

Automatic exchange of information in practice

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Since 2018, Switzerland has sent information on financial accounts held by foreign residents to their tax administrations every year. This article traces how the automatic exchange of information came about, which instruments govern it in Switzerland and how the separate United States regime under FATCA works. It also looks at what the change has meant for banks and their clients, many of whom had to regularise assets before the first data left the country.

1 From withholding tax to automatic exchange

Switzerland first answered European pressure with a withholding model. Under the agreement of 26 October 2004 between Switzerland and the European Community on the taxation of savings, which entered into force on 1 July 2005, a tax was withheld on interest paid to residents of the Union and largely passed on to the states concerned without any automatic exchange, as the Federal Department of Foreign Affairs describes on its Europe pages. The system preserved client anonymity while contributing to the revenue of the clients' home states.

The OECD had meanwhile been campaigning against harmful tax competition since its report approved by the OECD Council on 18 May 1998. Switzerland had entered a reservation to the exchange-of-information clause in the OECD Model Tax Convention to protect banking secrecy. After the financial crisis of 2008 that reservation became untenable, which led the Federal Council to adopt the OECD standard on 13 March 2009 and to withdraw the reservation on 20 March 2009, according to Pascal Saint-Amans writing in *La Vie économique* in June 2009.

FATCA served as the model for a multilateral standard. With the support of the G20, the OECD developed a common reporting standard providing for the automatic exchange of information on financial accounts between

the tax administrations of participating countries. On 15 October 2013 Switzerland became the fifty-eighth signatory of the OECD Convention on Mutual Administrative Assistance in Tax Matters, which allows automatic exchange subject to agreements between the parties, as *Le Petit Juriste* reported on 5 February 2014. Austria and Luxembourg, which had also protected banking secrecy, accepted automatic exchange from 1 January 2015, according to *Le Temps* of 15 December 2013.

The domestic framework rests on the Federal Act on the International Automatic Exchange of Information in Tax Matters (AEOI Act, SR 653.1) and on the Multilateral Competent Authority Agreement of 29 October 2014 (SR 0.653.1). According to the Federal Tax Administration's page on the automatic exchange, consulted in September 2026, both entered into force on 1 January 2017, with data collected from 2017 and a first exchange in 2018. With the European Union, the agreement of 27 May 2015 replaced the savings tax agreement and likewise entered into force on 1 January 2017, so that data collected from 2017 were exchanged from 2018.

Agreements with other countries followed a gradual approach, which first favoured Switzerland's main economic partners before extending to further jurisdictions. Switzerland also takes part in the international peer reviews of how these standards are implemented, since their outcome shapes its reputation and determines whether defensive measures are taken against it.

2 What is transmitted, and to whom

Each year, the tax administrations of partner states receive information on the financial accounts that their residents hold in Switzerland. The exchange runs only with states with which Switzerland has concluded an agreement, which is why a release cited by *welcome-suisse.ch* in 2014 described the Confederation as ready to exchange information from 2018 with the states concerned. Requests for administrative assistance remain available on top of that flow, allowing a foreign authority to obtain further information about a specific case. Banks carry the operational burden: they have to ensure that the information required for the exchange is collected and transmitted correctly.

3 The separate United States track

The United States adopted the Foreign Account Tax Compliance Act in 2010. It requires foreign financial institutions to report information on accounts held by US taxpayers to the American tax administration, failing

which a 30 % withholding applies to certain US-source income, as Le Petit Juriste summarised on 5 February 2014. Switzerland signed an implementing agreement in February 2013, which Parliament approved.

According to the page of the State Secretariat for International Finance consulted in September 2026, the agreement follows Model 2, has been in force since 2 June 2014 and has been applied since 30 June 2014. Under that model the banks transmit information directly to the American administration with their clients' consent, while data on recalcitrant clients can be obtained through group requests. A new agreement under Model 1, signed on 27 June 2024, provides for reciprocal automatic exchange between competent authorities. The same source states that it is expected to enter into force on 1 January 2029 at the earliest.

FATCA had considerable consequences for banks in Geneva. Many reduced or ended their relationships with American clients, whom they regarded as too costly and too risky, while US citizens living in Switzerland found it difficult to open or keep a bank account. Institutions had to identify indicia of US status, document each client's position and build reporting systems.

4 Regularisation before the first exchange

Several countries opened voluntary disclosure programmes that allowed taxpayers to declare hidden assets against payment of the tax due, interest and reduced penalties. The French Cour des comptes, in its report of November 2017 on the unit handling corrective declarations, recorded that the unit set up in 2013 received nearly 51,000 applications and regularised about EUR 32 billion of assets. That report also found that more than EUR 7 billion was collected from 2014 to 2016 and that about 90 % of the assets had been held in Switzerland. Switzerland made a comparable route available to its own taxpayers through a penalty-free voluntary disclosure, in force since 1 January 2010 under Article 175 paragraph 3 of the Direct Federal Tax Act (DFTA), which requires back taxes over ten years with interest, according to the Canton of Vaud's guidance.

Clients who refused to regularise left, sometimes for less demanding jurisdictions before automatic exchange became general. Looking back in 2019, a partner of a large audit firm told Le Temps that the automatic exchange had been inevitable and that Switzerland had taken in two steps what could have been done in one.

5 What to take from it

A yearly flow to partner states. Since 2018, account information on foreign residents has reached their tax administrations each year, within the network of agreements that Switzerland has concluded.

Two regimes run in parallel. The OECD-based exchange sits alongside FATCA, whose current Model 2 arrangement is due to give way to reciprocal exchange under Model 1 no earlier than 2029.

Requests remain available. Administrative assistance on request continues to supplement the automatic flow when a foreign authority needs more detail on a particular taxpayer.

6 Sources

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