The End of Banking Secrecy for Foreign Tax Purposes: Comparison with Geneva

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The same path at the same time

Switzerland and Singapore crossed the same threshold within days of each other. The Swiss Federal Council decided on 13 March 2009 to adopt the OECD standard and withdrew Switzerland's reservation to Article 26 of the OECD Model Convention on 20 March 2009. Both countries introduced automatic exchange under the CRS with data collected from 2017 and first exchanges in 2018. Both designated serious tax offences as predicates for money laundering. Singapore did so from 1 July 2013 and Switzerland from 1 January 2016, limiting the predicate to qualified tax offences with evaded taxes of at least CHF 300,000 per tax period.[1] Singapore thus moved earlier on the criminal side. Its threshold turns on the nature of the conduct, whereas the Swiss threshold is a sum of tax evaded.

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Different instruments for FATCA

The two centres chose different FATCA models. Switzerland signed a Model 2 agreement, in force since 2 June 2014, under which Swiss banks report directly to the IRS. It signed a Model 1 agreement only on 27 June 2024, with entry into force expected at the earliest on 1 January 2029.[2] Singapore adopted Model 1 from the outset and has had a reciprocal agreement in force since 2021. The Singapore approach kept the flow of data within the hands of the state and avoided the legal conflicts that direct reporting caused in Switzerland.

The decisive difference: the American enforcement programme

The sharpest contrast lies in the treatment of the past. Swiss and Geneva banks went through the American programme for Swiss banks, which came into force on 29 August 2013 and under which participating banks paid penalties. Credit Suisse pleaded guilty on 19 May 2014 and paid US$2.6 billion. Several Geneva houses also paid, among them Lombard Odier in December 2015 and Pictet, which paid US$123 million in December 2023.[3] Singapore had no equivalent programme. Its banks were exposed to American enforcement only through their own conduct or through Swiss groups with Singapore branches. Singapore never had to negotiate a collective settlement for its banking sector.

Several factors explain the difference. Singapore's offshore wealth came mainly from Asia, where tax authorities lacked the extraterritorial reach of the United States. MAS acted early, from September 2011, to prevent money leaving Switzerland from finding a refuge in Singapore. And the law of 2013 imposed reporting duties on legacy assets before any foreign authority had forced the issue. The cost was borne in a less visible form, through the departure of clients and the expense of reviews. Their scale has never been published.

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Hong Kong and Dubai

Hong Kong followed a closely parallel course. It moved on exchange on request in 2009 and, like Switzerland, had endorsed the automatic exchange standard by November 2014. MAS cited it in 2012 as a financial centre that had already designated tax offences as predicates for money laundering.[4] Dubai differs. Although Dubai endorsed the CRS, the United Arab Emirates do not appear on Singapore's list of reportable jurisdictions, which makes the Emirates an attractive residence for clients who wish to keep their Singapore accounts out of the exchange. Singapore's insistence since 2014 on a level playing field among Hong Kong, Dubai, Switzerland and Luxembourg was aimed precisely at such asymmetries. Chapter III of Part K examines the competition between these centres.

In figures

Endorsement of the OECD standard on exchange of information: 7 March 2009. Grey list: early April 2009; white list by 13 November 2009. Consultation of 2009: 74 comments, 56 accepted. Treaty partners in May 2009: 60. Global Forum Phase 1 report: 1 June 2011; Phase 2: 2 April 2013; overall rating "Compliant": October 2018. Requests answered in the three years to 2013: more than 300. Exchange partners after the reforms of 2013: from 41 to 83. Tax crimes as predicate offences: from 1 July 2013 (Income Tax Act ss. 96 and 96A; GST Act ss. 62 and 63). Penalty for serious fraudulent tax evasion under s. 96A: four times the tax, fine of up to S$50,000, imprisonment of up to five years. FATCA Model 1 agreement: initialled 5 May 2014, signed 9 December 2014; reciprocal agreement signed 13 November 2018, in force 1 January 2021. CRS: due diligence from 1 January 2017, MCAA signed 21 June 2017, 61 relationships activated for 2018, first exchanges September 2018. Reportable jurisdictions: about 50 for 2017 and 90 for 2025. Amended CRS: in force 1 January 2027, exchanges from 2028; CARF exchanges from September 2028. Assets under management: S$4.9 trillion at end-2022 (76 per cent from abroad) and S$6.7 trillion in 2025.[5]

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Notes

1. Ressos, *Genève, place financière internationale*, Part E, Chapter III, on the Federal Council's decision of 13 March 2009 to adopt the OECD standard on administrative assistance and the withdrawal of the Swiss reservation to Art. 26 of the Model Convention on 20 March 2009. Ibid., on the Federal Act on the International Automatic Exchange of Information in Tax Matters (AEOIA, SR 653.1) and the MCAA, in force on 1 January 2017, with data collection from 2017 and the first Swiss exchange in 2018. Ressos, *Genève, place financière internationale*, Part H, Chapter IV, on the Federal Act of 12 December 2014 implementing the revised FATF Recommendations: qualified tax offence as a predicate offence for money laundering (Art. 305bis para. 1bis Swiss Criminal Code, evaded taxes of at least CHF 300,000 per tax period) from 1 January 2016. ↩

2. Ressos, *Genève, place financière internationale*, Part E, Chapter III, citing the State Secretariat for International Finance, "FATCA" (sif.admin.ch): Model 2 agreement in force since 2 June 2014; new Model 1 agreement signed on 27 June 2024, entry into force expected at the earliest on 1 January 2029. ↩

3. Ressos, *Genève, place financière internationale*, Part E, Chapter III: programme for Swiss banks in force from 29 August 2013; guilty plea of Credit Suisse of 19 May 2014 with total penalties of US$2.6 billion (US Department of Justice, 19 May 2014); agreement of Lombard Odier in December 2015; Pictet's payment of US$123 million in December 2023. ↩

4. Tharman Shanmugaratnam, second reading speech of 19 October 2009, on Hong Kong making "the same moves"; Ministry of Finance, parliamentary reply of 3 November 2014: more than 90 jurisdictions, "including major financial centres such as Switzerland and Hong Kong", had endorsed the standard; MAS, Consultation Paper P019-2012, preface para. 3, citing Hong Kong among hubs that had designated tax offences; IRAS, List of Reportable Jurisdictions, Hong Kong listed from reporting year 2018. ↩

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5. MAS, written reply of 8 September 2026 (Gan Kim Yong): "assets under management rising by 10.1% year on year to S$6.7 trillion in 2025"; *Money Laundering National Risk Assessment 2024*, para. 6.2.17, for the end-2022 figures. ↩

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