

## G20 Anti-Corruption Working Group

### Proposal for 2015-16 priorities

#### Proposed priority

*Tackling money laundering by preventing the misuse and ensuring the transparency of legal entities and arrangements*

#### Proposing country / organisation

*Civil 20. This paper was produced by the G20 Governance Group. Earlier drafts were made available for consultation with a number of civil society organisations and coalitions, including the Financial Transparency Coalition, the UNCAC Coalition, the Publish What You Pay Network and the Follow the Money Network.*

#### What is the problem?

Opacity of corporate ownership facilitates the misuse of legal entities and arrangements for illicit activity, including money laundering and tax evasion. Corrupt politicians used secret companies to obscure their identity in 70% of more than 200 cases of grand corruption surveyed by the World Bank.<sup>1</sup>

Opacity obstructs law enforcement from identifying and sanctioning the real owners and controllers of corporate entities who may be responsible for the illicit activity. Global detection rates of illicit funds by law enforcement are estimated to be as low as 1% for criminal proceeds and the seizure rate is thought to be even lower, at 0.2%.<sup>2</sup>

#### Why should this be a priority for the G20?

Cross-border theft of assets denies governments much needed revenue and is facilitated by corporate secrecy. The G20 is in a position to drive forward international standards to crack down on corporate secrecy and make it harder for criminals and the corrupt to hide their ill-gotten gains. Enhanced transparency of corporate ownership would also help tackle tax evasion and contribute to growth. The Tax Justice Network estimates that \$21 to \$32 trillion of private wealth is currently amassed in secrecy jurisdictions.<sup>3</sup>

The Finance Ministers are due to receive an update from the G20 Anti-Corruption Working Group on concrete actions that the G20 can take to meet the Financial Action Task Force (FATF) standards regarding the beneficial ownership of companies and other legal arrangements. Currently there is an extremely low level of implementation of FATF recommendations as documented by the OECD at the end of last year.<sup>4</sup> Twenty-seven out of 34 OECD countries store or require insufficient beneficial ownership information for legal persons, and no country is fully compliant with the beneficial ownership recommendations for legal arrangements.<sup>5</sup> G20 Leaders are set to endorse a set of high level G20 principles on actions G20 countries will take to prevent the misuse and to ensure the transparency of legal entities and arrangements at the Brisbane Summit.

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<sup>1</sup> World Bank/UNODC Stolen Asset Recovery Initiative, *The Puppet Masters*, October 2011, <https://star.worldbank.org/star/publication/puppet-masters>.

<sup>2</sup> UNODC, "Illicit Financial Flows" 2011.

<sup>3</sup> Tax Justice Network, *"The Price of Offshore, Revisited"*, 2012, [http://www.taxjustice.net/cms/upload/pdf/Price\\_of\\_Offshore\\_Revisited\\_120722.pdf](http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf)

<sup>4</sup> OECD, *"Measuring OECD Responses to Illicit Financial Flows from Developing Countries"*, 2013, <http://www.oecd.org/dac/governance-development/IFFweb.pdf>

<sup>5</sup> OECD, "Measuring OECD responses to illicit financial flows from developing countries" 2013. <http://www.oecd.org/dac/governance-development/IFFweb.pdf>

### What should the G20 do?

1. **The G20** should move towards implementing national public registers containing beneficial ownership information, which is freely available and in machine-readable format, as a new global transparency standard to make it harder for the corrupt to hide their money and benefit from their illegal activities.
2. **G20 countries** should considerably enhance implementation of FATF recommendations relating to transparency of legal entities and arrangements and help facilitate a marked improvement in the due diligence conducted by enablers of money laundering (Designated Non-Financial Businesses and Professions such as real estate agents, casinos, dealers in precious metals and stone, lawyers, accountants and trust and company service providers).
3. As an interim step **G20 Leaders** should demonstrate global leadership by requiring companies involved in government procurement processes to publically disclose their beneficial ownership information.
4. **G20 countries** should conduct a thorough assessment of the risks and effectiveness of national Anti-Money Laundering frameworks. This should include an assessment of the efforts of financial institutions and Designated Non-Financial Businesses and Professions to implement their due diligence obligations and commit to hold to account the senior management of financial institutions that have facilitated money laundering and corruption.

### What is the deliverable?

1. Individual country action plans to tackle misuse of entities and legal arrangements in line with Recommendations 24 and 25 of FATF, including devising measures to facilitate due diligence obligations of Designated Non-Financial Businesses and Professions (DNFBPs).
2. Individual country reviews by end 2015 of consultations on and progress towards establishing public registers containing beneficial ownership information.
3. An analysis of the transparency of company ownership in government procurement processes and a commitment to make publication of beneficial ownership a require prior to winning government contracts.
4. Individual country assessments of risks and effectiveness of national anti-money laundering frameworks including an assessment of due diligence efforts by financial institutions and DNFBPs

### Who will lead this work?

1. **G20 countries** must lead a period of consultation prior to drafting and publishing country action plans to ensure specificity to national context but share for discussion within the Anti-Corruption Working Group.
2. **An independent entity such as FATF could be mandated by the G20** to work to undertake an analysis of transparency of company ownership in government procurement processes and to generate recommendations for adoption by the Anti-Corruption Working Group and endorsement by leaders.
3. **G20 countries must undertake national level assessments of AML frameworks, again with the support of FATF including on due diligence efforts by financial institutions and DNFBPs.**

### What is the timeframe?

1. 2014: Commitments in a new G20 Action Plan endorsed at the Brisbane Summit include recognition of the benefits of public registries containing beneficial ownership
2. Early 2015: National-level consultations on national action plans to enhance FATF recommendations 24 and 25 including on progress towards establishing public registers.  
Mid 2015: Adoption and publication of action plans, sharing with the ACWG and Sherpas  
End 2015: Publish country reviews on findings from consultations on progress towards public registers containing beneficial ownership information.
3. Mid 2015: FATF undertakes scoping exercise on transparency of company ownership in government procurement processes.  
2016: Publication of analysis with recommendations. Discussion at ACWG level. Adoption at G20 Summit.
4. 2015: National level assessments on risks and effectiveness of AML frameworks and of due diligence efforts.  
2016: Adoption of analysis with recommendations for implementation.