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Some interesting legal developments appear to be underway which suggest that Luxembourg and Austria may be forced to abandon banking secrecy. From Le Temps:

Austria and Luxembourg still refuse to abolish bank secrecy in favor of the automatic exchange of information within the European Union (EU). But U.S. tax law FATCA could well change this.

The way this works is as follows. The U.S. Foreign Account Tax Compliance Act (FATCA) is, as we have previously remarked, a form of automatic information exchange. Luxembourg and Austria are agreeing to implement FATCA with the United States. The article continues:

"*EU member states could impose [automatic information exchange] on these two recalcitrant jurisdictions by invoking the 'most favoured nation' clause, explains Pascal Saint-Amans of the OECD.*"

EU Directive 2011/16/EU on administrative cooperation in the field of taxation has an interesting part, as follows:

"*The Directive contains a most favoured nation clause: if a Member State provides wider cooperation to a third country than that provided for under the directive it may not refuse such wider cooperation to another Member State that requests it on its own behalf.*"

So if these countries provide automatic information exchange to the U.S., then they are not allowed to refuse it to other E.U. member states.

Recently we noted how Luxembourg's Finance Minister Luc Frieden said:

"*It will be difficult to deny to European states what was agreed with the United States*". *This implies automatic exchange of information.*"

We believe that among the many other implications of this would be that the all-important amendments to the EU Savings Tax Directive are therefore likely to be passed this year, and Swiss efforts to torpedo this transparency initiative will have failed. This looks to be very important indeed.

This is very good potential news indeed.

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