

Global Forum on Transparency and Exchange of Information for Tax Purposes

Progress Report to the G20 Finance Ministers and Central Bank Governors: Update on Effectiveness and On-going Monitoring

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GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE OF INFORMATION FOR TAX PURPOSES

Overview

At their Saint Petersburg meeting in September 2013, the G20 Leaders asked the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) to establish a mechanism to monitor and review the implementation of the new Automatic Exchange of Information (AEOI) Standard. In this context they asked the Global Forum to work with other international organisations and, in particular, with the G20's Development Working Group (DWG) to enable developing country participation in the international standard on AEOI. The G20 Leaders also invited the Global Forum to draw on the work of the Financial Action Task Force (FATF) in connection with beneficial ownership. In addition, the G20 Leaders encouraged the Global Forum to complete the allocation of comprehensive country ratings regarding the effective implementation of information exchange upon request and encouraged the Global Forum to ensure that the implementation of the standard on exchange of information on request is monitored on a continuous basis.

This report provides a short update of the developments occurring in the Global Forum since the last report in February 2014. It highlights further substantial progress in the peer review process with ratings having been assigned to a further 14 jurisdictions. Work on incorporating beneficial ownership into the Global Forum's standards has also advanced greatly, and preparations are well underway for monitoring the implementation of the new standard on automatic exchange of information.

A more detailed report will be provided to the G20 Leaders in November 2014 after the Global Forum meeting in October when a number of relevant decisions will be taken.

Progress on Peer Review Ratings

Since its February 2014 report to the G20, the Global Forum has finalised ratings for 14 additional jurisdictions, resulting in a total of 64 rated jurisdictions. The overall ratings show that 20 jurisdictions are rated "Compliant", 32 jurisdictions "Largely Compliant", 8 jurisdictions "Partially Compliant" and 4 jurisdictions "Non-Compliant". Table 1 below shows the allocation of overall ratings for jurisdictions for which Phase 2 reviews have been completed. The detailed list of overall ratings as well as the ratings for each individual element are [available on the Global Forum website](#).

The Global Forum remains on track to complete its remaining peer reviews and has also adopted a revised Schedule of Reviews that sets dates for the Phase 1 reviews of all new members, including a number of developing countries, and Phase 2 reviews for a number of recent members of the Global Forum.

Table 1. Overall ratings for jurisdictions for which Phase 2 reviews have been completed

Jurisdictions	Overall Ratings
Andorra	Partially Compliant
Anguilla	Partially Compliant
Antigua & Barbuda	Partially Compliant
Argentina	Largely Compliant
Australia	Compliant
Austria	Partially Compliant
The Bahamas	Largely Compliant
Bahrain	Largely Compliant
Barbados	Partially Compliant
Belgium	Compliant

Bermuda	Largely Compliant
Brazil	Largely Compliant
Canada	Compliant
Cayman Islands	Largely Compliant
Chile	Largely Compliant
China	Compliant
Cyprus	Non-Compliant
Denmark	Compliant
Estonia	Largely Compliant
Finland	Compliant
France	Compliant
Former Yugoslav Republic of Macedonia	Largely Compliant
Germany	Largely Compliant
Greece	Largely Compliant
Guernsey	Largely Compliant
Hong Kong, China	Largely Compliant
Iceland	Compliant
India	Compliant
Ireland	Compliant
Indonesia	Partially Compliant
Isle of Man	Compliant
Italy	Largely Compliant
Jamaica	Largely Compliant
Japan	Compliant
Jersey	Largely Compliant
Korea	Compliant
Luxembourg	Non-Compliant
Macao, China	Largely Compliant
Malaysia	Largely Compliant
Malta	Largely Compliant
Mauritius	Largely Compliant
Mexico	Compliant
Monaco	Largely Compliant
Montserrat	Largely Compliant
Netherlands	Largely Compliant
New Zealand	Compliant
Norway	Compliant
Philippines	Largely Compliant
Qatar	Largely Compliant
St Kitts & Nevis	Largely Compliant
Saint Lucia	Partially Compliant
San Marino	Largely Compliant
Seychelles	Non-Compliant
Singapore	Largely Compliant
Slovakia	Largely Compliant
Slovenia	Compliant
South Africa	Compliant
Spain	Compliant
Sweden	Compliant
Turkey	Partially Compliant
Turks and Caicos Islands	Largely Compliant
United Kingdom	Largely Compliant
United States	Largely Compliant
Virgin Islands (British)	Non-Compliant

Jurisdictions unable to move to Phase 2

Some jurisdictions (see Table 2 below “Jurisdictions unable to move to Phase 2”) could not receive ratings because their Phase 2 reviews could not take place. The February 2014 report to the G20 stated that the Phase 1 reviews of 14 jurisdictions determined that the legal and regulatory framework for exchange of information (EOI) of these jurisdictions presented serious deficiencies that prevented them from moving to Phase 2 until they act on the recommendations made. Since the last report, Botswana, Niue and UAE have successfully completed their supplementary review and have been able to move to Phase 2. The Phase 1 review of one jurisdiction (the Federated States of Micronesia) concluded that this jurisdiction cannot move to Phase 2. This jurisdiction is not yet a member of the Global Forum. The supplementary report of Panama, while recognising significant progress, concluded that it still cannot move to Phase 2. This means that there are currently 12 jurisdictions blocked from moving to their Phase 2 reviews. Of these, all jurisdictions except Nauru and Vanuatu have submitted follow-up reports¹ on the progress they have made in implementing changes to address the recommendations made in their reports. Finally, the Global Forum’s Peer Review Group recently determined that Switzerland is now eligible for a Phase 1 supplementary report, which was launched in July 2014.

Table 2: Jurisdictions that cannot move to Phase 2 review until they act on the recommendations to improve their legal and regulatory framework

Brunei	Marshall Islands
Dominica	Nauru
Federated States of Micronesia	Panama
Guatemala	Switzerland*
Lebanon	Trinidad and Tobago
Liberia	Vanuatu

*The Phase 2 review of Switzerland is subject to conditions, and it will now undergo a Supplementary Phase 1 report to determine if those conditions are met.

A New Round of Reviews -Progress on the Revision of the Terms of Reference

In recognition of the need to ensure continuous monitoring, the Global Forum agreed at its annual meeting in Jakarta that a new round of reviews (Phase 3) would be initiated in 2016 following the completion of the existing Schedule of Reviews. Prior to commencing this new phase of reviews, the Global Forum mandated its Peer Review Group to examine the *Terms of Reference* to ensure that they keep pace with developments in the transparency world, including as regards beneficial ownership, for which it will draw on the work of the Financial Action Task Force. The work on revision of the Terms of Reference is progressing very quickly. Substantive proposals have now been developed and will be presented to the Global Forum in October 2014 for discussion and adoption in preparation for the new round of reviews. These will be further refined during 2015 in readiness for the new round of reviews.

Progress on the New Pillar of Transparency: Automatic Exchange of Information

As reported in February 2014, the Global Forum has established a new voluntary AEOI Group chaired by Italy, assisted by four Vice-Chairs, with a mandate to put in place a mechanism to monitor and review the implementation of automatic exchange of information. It comprises 56 member jurisdictions that have

1. Follow-up reports are detailed written reports by a jurisdiction to the PRG of the steps it has taken or has planned to take to implement recommendations made in a peer review report. Unlike supplementary reports, they are not peer-reviewed.

come together to work towards a common goal of engaging in AEOI and has 3 observers. The Group will report back to the Global Forum plenary on its activities on a regular basis and all decisions will continue to be made by the Global Forum.

The AEOI Group met in March and June 2014 and is currently drafting a dedicated terms of reference and methodology to monitor the implementation of the new standard on AEOI (AEOI Standard). It is expected that the first reviews of jurisdictions' legal framework for AEOI will begin in 2016. The AEOI Group has also agreed on the development of a commitment process which will allow jurisdictions to indicate their willingness to swiftly implement the AEOI Standard on a reciprocal basis (subject to appropriate safeguards) within a specific timeline. A more detailed report on the status of commitments will be made to the G20 Leaders in November.

The AEOI Group is working in close co-operation with the OECD, the World Bank Group and the G20 Development Working Group (DWG) to address the challenges faced by developing countries in implementing the AEOI Standard. A draft roadmap for developing country participation in AEOI was provided to the G20 DWG in May, and the final roadmap is to be presented in September. Recognising that at present, developing countries lack the capacity to implement AEOI, the roadmap recommends that these countries should be provided support and assistance to participate in AEOI, but they should not be expected to engage in AEOI in the near term.

Next Steps

Since February 2014, the Global Forum has made substantial progress in its peer review process. A total of 25 more peer reviews have been adopted and ratings have been assigned to a further 14 jurisdictions. The work on peer reviews assessing jurisdictions' performance in respect of EOI on request will continue and result in more than 70% of Global Forum members being rated by the end of 2015.

In 2015, the revision of the *Terms of Reference* will also be completed in preparation for the next round of reviews regarding EOI on request which will commence in 2016. This will include incorporating the FATF definition of beneficial ownership into the Global Forum's standards.

Regarding AEOI, a detailed report on the status of commitments to implement the AEOI Standard will be delivered to the G20 Leaders in November. Subsequently, in 2015 the Global Forum will finalise the terms of reference and methodology for monitoring the implementation of the AEOI Standard through a review process which is expected to commence in 2016, complementing the peer review process on EOI on request.