

# How to Make Multinational Automatic Information Exchange on Financial Account Data Work

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## **Abstract**

The last decade has seen an unprecedented surge in international cooperation to reduce international tax evasion via tax havens. The most recent initiatives to target individual tax evasion implement automatic exchange of financial accounts information across countries - with the introduction of FATCA and the CRS. We study whether these two existing systems lead to different tax evader reaction. Employing bilateral data on cross-border deposits, we find that tax evaders' reaction to FATCA is significantly stronger than the CRS one. We hypothesize that a crucial difference between FATCA and the CRS, which determines the success of the former, is how the two systems deal with an important agency problem that arises in the context of international tax evasion via financial intermediaries.

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