

Secrecy must for automatic info exchange: Swiss banks to India

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India will have to ensure strict confidentiality of information about its citizens' Swiss bank accounts received through the new automatic exchange window for Switzerland to share data



Switzerland and its banks will also keep a close watch on the data protection measures taken by India.
Photo: Reuters

New Delhi: India will have to ensure strict confidentiality of information about its citizens' Swiss bank accounts received through the new automatic exchange window, failing which the Alpine nation will stop sharing the data.

Switzerland and its banks will also keep a close watch on the data protection measures taken by India regarding the details received from other jurisdictions and want all other global financial centres to implement the global framework for automatic exchange of information (AEOI) on financial matters.

On Friday, the Swiss Federal Council ratified the AEOI with India and 40 other jurisdictions to facilitate immediate sharing of details about suspected black money. The pact with India would not be subject to referendum and is planned for implementation in 2018, with the first set of data to be exchanged in 2019.

Bankers in Switzerland said this rollout plan will give them enough time to study the implementation by other global financial centres and the adherence to confidentiality and data protection requirements by India and other recipients. They also clarified this exercise would be followed not just for India, but all countries with which Switzerland will share banking information under the automatic route. Switzerland competes with Singapore, Dubai, Hong Kong, London and New York among the major global financial hubs.

Black money issue has been a political hot potato for long and the Indian government has stepped up its efforts in recent years to clamp down on this menace. These efforts have included hectic parleys with the Swiss authorities. With its long-standing banking secrecy walls crumbling in under global pressure, Switzerland has finally agreed to share tax information on automatic basis with several countries including India, but wants adherence to strict data protection and privacy requirements. Officials from the Switzerland government and leading groupings of Swiss banks told *PTI* that data protection and a level playing field need to be ensured by India and other jurisdictions with whom the AEOI regime would be implemented.

The Association of Swiss Private Banks said the main concerns with respect to AEOI relate to data protection and level playing field. "We would like to ensure that bank data that will be transmitted in 2019 is used for tax verification purposes only... if data received from another country has been misused in a jurisdiction, Switzerland is unlikely to send data to that jurisdiction," the grouping's manager Jan Langlo told *PTI* from Geneva.

The Geneva-based association has nine member banks employing around 7,500 people worldwide, as per its website. On whether there are any particular concerns related to India with respect to privacy and protection of data, Langlo replied in the negative. "We have no particular concern over India, where the rule of law seems to be properly upheld," Langlo added. Further, the association said that since Switzerland would start exchanging data one year later than most other countries, the banks would be able to verify that the other financial centres also exchange with India and the 40 other jurisdictions.

A Swiss government official said that if states do not meet certain requirements of the standard, then the Federal Council would suspend AEOI. While emphasising that banks agreed to the plan of the government, SIF (State Secretariat for International Financial Matters) spokesperson Frank Wettstein from Berne said banks there only had concerns about the way the AEOI is activated and wanted to do so only with jurisdictions that are sure to fulfil the requirements of the standard.

“The Swiss authorities will make sure that the partner states meet the requirements of the standard. If not, the Federal Council will suspend the AEOI according to the MCAA,” Wettstein told *PTI*. The exchange of information would be based on the Multilateral Competent Authority Agreement (MCAA) on AEOI, which is in turn based on the international standard for the exchange of information developed by the Organisation for Economic Co-operation and Development (OECD).

Asserting that the banks in Switzerland are fully committed to implement AEOI, Swiss Bankers’ Association (SBA) said the banks have suggested a specific clause for data protection, security and to guarantee a level playing field in terms of competitiveness. SBA’s head of public relations Sindy Schmiegel told *PTI* from Basel that for reasons of data protection and data security and to guarantee a level playing field in terms of competitiveness, the banks have suggested a specific clause which demands that the federal council verifies that these two factors are considered.

“This clause will be integrated in Swiss legal provisions to implement the AEOI. India is one of many other countries and not addressed in particular,” Schmiegel said. SBA has around 296 institutional members and thousands of individual members. The Swiss Federal Council would soon notify India about the exact date from which the automatic exchange would begin. Besides, the council would prepare a situation report before the first exchange of data with India and other jurisdictions.

The Association of Swiss Private Banks is also in “close contact” with Swiss authorities to better understand how the standard must be implemented and to ensure consistency with the other financial centres. “Of particular concern is the reluctance of the United States to apply the OECD standard, since their Foreign Account Tax Compliance Act (FATCA) agreements provide other countries with far less information,” Langlo noted. FATCA is aimed at ensuring that details of financial assets of American citizens are available to the US authorities.