Narrative Report on Switzerland

PART 1: NARRATIVE REPORT

Introduction and Overview

Switzerland is ranked in first position in the 2018 Financial Secrecy Index, based on a high secrecy score of 76 and a large global scale weight for the size of offshore financial services (approximately five percent of the global market). Its famed banking secrecy laws remain firmly in place, though with exceptions permitted for some countries to obtain necessary information.

Switzerland is the grandfather of the world's tax havens, one of the world's largest offshore financial centres, and one of the world's biggest secrecy jurisdictions or tax havens. According to the Swiss Bankers' Association banks in Switzerland hold CHF 6.65 trillion ($6.5 trillion) in assets under management, of which 48 percent originated from abroad: this made Switzerland the world leader in global cross-border asset management, with a 25 percent share of that market.[1] In terms of the narrower wealth management sector, Deloitte estimated that Switzerland was also the world leader with US$2.04 trillion in assets under management in 2014, compared to the $1.65 trillion and $1.43 trillion for the UK and US respectively.[2] Of this, over half was from Europe.

In addition to asset management and wealth management, Switzerland hosts services such as investment banking, insurance and reinsurance, hedge funds and private equity, corporate tax avoidance structures, offshore companies and trust administration, and plenty more. Swiss financial centres in French-speaking Geneva, German-speaking Zurich and St. Gallen; and Italian-speaking Lugano (and elsewhere) cater to different geographical markets, each offering a range of banking and offshore facilities.[3]

Financial services make up over 10 percent of GDP, according to OECD data[4]: more than twice the European Union average, and total banking assets were estimated in 2015 at 467 percent of Swiss GDP,[5] one of the highest in the world. Banking looms especially large in the Swiss economy: more so than in almost any other major country. Given this dominance, with UBS and Credit Suisse accounting for about half of all Swiss banking assets, it is hardly surprising that a strong 'financial consensus' inhibits domestic criticism of the financial centre: Switzerland is similar in this respect to many offshore financial centres.

Though Switzerland has made several improvements to its secrecy regime in recent years, following concerted pressure from the United States, the European Union and others, the concessions it has made – nearly always in response to pressure against Swiss banks, rather than against Switzerland itself – can to some degree be summarised as "white money for rich and powerful countries; black money for vulnerable and developing countries." So, the Swiss will exchange information with rich countries if they have to, but will continue offering citizens of poorer countries the opportunity to evade their taxpaying responsibilities. These factors, along with ongoing aggressive pursuit of financial sector whistleblowers (resorting at times to what appear to be non-legal methods[6]) are ongoing reminders of why Switzerland remains the most important secrecy jurisdiction in the world today.

Rank: 1

Chart 1 - How Secretive? 76 Secrecy Score

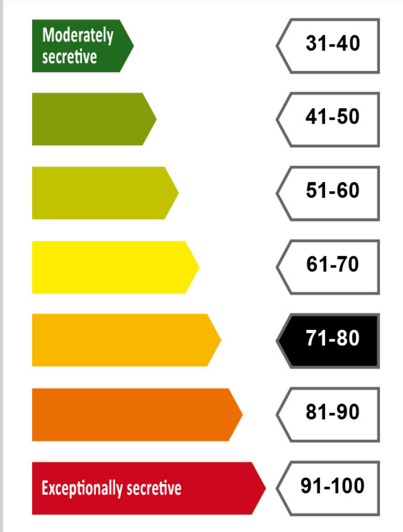
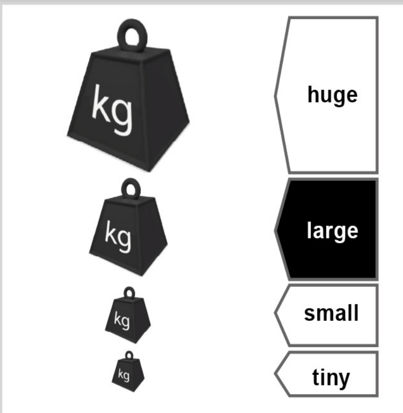


Chart 2 - How Big?



Switzerland accounts for more than than 4 per cent of the global market for offshore financial services, making it a large player compared with other secrecy juridictions.

The ranking is based on a combination of its secrecy score and scale weighting.

Full data on Switzerland is available here: www.financialsecrecyindex.com/database.

To find out more about the Financial Secrecy Index, please visit www.financialsecrecyindex.com.

If you have any feedback or comments on this report, contact us at **info@taxjustice.net**

The history of Switzerland as a secrecy jurisdiction

Early beginnings

Swiss banking secrecy has old and deep roots, based on three foundations: first, Switzerland's infamous tradition of banking secrecy; second, its political stability, underpinned by neutrality and its powerful system of direct democracy, and third, a 'financial consensus' strongly rooted in Swiss society which has generally protected the offshore financial services centre against major political challenges.

In 1713, long before Switzerland existed as a federal state, the Great Council of Geneva adopted regulations prohibiting bankers, who were already harbouring substantial deposits belonging to European aristocracy, from revealing details about their clients.[7] Catholic French kings, among the earliest known clients of Geneva banks, enjoyed these banks' traditions of secrecy partly because they did not want to be seen to be dealing with 'heretical' Protestant bankers. A centuries-old tradition of 'unlimited liability' – where partners were personally liable for bank losses – further bolstered their reputation for solidity.

Wars and neutrality: the bedrock of Swiss banking

Switzerland's reputation for safety, helping attract 'safe haven' financial flows from the nobility in a turbulent Europe, was bolstered when Swiss neutrality was formalised at the Congress of Vienna in 1815.[8] Neutrality was a matter of self-preservation. Switzerland's mountainous terrain meant that the territories that make up today's Switzerland were deeply divided between often isolated valley communities. This evolved into sharp divisions between its French, German and Italian (and a small number of Romansh) speakers. Any taking of sides in a European war would have risked civil war in Switzerland – and matters were exacerbated by religious and other divisions. Indeed, the creation of Switzerland as a Federal republic in 1848 was a direct consequence of a 27-day civil war which had pitted conservative Roman Catholics against liberal Protestant cantons.

The ongoing potential for internal conflict led the Swiss to develop a complex, intricate form of direct democracy, based on a large degree of autonomy for local units, which serves as a highly effective mechanism for resolving and dissolving conflict. As the historian Jonathan Steinberg put it, Swiss communities are:

> "bottom-heavy, rather like those dolls which spring up no matter how often the child pushes them over. The weight is at the base. The communities have a deep equilibrium, to which, as the point of rest, the social and political order tends to return." (p.89)[9]

In the words of Swiss scholar Sébastian Guex, Swiss élites in the 19th century jealously watched other European countries building empires, and without a corridor to the sea to allow them even to contemplate such adventures, began to see an alternative in creating a financial empire that would deal with the wealthiest and most powerful dynasties as equals. The Swiss found that trade and living standards were never as good as they had been during the Thirty Years War of 1618-48, one of the most destructive in Europe's history: That, as Steinberg put it, was when "the Swiss began to associate neutrality with profit, virtue and good sense." The Franco-Prussian War of 1870-1 saw another surge of money into Switzerland. As Guex put it (p55)[10]:

> "This is what the Swiss bourgeoisie are thinking. 'That's our future. We will play on the contradictions between the European powers and, protected by the shield of our neutrality, our arm will be industry and finance.' "

Secrecy continued to fuel the sector: Guex describes a major Swiss bank openly advertising its 'utmost discretion' in France in 1910; soon afterwards a Swiss economy minister had to press Swiss banks to tone down such messages overseas for fear of retaliation by angry foreign tax authorities.

The First World War precipitated the biggest ever cascade of money into Swiss banks. But this wasn't only about Switzerland's safe-haven status. Tax was also a large part of it. As governments hiked taxes to pay for their respective war efforts, many wealthy Europeans escaped their share of the war effort and took their money away to Switzerland: the French preferring French-speaking Geneva, the Germans went to German-speaking Zürich, Basel, and St. Gallen; and the Italians to Lugano in the southern Italian-speaking Swiss canton of Ticino. Meanwhile, commercial interests in warring countries also used Switzerland as a turntable allowing them to keep doing business with the enemy, in secret.

As this was happening, Swiss bankers continued to spread their net wider, pushing their wares downmarket beyond the aristocracies. Meanwhile the spread of technology and globalisation was making capital more mobile, and significant quantities began to come from beyond Europe. Switzerland's role as a top global financial centre was further underpinned by a decision to site the headquarters of the Bank for International Settlements in Basel in 1930.

Switzerland enacted its famous banking secrecy laws in 1934, entrenching de facto banking secrecy by making it a criminal offence to divulge information. A widespread and false myth has been propagated that this was done to protect German Jewish money from the Nazis; in fact, Swiss politicians enacted the law for far less altruistic reasons, as the box explains.

Box 1: The myth of 1934

Before the banking secrecy law of 1934, client confidentiality rules applied (such as exists between doctors and their patients), violation of which was a civil offence, not a criminal one as it is today. Many defenders of Swiss bank secrecy assert that the law was put in place to protect German Jewish money from the Nazis. This is quite false: this story seems to have first appeared in the November 1966 Bulletin of the Schweizerische Kreditanstalt (which became today's Credit Suisse), and has been widely propagated. The first drafts of the law to criminalise the breaking of banking secrecy were created soon after the onset of the Great Depression, as a way of defending the sector from popular anger about bankers. But in October 1932 officials of the Basler Handelsbank were caught red-handed facilitating tax evasion by members of French high society, among them two bishops, several generals, and the owners of Le Figaro and Le Matin newspapers. It was this scandal that created the pressure for the law to be enacted promptly. (For more on this see Sébastien Guex, The Origins of the Swiss Banking Secrecy Law, 2000.)[56]

In the Second World War a further surge of wealth into neutral safe-haven Switzerland created yet another step-change in the growth of Swiss banking.

Despite Switzerland's neutrality and a fairly widespread antipathy among the wider Swiss population towards Nazi Germany, Swiss bankers collaborated heavily with Hitler and his regime.[11] Switzerland also supplied the Nazis with electricity and supplies – not to mention financial credit – and facilitated the delivery of strategic equipment. Swiss bankers stashed the proceeds of Nazi loot without question, including gold ingots made from the dental fillings of murdered Jews. They then helped fleeing Nazis hide their loot after the end of the War – and as if that were not bad enough, they made it extremely difficult for surviving relatives of murdered Jews and other victims of the Holocaust to get their money back (see box 2 below). Recent reports suggest that Hitler himself had 1.1 billion Reichsmarks on deposit in Switzerland (and he refused to pay taxes, before passing a law that made him exempt.)[12]

It was only after extreme pressure from the U.S. much later, in the 1990s, that Switzerland grudgingly handed over part of the money.

The modern age: Switzerland circles the wagons as transparency pressures grow

Since the Second World War a number of foreign countries have attempted to penetrate Swiss banking secrecy. Until the late 2000s, these attempts largely failed.

Typically, Switzerland's response was to play divide and rule; and to delay and obfuscate for as long as possible until periods of maximum leverage were available, at which point Switzerland would sign long-term treaties or deals solidifying minimal concessions as a cover for (largely) business as usual. Immediately after the War, for example, amid negotiations with the Allies over Swiss reparations and the identification of secret Nazi loot, Switzerland granted large loans to war-shattered UK and France. The Swiss ambassador in London described[13] the purpose of the British loan as being to "ensure the indulgence of the English (sic) government" in the negotiations. The loans appear to have significantly blunted the Allies' demands.[14]

Decades passed with foreign governments achieving almost no success in penetrating Swiss banking secrecy, despite the widespread and well-known criminality and abuses it was facilitating, around the world.

Pressure from the United States: a partial breakthrough

Switzerland was eventually forced to make significant concessions on banking secrecy in 2008 when the United States began to investigate and prosecute senior Swiss bankers, launching high-profile criminal cases against UBS, Credit Suisse and other banks (see pp14-15 here).[15] With its bankers caught in flagrante helping wealthy Americans evade tax, and under tremendous pressure from the global financial crisis, UBS eventually reached a Deferred Prosecution Agreement with the U.S. Department of Justice in February 2009. Even then, however, the DoJ had to persuade the Swiss government to undergo unusual domestic legal contortions to allow it to infringe banking secrecy and hand over data under the deal. In August 2009 Switzerland agreed to hand over data on more than 4,000 UBS clients; an unprecedented leak.[16]

By August 2013, following four years of sustained pressure from the U.S. Justice Department (which, among other things, led to the collapse of long-established and high-profile Wegelin Bank), Switzerland agreed to unprecedented further concessions from the U.S., in which eligible banks would pay penalties worth up to 50 percent of the hidden U.S. assets, and disclose account information about U.S. customers, to avoid prosecution.[17] Fourteen Swiss banks including Credit Suisse were excluded because they were already under criminal investigation.[18] Switzerland in February 2013 also signed[19] the U.S. Foreign Account Tax Compliance Act (FATCA: see our USA narrative report[20]). The FATCA agreement – signed by 113 jurisdictions as of October 2017 – requires financial institutions to disclose information on U.S. accounts to the U.S. IRS on an ongoing, automatic basis.[21]

It is worth noting two things about the U.S.' penetration of Swiss banking secrecy. First, this did not mean that Swiss banking secrecy was finished, as some excitable news reports have suggested. The breach in secrecy was only directed towards the United States, leaving many other countries vulnerable to Swiss secret banking; and it was not a total breach either. Second, a key lesson from this episode, highlighting a much older pattern, is that external pressure on Swiss secrecy has generally succeeded only when it is targeted against Swiss banks, rather than against Switzerland itself. The Swiss population have long cultivated a self-image of a small, plucky Alpine nation standing up proudly to big external bullies, and attacks on the Swiss nation have tended to cause the Swiss to close ranks in support of the banking sector, even among those who normally oppose banking secrecy.

Nevertheless, offshore finance has generated some tensions and conflicts locally.

In Swiss banking circles, and in some sections of government and society, there exists a stridently anti-tax and anti-government world view, which has seen the facilitation of criminal tax evasion as a 'legitimate' way of rejecting and thwarting foreign governments and society itself, in the name of individual freedom. Konrad Hummler, then head of the Swiss private bankers' association, encapsulated this in 2009 when he lashed out against France, Germany and Italy as 'illegitimate states' and defended criminal tax evasion by their wealthiest citizens as a 'legitimate' defence against 'excessive' tax.[22]

However, Swiss society also has strong countervailing social democratic and egalitarian traditions, so the offshore financial sector's longstanding 'capture' of media, society and government, is contested by a significant though minority section of the voting population.

Box 2: Estelle Sapir, Swiss bankers and Nazi gold

In 1999 the *New York Times* wrote an obituary[57] of Estelle Sapir, a Holocaust survivor who was the lead plaintiff in a class-action lawsuit involving thousands of Holocaust survivors who sought to recover deposits made by their families in Swiss banks.

Before the war her father Jozef, a Jewish businessman from Poland, had deposited money in several banks. During the war she was sent to a Nazi concentration camp but was able to speak to her father beforehand, through barbed wire in a detention camp. He told her that she had to survive and that there was money in the bank: then drilled her repeatedly on the names of the banks where he had spread out his assets. The *NYT* explains what happened after the war:

> "After the war, during which Miss Sapir worked for the French underground, she visited a number of banks in England and France where her father had told her he had left part of his money. The bank accounts were turned over to her without question, she said. But the Geneva branch of Credit Suisse, saw things differently.
>
> When Miss Sapir asked to collect the money in 1946, the bank manager demanded that she provide her father's death certificate and records of his deposits. Miss Sapir said that her father's financial records had been lost in the chaos of the war and that there was no death certificate. Credit Suisse persisted in its demands for documentation."

The class action suit that she led generated immense media coverage and Credit Suisse settled the case in 1998.

Wider transparency pressures intrude

Since the global financial crisis that erupted in 2008 new pressures for transparency have emerged, from citizens as well as governments around the world looking for new sources of revenue and wanting to crack down on financial malfeasance. This has come amid a period of soul-searching in Switzerland about secret banking, prompted significantly by the U.S. saga (see above) but more generally a growing tide of criticism of Switzerland.

The Swiss authorities have responded in mixed ways to these pressures, which have come from two main areas beyond the United States.

Europe has been one source of pressure for transparency. Switzerland has for years participated in the European Union Savings Tax Directive (EUSTD), a mechanism of automatic information exchange for 43 European Union and associated countries. However, the scope of the original Directive was extremely narrow (limited to reporting on bank interest only) and it was full of loopholes. What is more, Switzerland fought hard and aggressively against European efforts to create a new, amended EUSTD with the main loopholes plugged. It sought to play divide and rule within Europe by seeking to sign bilateral special tax deals with Germany,[23] the United Kingdom and Austria, hoping to lure their governments amid strong economic stresses during the global financial and economic crisis, with the promise of money from untaxed accounts. The main aim was to sap Germany's political commitment to the amended Directive. The deals were riddled with loopholes and heavily criticised at the time, and for these reasons Germany refused to sign them. Switzerland also in 2013 finally signed the OECD / Council of Europe Multilateral Agreement on Administrative Assistance in Tax Matters, another key transparency tool.

Nevertheless, as the European transparency amendments were coming in, they were overtaken by a new global initiative to foster automatic information exchange of financial account information: the OECD's Common Reporting Standard (CRS).[24] This is a relatively powerful and comprehensive cross-border transparency arrangement. Switzerland has signed the multilateral agreement and by July 2015 was only one of 27 jurisdictions that have committed to implementing the provisions. It is due to start exchanging information during 2018, in the second tranche of countries to do so, having claimed that it would take that long to get the necessary legislation in place (although countries with fewer resources have been able to mobilise themselves ready for exchange in 2017).[25]

Limits on automatic exchange

Swiss banking circles are keen to spread the message that Switzerland has cleaned up its act. And joining the CRS is certainly a positive step – but there is a large proviso.

Countries have the option to choose which partners they exchange information with and Switzerland has been playing what Dr Andreas Missbach of the NGO Berne Declaration calls a "zebra" strategy[26]: 'white' money for rich and powerful countries, but 'black money' for weaker and more vulnerable developing countries.[27] So poorer countries – arguably those most in need of their tax revenues - get rather less willing help from the Swiss in getting them back from citizens who haven't paid. At each stage of the process of joining the CRS and moving towards the first automatic exchanges of information next year, Switzerland has tried to prevaricate.

This two-faced approach was made explicit when it announced its approach to the new automatic exchange rules in 2014, saying that when choosing partner countries its 'primary focus' would be the EU and US.[28] As to other countries, priority would go to those where there were political and economic ties, 'which provide their taxpayers with sufficient scope for regularization' (aka amnesties for crimes committed via Swiss banking) and which might be considered 'important and promising in terms of their market potential for Switzerland's financial industry.' Automatic exchange with non-EU, US or OECD countries was postponed to 2019, giving another year for tax evaders to move their loot.

The Swiss emphasise reciprocity when talking about the Common Reporting Standard, but in practice have been using this subtle but powerful tool when lobbying the OECD to try to prevent automatic exchange with developing countries. Many countries that are desperately in need of collecting tax on money stashed in Switzerland by their elites don't have the means of collecting tax information to the standard required for reciprocal exchange, and even if they did, it's highly unlikely that many Swiss citizens are keeping their money in those jurisdictions.

This reluctance was further demonstrated in September 2017, when the right-wing Swiss People's Party tried to prevent exchange of information with developing countries.[29] They pushed for a vote in parliament that specific anti-corruption criteria must be met before a number of emerging economies could receive tax information on their citizens from Switzerland. Votes took place on each country separately, including India, Brazil, China, Indonesia, Colombia, Mexico, Argentina, South Africa and the UAE. In the end they were all agreed except Saudi Arabia. Other developing countries must wait until they can reciprocate, allowing them to join the Common Reporting Standard.

Meanwhile, Swiss banks also been busy looking for new clients in developing countries, according to the Swiss banking whistleblower and UBS insider Stéphanie Gibaud[30]:

> "When the US case against UBS emerged in 2009, Switzerland anticipated that European and US regulators would move against these banks so, by 2009-10, UBS started to focus its business on the BRICS, trying to penetrate networks of potential clients in developing markets. . . other Swiss banks probably did likewise."

And in its 2016 annual report UBS notes of its wealth management business: 'In emerging markets, we continue to focus on markets such as Mexico, Brazil, Turkey, Russia, Israel and Saudi Arabia.'

So much for automatic exchange of information. How about the other elements of TJN's 'ABC' of transparency: Beneficial ownership and Country-by-country reporting? On beneficial ownership transparency, Switzerland is still a laggard. It's still possible to set up a company in Switzerland that doesn't even have its legal ownership recorded, let alone the real, beneficial ownership.

On country-by-country reporting there is more progress: Switzerland has joined the OECD's Inclusive Framework on BEPS,[31] which commits it to implementing the country-by-country reporting component of the BEPS action plan.[32] This standard is limited, however, to requiring country-by-country reports from a) large multinationals headquartered in a jurisdiction, and b) domestic branches or subsidiaries of large groups in that jurisdiction – but only subject to strict OECD conditions (see KFSI 9).[33] This is a much lower and less effective level of disclosure than full public reporting of this information would be.

Furthermore, Switzerland still has problems adhering to the international anti-money laundering standard. Even after the HSBC leak, which showed the bank accepting money linked to dictators and arms dealers, a Financial Action Task Force review found that Switzerland was still not fully compliant with the standard requiring banks to do due diligence on their clients: "There is no general and systematic obligation to take reasonable measures to verify the identity of the beneficial owners of customers," it said (p237).[34]

Enforcing banking secrecy

What is more, Swiss banks have taken aggressive steps to protect Swiss secrecy in some areas. While Swiss banking secrecy laws remain, it will still be a crime to report a crime. The laws were tightened in 2014 extending the prison sentence for whistleblowers who expose bank data from three years to five.[35] The HSBC whistleblower Hervé Falciani was convicted in absentia[36] and given a five year sentence in November 2015 for leaking account information that showed HSBC was turning a blind eye to illegal activity (HSBC had already settled its case by paying 40 million swiss francs, or £28 million, which meant the Swiss would not prosecute the bank or publish the findings of their investigation into alleged aggravated money laundering).[37]

Most striking perhaps is the case of the Julius Baer bank whistleblower Rudolf Elmer, who has been imprisoned, sometimes in solitary confinement, and pursued by Swiss courts for a decade after blowing the whistle on massive tax-evasion and criminal activity facilitated out of the Cayman Islands. Elmer has been able to demonstrate comprehensively that the Swiss courts have acted outside the law on several occasions in a vindictive pursuit.[38]

In August 2016 Elmer was acquitted of violating Swiss Bank Secrecy, because he didn't actually have a Swiss employment contract with the Julius Baer Bank of Zurich while working for them based in the Cayman Islands – which he'd pointing out since 2005.

After announcing the verdict, the Head Judge Peter Marti said "now, I do have some personal remarks: You are not a whistleblower, you are an ordinary criminal". These remarks went beyond his role as a judge in a case that was about bank secrecy not whistleblowing, and Elmer brought an action of defamation against the judge.[39]

Such a case requires approval from the cantonal government, which the Executive Committee of the State of Zurich refused. Elmer then took the case to the Swiss Federal Court, which in June 2017 also turned down his complaint. Its reasons, essentially, were that it was not shown that the State of Zurich had acted in bad faith or outside the scope of its powers. However, unusually, it decided not to charge any costs to Elmer, perhaps suggesting that the judges had some ambivalence about the outcome.

His acquittal last year was appealed by the prosecution, and also by the defence on a separate point, and as of publication the final decision of the appeals court is still pending. He has told the press that if the Federal Supreme Court rules in his favour, he will release the Julius Baer account data he still holds, which implicates a number of public figures in India in tax evasion.

After Nazi gold: Freeports, Fifa, HSBC… and human rights

A wide range of secrecy-related scandals continues to plague the sector. For example, there has been widespread concern that a lucrative freeport in Geneva, where art and other valuables can be stored without incurring any taxes is increasingly being used for getting around transparency requirements and fostering criminality. This was underlined by news in 2015 that the Geneva businessman behind them had been arrested in Monaco for defrauding investors.[40] An investigation in 2014 by the French media group Médiapart reported[41]:

> "The Geneva free port is potentially a large laundry machine," says one connoisseur of these places. "Most of the time, inventory controls are announced in advance by letter and the premises are not immediately sealed. If you have something to hide, you can always arrange to store it with a neighbor" he explains. "There is often too much cosiness between warehousemen and customs officials: they lunch together, build friendships ... It seems that some customs officials do not want to hinder trade."

Given the size of the Freeport – in the words of Nicholas Brett, an insurer, talking about the value of artwork held there - "I doubt you've got a piece of paper wide enough to write down all the zeros" – this alone makes Switzerland a jurisdiction of major and ongoing concern for money laundering and tax evasion.

An explosion of corruption revelations in 2015 about Zurich-headquartered Fifa,[42] the world football federation, further tarnished Switzerland's reputation as a haven for criminality, followed soon after by the HSBC scandal prompted by Falciani's (see above). An analysis of the HSBC account information by Christian Aid and campaigners from the Financial Transparency Coalition found that relative to GDP, and relative to health budgets, for example, the countries that lost out most were some of the poorest in the world.[43]

This was an illustration of how Swiss secrecy continues to have a pernicious effect on human rights worldwide. In 2016 the UN called on Switzerland to undertake impact assessments of the effects of its financial secrecy and corporate tax policies on women's rights overseas.[44] This was an important recognition that secrecy jurisdictions like Switzerland present a serious threat to human rights by depriving countries of the resources they need to protect them.

It followed a submission by a coalition of civil society groups, including the Tax Justice Network, to the United Nations Committee on the Elimination of Discrimination Against Women.[45] It argued that Swiss financial secrecy, by denying tax revenues to countries that need them to pay for vital services, undermines women's rights, as it is women who are left to fill the care gaps when these services are not provided. It also said that Switzerland, due to its secrecy, may be failing to meet its commitments under two major treaties to which it is a signatory, the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), and the International Covenant on Economic, Social and Cultural Rights (ICESCR).[46]

Meanwhile, analysis of the Panama Papers - to identify the home countries of banks that acted as intermediaries to set up the offshore companies in Panama – put Switzerland in first place. The research by Daniel Haberly, an economic geographer at the University of Susses, found that Switzerland was home to banks that set up more than half of the offshore entities studied.[47]

Highlighting the ongoing blockages to reform, the Swiss National Council on September 22, 2015 rejected amendments to the Anti-Money Laundering Law proposed by the government, which would have required banks to undertake enhanced due diligence procedures. As most developing countries will be excluded, for the time being, from AIA, this means that untaxed 8 assets from these countries will still find a "safe haven" in Switzerland.[48]

Read more

- See our database report on Switzerland for full data about the financial sector, and links to reports.
- For a longer history of the emergence of Swiss banking secrecy, and see the chapter on Switzerland (Chapter 2) in the UK Edition of Treasure Islands.[49]
- For more details on Swiss bankers in the Second World War, see Tom Bower's book Blood Money[50] and reports from Switzerland's Independent Commission of Experts.[51]
- For a fairly recent overview of Swiss tax and secrecy controversies and more, see this edition of Tax Justice Focus.[52]
- For a detailed analysis of the Swiss "Rubik" bilateral deals with the UK and Austria, see here.[53]
- Guest blog: How Switzerland corrupted its courts to nail whistleblower Rudolf Elmer,[54] and interview with Rudolf Elmer in the Indian publication The Wire.[55]

Endnotes

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Switzerland

PART 2: SWITZERLAND'S SECRECY SCORE

OWNERSHIP REGISTRATION

- 73% — 1. Banking Secrecy
- 100% — 2. Trust and Foundations Register
- 100% — 3. Recorded Company Ownership
- 88% — 4. Other Wealth Ownership
- 100% — 5. Limited Partnership Transparency

LEGAL ENTITY TRANSPARENCY

- 100% — 6. Public Company Ownership
- 100% — 7. Public Company Accounts
- 100% — 8. Country-by-Country Reporting
- 100% — 9. Corporate Tax Disclosure
- 100% — 10. Legal Entity Identifier

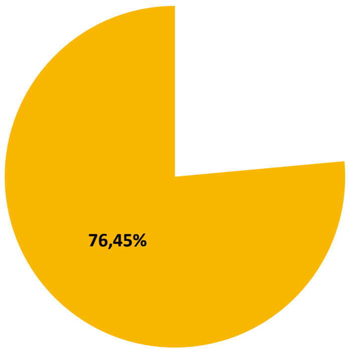
INTEGRITY OF TAX AND FINANCIAL REGULATION

- 75% — 11. Tax Administration Capacity
- 75% — 12. Consistent Personal Income Tax
- 100% — 13. Avoids Promoting Tax Evasion
- 75% — 14. Tax Court Secrecy
- 75% — 15. Harmful Structures
- 30% — 16. Public Statistics

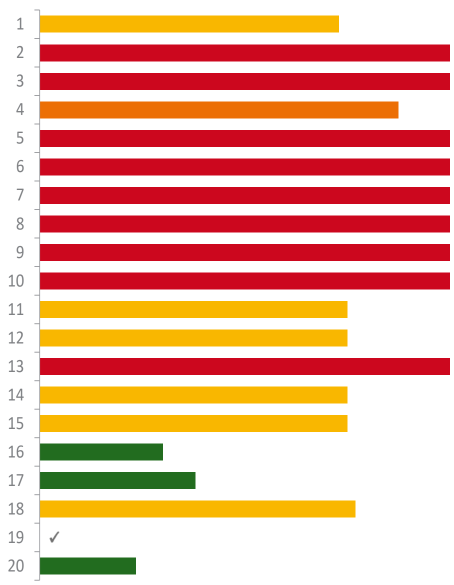
INTERNATIONAL STANDARDS AND COOPERATION

- 38% — 17. Anti-Money Laundering
- 77% — 18. Automatic Information Exchange
- 0% — 19. Bilateral Treaties
- 24% — 20. International Legal Cooperation

Switzerland - Secrecy Score



Switzerland KFSI-Assessment Secrecy Scores



Notes and Sources

The ranking is based on a combination of its secrecy score and scale weighting (click [here]() to see our full methodology).

The secrecy score of 76 per cent has been computed as the average score of 20 Key Financial Secrecy Indicators (KFSI), listed on the left. Each KFSI is explained in more detail by clicking on the name of the indicators.

A grey tick indicates full compliance with the relevant indicator, meaning least secrecy; red indicates non-compliance (most secrecy); colours in between partial compliance.

This paper draws on data sources including regulatory reports, legislation, regulation and news available as of 30.09.2017.

Full data on Switzerland is available here: www.financialsecrecyindex.com/database.

To find out more about the Financial Secrecy Index, please visit www.financialsecrecyindex.com.