additionally, the current system contains many loopholes that allow wealthy individuals with more sophisticated asset management strategies to avoid identification, especially those who hold gold, real estate or other assets not covered by the automatic exchange system.

Even if we just consider the information that is currently being exchanged and the countries currently participating in the exchange (the 84 million accounts covering EUR 10 trillion mentioned by the OECD), there are still several issues to be addressed before we can claim this automatic exchange system a success. First, countries may not be motivated to actually do much with the information provided through the exchange. The EU commission reported that some EU countries didn’t even bother to open the CD-rom containing the exchange information. These cases were based on an EU exchange framework called the Directive on Administrative Cooperation (DAC) that exchanges bank information as well as other data. Second, some countries may be unable to make use of the information provided through the exchange, even if they want to. They may not have the staff, the time, or the technology (eg IT system) to exploit it. Third, the information could be insufficient. The information provided may be incorrect, either through deliberate misreporting or through human error, or it may fail to include certain details that would be required to draw meaningful insight. For example, the current automatic exchange system does not always provide tax identification numbers, a necessary piece of data for linking bank accounts to local taxpayers. In other words, if the UK receives information from Switzerland saying that a British resident named John Smith has \$1 million in a Swiss bank account, without a tax identification number, the UK will have no way of determining which of the hundreds of British “John Smiths” this data is referring to. As such, the data is rendered unusable.

To offer some perspective on how serious of a problem this third point is, while a country like Norway reported having matched nearly 90% of the bank accounts provided through the information exchange with a local taxpayer, other countries in Latin America and North America have matching rates close to 50%, meaning half of the data they receive through the exchange is unusable.



Asking countries to exchange information on both account holders and beneficial owners (regardless of their residence) should not impose much of a burden because the collection of this data is already required. In principle,<sup>1</sup> banks collect information on all account holders, and they also collect data on beneficial owners for those entities classified as “passive.” As explained above, however, the current system involves sending information only to the country of residence. The only exception is illustrated by Figure 3, where country Blue would also receive information on the non-resident entity (Company 3 from Country Red) which was used by the beneficial owner resident in Country Blue (Paul) to hold the bank account in Country Green. This should be changed so that both countries receive all the data. For example, if John (resident in Country A) and Mary (resident in Country B) hold an account through Company 1 incorporated in Country Z, the automatic exchange system currently tells Country A about John and Company 1, Country B about Mary and Company 1, and Country Z about Company 1 (but nothing on its beneficial owners). The proposal is that information on John, Mary and Company X should be sent to all three countries A, B and Z.

In this ideal scenario, from the perspective of Country A, authorities will be able to discover the offshore strategies that their residents (like John) are using. If most residents of Country A go to Country Z to set up their offshore holdings, then Country A could start to audit or engage more with Country Z to obtain more information. Or they could impose sanctions against any taxpayer doing businesses with Country Z, etc.


From the perspective of Country Z, receiving information on beneficial owners John (resident in Country A) and Mary (resident in Country B) would be relevant to cross-check information against the beneficial ownership registry. If Company 1 told the beneficial ownership registry of Country Z that Mike is the beneficial owner, but the foreign bank reported John as the beneficial owner, then authorities would know that there is a mismatch. They could then try to determine the right beneficial owner and impose sanctions on Company 1 for filing wrong information with the beneficial ownership register.

## Proposal 2 – Exchange beneficial ownership information for “active” entities too

The automatic exchange system should include beneficial ownership data for all entities. As explained above, the current automatic exchange system only requires banks and countries to exchange beneficial ownership information when the account holder is an entity classified as

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<sup>1</sup> Countries can choose the “wider approach” where banks collect information on all of their customers. However, some countries have not chosen this approach. In this case, banks would only collect information on account holders or beneficial owners who are resident in a country participating in the automatic exchange system, but not if they are resident in a non-participating country such as Bolivia.



“passive” because its income is mostly dividends, interests, etc. This means that there is no exchange of beneficial ownership information when the account holder is an entity classified as “active”. However, banks are already required to collect beneficial ownership information as part of their due diligence process, regardless of if the account holder is an “active” or “passive” entity. In other words, banks already have beneficial ownership information for active entities, even if they don’t need to report this for the automatic exchange. To close this loophole and assist in the pursuit of beneficial ownership transparency, the automatic exchange system should always include information at the beneficial ownership level, regardless of whether the account holder is a passive or active entity.

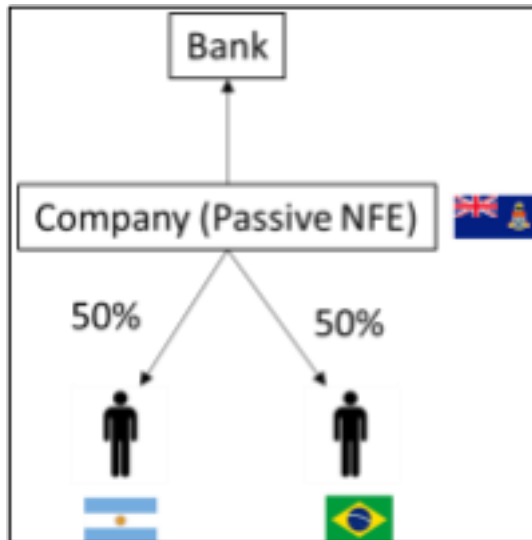
### Proposal 3 – Publish comprehensive statistics that disclose the list of countries used by residents of each country to set up their offshore holdings

Statistics could play a major role in the expansion of beneficial ownership transparency. As explained in the box above, many lower income countries are unable to join the automatic exchange system. At the same time, even for countries that are part of the system, access to the exchanged data is reserved exclusively for authorities. However, journalists and civil society organisations may also be interested in the data. For this reason, we have been calling on countries for several years to publish statistics on the banking information obtained through the automatic exchange system (see [here](#) and [here](#)). As we have written about previously in our blogs, [Australia](#) and [Germany](#) already publish these statistics, revealing valuable data on offshore holdings. Unfortunately, however, even the data from Australia and Germany still does not distinguish bank accounts at the beneficial ownership level.

The Isle of Man leak shows that bank account data, even at the macro level of statistics, can be very relevant. For this reason, by 2017 we had already drafted a [template](#) that countries could use to disclose the secrecy jurisdictions used by residents of each country.

Imagine, as illustrated in the next figure, that a Cayman Islands company holds an account at a Swiss bank. This Cayman company has two beneficial owners, one from Brazil and one from Argentina.





Based on our previously proposed template, Swiss authorities would aggregate information from all Swiss banks and disclose the list of all countries where the beneficial owners of any Cayman Islands-based passive entities are resident. Based on the above example, the list would include Argentina and Brazil. Ideally, it could publicly disclose the total number of beneficial owners from each country. In this case, one from Argentina and one from Brazil.

Account holder's jurisdiction	[Switzerland]'s reporting FIs	Accounts according to Account Holder										
		Passive NFE										
of residence		Aggregate Value	Median Account Value	Aggregate Income	Median Account Income	Number of Account Holders	Number of Accounts	Number of Accounts closed	Accounts [...] between 2013 & 2015		List of Jurisdiction where any controlling person is resident	
									Opened	Closed		
Argentina	Depository Institutions											
	...											
Brazil	Depository Institutions											
	...											
Cayman Isl.	Depository Institution											Argentina, Brazil
	...											
[All other jurisdictions]												

The opposite information should also be disclosed by the Swiss statistics. When reporting about accounts held by each beneficial owner, the statistics should include any country (most likely secrecy jurisdictions) used by those beneficial owners to indirectly hold their accounts. In other words, this list would disclose the countries chosen to set up entities to

hold bank accounts. In the example above, the Swiss statistics would show the Cayman Islands both for beneficial owner residents of Argentina and Brazil.


Account holder's jurisdiction of residence	[Switzerland]'s reporting FIs	Accounts according to Account Holder											
		Controlling Person											
		Aggregate Value	Median Account Value	Aggregate Income	Median Account Income	Number of Account Holders	Number of Accounts	Number of Accounts closed	Accounts [...] between 2013 & 2015		List of Jurisdiction where any Passive NFE is resident		
Opened	Closed												
Argentina	Depository Institutions												Cayman Islands
	...												
Brazil	Depository Institutions												Cayman Islands
	...												

If countries, especially financial centres, were to publish these comprehensive statistics, authorities would gain a clearer understanding of not just the offshore money held, but also the offshore strategies used to hold that foreign money. These statistics would help both journalists, researchers, and civil society organisations, as well as authorities from countries excluded from the system, such as Bolivia, to obtain at least basic information.

#### Proposal 4: expand the triggers of beneficial ownership registration to cover foreign entities with any local party

Currently, the beneficial ownership registration framework is too narrow. As described by the [State of play of beneficial ownership registration](#), as of April 2020, there were more than 80 jurisdictions with laws requiring beneficial ownership to be registered (eg filed) with a government authority. Many of those laws, however, either suffer loopholes (identified in the Financial Secrecy Index) or have a very limited approach to what information is required. For instance, as described in [our blog](#) on the EU beneficial ownership registration framework, the only condition that triggers beneficial ownership registration for legal persons (eg companies, partnerships, foundations) in the EU is incorporation. In other words, the central registries of beneficial ownership only hold information on the beneficial owners of local legal persons.

However, there are several ways in which a legal person could be operating in a country even if they are not locally incorporated. It could have local assets such as a bank account, real estate, etc. In addition, a resident of a country could have set up a foreign entity to hold foreign assets. That data would certainly be relevant for local authorities, but



most central beneficial ownership registries do not require this information to be registered.

This would not be a problem if all countries in the world had public beneficial ownership registries. This way, local authorities would be able to access these (foreign) public registries to identify the beneficial owners of the foreign entities operating in the local territory. However, not all countries have established beneficial ownership registries and even less countries publicly disclose beneficial ownership information. Therefore, to ensure access to beneficial owners of any foreign entity operating in the local territory, authorities should also require them to register their beneficial owners.

Although some tax authorities may require their tax residents to report their interests in foreign legal vehicles, it would be even better if the central beneficial ownership registry were to collect this data. Not only would that facilitate public access to the information (most tax authorities would unlikely be able to disclose this data because of “fiscal secrecy”), but it would also facilitate verification as countries’ beneficial ownership registries become interconnected.

In other words, if countries had beneficial ownership registries that collected information not just on local entities, but also on foreign entities with local assets, local operations or local parties (a shareholder, beneficial owner, etc), they could then use the information received by automatic exchange of information to cross-check the data held by the central registry. Going back to the example of Figure 3, Country Blue should require Paul to register information in the central beneficial ownership registry on his foreign company (Company 3 incorporated in Country Red). This way, local authorities would be able to start identifying the offshore strategies of their residents. To encourage compliance and prevent cases where local beneficial owners fail to register their foreign entities, the automatic exchange system would help discover unreported cases. At the same time, the automatic exchange system would help verify the data contained in these beneficial ownership registries regarding foreign entities. For example, if Paul registered foreign Company 3, but when opening the bank account in Country Z, Company 3 declared Mary as its beneficial owner.

## Conclusion

In conclusion, the more information collected by central beneficial ownership registries and exchanged by the automatic exchange of information system, the more data will be available to authorities, and the more verifications they will be able to perform. The more public this information is (eg through public beneficial ownership registries and through publication of statistics on automatic exchange of information), the more journalists, researchers and civil society organisations will be able to help in identifying offshore holdings, offshore strategies and illicit financial flows.