Embargoed until 10h00BST, Sunday 22 July 2012

Revealed: global super-rich has at least $21 trillion hidden in secret tax havens

At least $21 trillion of unreported private financial wealth was owned by wealthy individuals via tax havens at the end of 2010. This sum is equivalent to the size of the United States and Japanese economies combined.

There may be as much as $32 trillion of hidden financial assets held offshore by high net worth individuals (HNWIs), according to our report *The Price of Offshore Revisited*[1], which is thought to be the most detailed and rigorous study ever made of financial assets held in offshore financial centres and secrecy structures.

We consider these numbers to be conservative. This is only financial wealth and excludes a welter of real estate, yachts and other non-financial assets owned via offshore structures.

The research for the Tax Justice Network (TJN) by former McKinsey & Co Chief Economist James Henry comes amid growing concerns about an enormous and growing gulf between rich and poor in countries around the globe. Accompanying this research is another study by TJN, entitled *Inequality: You Don't Know the Half of It,* which demonstrates that all studies of economic inequality to date have failed to account properly for this missing wealth. It concludes that inequality is far worse than we think.

---

[1] All the documents described here can be found on our permanent web page, here http://www.taxjustice.net/cms/front_content.php?idcat=148

Henry draws on data from the World Bank, the IMF, the United Nations, central banks, the Bank for International Settlements, and national treasuries, and triangulates his results against data reflecting demand for reserve currency and gold, and data on offshore private banking studies by consulting firms and others.

Other main findings of this wide-ranging research include:

- Our analysis finds that at the end of 2010 the Top 50 private banks alone collectively managed more than $12.1 trillion in cross-border invested assets for private clients, including their trusts and foundations. This is up from $5.4 trillion in 2005, representing an average annual growth rate of more than 16%.

- The three private banks handling the most assets offshore on behalf of the global super-rich are UBS, Credit Suisse and Goldman Sachs. The top ten banks alone commanded over half the top fifty's asset total – an increased share since 2005.

- The number of the global super-rich who have amassed a $21 trillion offshore fortune is fewer than 10 million people. Of these, less than 100,000 people worldwide own $9.8 trillion of wealth held offshore.

- If this unreported $21-32 trillion, conservatively estimated, earned a modest rate of return of just 3%, and that income was taxed at just 30%, this would have generated income tax revenues of between $190-280 bn – roughly twice the amount OECD countries spend on all overseas development assistance around the world. Inheritance, capital gains and other taxes would boost this figure considerably.

- For our focus subgroup of 139 mostly low-middle income countries, traditional data shows aggregate external debts of $4.1 tn at the end of 2010. But take their foreign reserves and unrecorded offshore private wealth into account, and the picture reverses: they had aggregate net debts of **minus US$10.1-13.1 tn**. In other words, **these countries are big net creditors, not debtors**. Unfortunately, their assets are held by a few wealthy individuals, while their debts are shouldered by their ordinary people through their governments.

James S. Henry, **TJN Senior Adviser and main researcher for *The Price of Offshore Revisited***, said:

> "This new report focuses our attention on a huge "black hole" in the world economy that has never before been measured – private offshore wealth, and the vast amounts of untaxed income that it produces. This at a time when governments around the world are starved for resources, and we are more conscious than ever of the costs of economic inequality."
>
> "Using several independent estimation methods, and the most comprehensive data set ever assembled, we have been able to triangulate on the size and growth of this black hole. Despite taking pains to err on the conservative side, the results are astonishing."
>
> "**First**, this hidden offshore sector is large enough to make a significant difference to all of our conventional measures of inequality."
>
> "Since most of missing financial wealth belongs to a tiny elite, the impact is staggering. For most countries, global financial inequality is not only much greater than we suspected, but it has been growing much faster."
>
> "**Second**, the lost tax revenue implied by our estimates is huge. It is large enough to make a significant difference to the finances of many countries, especially developing countries that are now struggling to replace lost aid dollars and pay for climate change. Indeed, once we take these hidden offshore assets and the earnings they produce into account, many erstwhile "debtor countries" are in fact revealed to be wealthy. But the problem is, their wealth is now offshore, in the hands of their own elites and their private bankers. Indeed, the developing world as a whole has been a significant CREDITOR of the developed world for more than a decade. That means this is really a tax justice problem, not simply a "debt" problem."
>
> "**Third**, it turns out that this offshore sector – which specializes in tax dodging - is basically designed and operated, not by shady no-name banks located in sultry islands, but by the

world's largest private banks, law firms, and accounting firms, headquartered in First World capitals like London, New York, and Geneva. Our detailed analysis of these banks shows that the leaders are the very same ones that have figured so prominently in government bailouts and other recent financial chicanery.

"**Fourth**, given all this, it is scandalous that official institutions like the Bank for International Settlements, the IMF, the World Bank, the OECD, and the G20, as well as leading central banks, have devoted so little research to this sector. This scandal is made worse by the fact that they already have much of the data needed to estimate this sector more carefully. For reasons of their own, they have tolerated the growth of the offshore sector for far too long, out of sight. It is time for them to live up to their promises, and work with us on concrete policies to get it under control.

"From another angle, this study is really good news. The world has just located a huge pile of financial wealth that might be called upon to contribute to the solution of our most pressing global problems. We have an opportunity to think not only about how to prevent some of the abuses that have led to it, but also to think about how best to make use of the untaxed earnings that it generates."

For more information about this report, please contact:

1. James S. Henry, TJN Senior Adviser/ Main researcher for this report, United States.
Email: jhenry@sagharbor.com
Office: (001) 631 725 5202 **US Mobile:** (001) 516 721 1452

2. **John Christensen**, director, Tax Justice Network, United Kingdom
Email: john@taxjustice.net **Mobile:** (00 44) 7979 868302

3. **Nick Mathiason,** Bureau for Investigative Journalism
Email: nickmathiason@tbij.com **Mobile:** (00 44) 77 99 348 619

Key Tables

OFFSHORE FINANCIAL ASSETS - HIGH NET WORTH INDIVIDUALS								
DECEMBER STR	2002	2004	2005	2006	2007	2008	2009	2010
BIS Non-Bank Offshore Deposits	$2.98	$4.05	$4.68	$5.97	$7.43	$6.93	$6.59	$7.01
Liquidity Ratio[2]								
>Minimum[3]	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
>Max (ML/CG Ave)[4]	3.0	5.0	4.9	4.6	4.5	3.6	3.8	4.5
Total Financial Assets								
>Minimum	$10.4	$12.1	$14.0	$17.9	$22.3	$20.8	$19.8	$21.02
>Max (ML/CG Ave)	$8.9	$20.2	$22.9	$27.5	$33.4	$24.9	$24.7	$31.53
Est Average	$9.7	$16.2	$18.5	$22.7	$27.9	$22.9	$22.2	$26.3

Source: BIS(-'04-'10) data,ML/CapGemini ('04-'10) HNWI asset allocations, our analysis © JSH/TJN 2012

[1] BIS Table 1: external deposit liabilities to non-banks

[2] Yearly average portfolio ratio, deposits to total liquid financial assets (including tradeable equities and fixed income)

[3] Using TJN's very conservative assumption for the liquidity ratio, based on the 2004 McKinsey study

[4] Using ML/CapGemini's average portfolio allocation for HNWIs, 2004-2010

Global Distribution, Net Financial Assets

		Total Number	Ave. Net Financial Worth Per Capita ($MM)	Total Liquid Net Worth ($Tr.)	Of Which: "Offshore" ($Tr.)	% of All Global Net Financial	% of All People
"Happy Few"	>$30 MM	91,186	$183.1	$16.7	$9.8	30.3%	0.001%
"Just Rich"	>$5-$30 MM	839,020	$12.8	$10.7	$5.1	19.4%	0.01%
"Barely Rich"	>$1-$5 MM	8,419,794	$2.1	$17.4	$4.7	31.6%	0.13%
GLOBAL ELITE	All >$1 MM	9,350,000	$4.4	$44.8	$19.6	81.3%	0.14%
EVERYONE ELSE		6,643,863,592	$0.0016	$10.3	$1.0**		99.86%
TOTAL		6,653,213,592	$0.01	$55.1	$20.6	100%	100%

** Foreign currency (mainly dollars and euros)

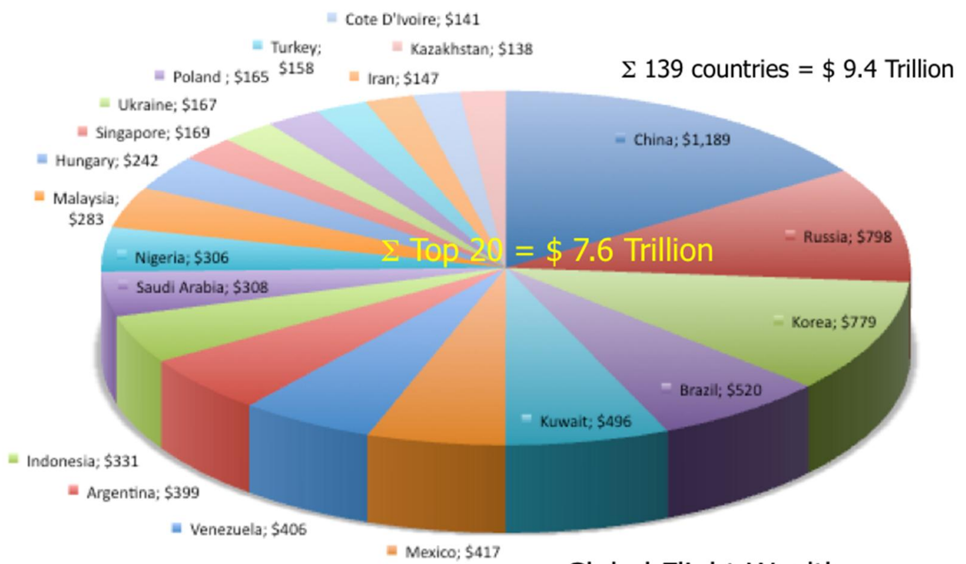
Source: ML/Cap Gemini (2001-09); World Bank data; UN Wider (07); US Treasury (09); our analysis © JSH

TOP 50 GLOBAL PRIVATE BANKS, 2005-2010 (1/2)

($Billions, Assets Under Management)

Rank 2005	Rank 2010		Jun-05	Mkt%	Dec-09	Mkt%	Dec-10	Mkt%	2005-2010 AAGR%
		Top 10 - Total	$2,272.8	42.2%	$3,660.8	45.5%	$6,182	51.2%	20.0%
		Next 10 - Total	$1,412.4	26.2%	$2,319.9	28.8%			
		Next 30 - Total	$1,706.0	31.6%	$2,069.4	25.7%			
		Top 50 - Total	$5,391.3	100%	$8,050.1	100%	$ 12,066.4		15.8%
1	1	UBS	$1,349.2		$1,627.6		$1,789.0		5.8%
2	2	Credit Suisse	$469.2		$770.1		$932.9		14.7%
7	3	Goldman Sachs	$166.0		$220.5		$840.0		38.3%
19	4	Bank America	$108.5		$433.8		$643.9		42.8%
5	5	HSBC	$183.0		$250.0		$390.0		16.3%
6	6	Deutsche Bk	$180.9		$464.2		$367.5		15.2%
9	7	BNP Paribas	$158.0		$293.0		$338.0		16.4%
24	8	Wells Fargo	$78.0		$187.3		$300.0		30.9%
8	9	Morgan Stanley/ SSB*	$165.0		$365.0		$297.0		12.5%
4	10	JPMorganChase	$187.0		$266.0		$284.0		8.7%
11	11	Pictet	$150.0		$236.6		$270.0		12.5%
12	12	Bank Leumi	$138.0		$202.5		$251.0		12.7%
13	13	Barclays	$135.3		$230.0		$238.3		12.0%
38	14	Commerzbank	$30.2		$207.1		$225.0		49.4%
10	15	ABN Amro	$150.8		$199.1		$218.4		7.7%
32	16	TD Canada	$49.4		$65.0		$183.0		29.9%
34	17	Banque Julius Baer	$46.8		$160.2		$181.0		31.1%
16	18	Credit Agricole	$114.1		$215.2		$171.0		8.4%
23	19	Bk of New York	$82.6		$84.0		$166.0		15.0%
17	20	Northern Trust	$111.5		$141.5		$154.0		6.7%

Source: bank financials, private banking industry interviews, JSH analysis



Global Flight Wealth - Key Countries, Including China ($2010 Billions)