

What are the most important offshore financial centres?

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Linz, 30th November 2012

The Methodology of the Financial Secrecy Index: Global Scale Weights

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What are the most important offshore financial centres?

- Definition
 - Tax havens
 - Offshore financial centres
 - Secrecy jurisdictions
- Offshore - secrecy

Hypotheses

- Tiny islands
 - Small countries
 - Big countries
 - Other?
 - Not the usual suspects?
-
- The importance of the answers for global narrative and political economy

FSI: What are the major contributors to global financial secrecy?

- What are the most secretive offshore financial centres?
 - FSI: Secrecy scores
- What are the most important offshore financial centres?
 - FSI: Global Scale Weights
- Intuition:

Secrecy score * role in offshore finance (GSW)
= contribution to global problem (FSI)

Global Scale of Financial Secrecy

- Global Scale Weight: calculated as each jurisdiction's share of the global total of financial services provided to non-residents
- The preferred source is the IMF's Balance of Payments Statistics (BOPS): data on international trade in financial services - exports of financial services

Global Scale of Financial Secrecy

- Following IMF research (Zoromé, 2007), we fill in missing values for these flows of financial services for other jurisdictions, by extrapolating from data on stocks of internationally-held financial assets.
- Data on stocks of portfolio assets and liabilities - two IMF sources: the Coordinated Portfolio Investment Survey (CPIS) and the BOPS International Investment Position (IIP) statistics.

Global Scale of Financial Secrecy

- We use the liabilities data to assess the reasonableness of reported assets, which leads us to identify and address a discrepancy specific to the outlier of Cayman Islands.
- In total, we are able to create flow data (true or extrapolated) for 216 out of 237 jurisdictions
- In order to ensure the emphasis is on secrecy rather than only the scale of activity, we take the cube root of the global scale weight to de-emphasise this component.

Financial services

Underlying data sources for Global Scale Weight	FSI-11 jurisdictions	%	All	%
1. 'True' financial services exports data (Balance of Payment Statistics, IMF)	38	52.1%	111	46.8%
2. Extrapolated from asset data (filtered International Investment Position data, IMF)	4	5.5%	17	7.2%
3. Extrapolated from asset data (Coordinated Portfolio Investment Survey, IMF)	4	5.5%	4	1.7%
4. Extrapolated from liability data, based on non-credible declared asset data (Coordinated Portfolio Investment Survey, IMF)	1	1.4%	1	0.4%
5. Extrapolated from liability data, based on non-declaration of asset data (Coordinated Portfolio Investment Survey, IMF)	25	34.2%	83	35.0%
6. No data available	1	1.4%	21	8.9%
TOTAL	73	100%	237	100%

Tax haven lists

	Tax haven lists (tax havens, offshore financial centres, secrecy jurisdictions)
1	International Bureau of Fiscal Documentation 1977
2	Charles Irish 1982, academic paper
3	Hines and Rice 1994, academic paper
4	Financial Stability Forum 2000
5	International Monetary Fund 2000
6	OECD 2000
7	Financial Action Task Force 2000/02
8	Hampton and Christensen 2005 for the Tax Justice Network
9	Zoromé 2007, academic paper for the IMF
10	Senator Carl Levin 2007 for the Stop Tax Haven Abuse Act in the USA
11	Lowtax.Net (accessed 22-1-08) , web site promoting secrecy jurisdictions

A 2009 study by Richard Murphy for Tax Justice Network
(http://www.secrecyjurisdictions.com/PDF/SJ_Mapping.pdf)

TJN's Financial Secrecy Index 2011

FSI rank		FSI secrecy	FSI scale	Tax haven lists
1	Switzerland	78	0.061	9
2	Cayman Islands	77	0.046	11
3	Luxembourg	68	0.131	8
4	Hong Kong S.A.R. of China	73	0.042	9
5	United States	58	0.208	2
6	Singapore	71	0.031	9
7	Jersey	78	0.004	0
8	Japan	64	0.018	0
9	Germany	57	0.046	1
10	Bahrain	78	0.003	7
11	British Virgin Islands	81	0.002	10
12	Bermuda	85	0.001	11
13	United Kingdom	45	0.2	3
14	Panama	77	0.001	11
15	Belgium	59	0.012	1
16	Marshall Islands	90	0	7
17	Austria	66	0.004	0
18	United Arab Emirates	79	0.001	2
19	Bahamas, The	83	0	11
20	Cyprus	58	0.01	10

Conclusions

- What are the most important offshore financial centres?
- Not only the usual suspects
- Difficult to answer important questions because of lack of information and data

Thank you

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