



global witness

April 2010

To the Heads of State and Finance Ministers of the G20

We wrote to the G20 last summer to ask that its Pittsburgh summit result in a strong and explicit statement on the need to fight corruption through more effective use of the anti-money laundering framework.

Our work in exposing and fighting corruption has shown us that in too many countries, it is the looting of state assets by the political elite that holds development back. It has also shown us that corruption cannot take place without the help of the global financial system, with banks and secrecy jurisdictions continuing to provide safe haven for corruptly acquired funds.

Paragraph 42 of the Pittsburgh summit communiqué in September 2009 contained the welcome language:

‘We ask the FATF to help detect and deter the proceeds of corruption by prioritizing work to strengthen standards on customer due diligence, beneficial ownership and transparency.’

However, we were concerned to note that in the *‘Progress Report on the Economic and Financial Actions of the London, Washington and Pittsburgh G20 summits’* prepared by the UK chair of the G20 for the Finance Ministers’ meeting in November 2009, this specific commitment does not appear in the list of those commitments for which ‘progress and next steps’ have been elaborated. The document mentions only that customer due diligence and beneficial ownership of assets are in the FATF’s work plan; it does not set out exactly what the G20 requires the FATF to do or by when.

Instead the focus in the FATF-related section of this document was on the G20’s call at its April 2009 London summit for the FATF to ‘revise and reinvigorate the review process for assessing compliance by jurisdictions,’ and the call for a public list of high risk jurisdictions by February 2010. While this is a necessary and welcome step, and while we hope that the list published in late February will have some effect in pressuring those countries named to improve their anti-money laundering frameworks, we wish to stress the need for continued political focus on the corruption/AML nexus.

We therefore ask the G20 in its June summit to:

Call on the Financial Action Task force to report back on specific actions it has taken to help detect and deter the proceeds of corruption by prioritizing work to strengthen standards on customer due diligence, beneficial ownership and transparency.

Furthermore, while we understand that the proceeds of corruption language in the Pittsburgh communiqué has been useful in stimulating the FATF to consider what more it can do to detect and deter the proceeds of corruption, we note that there is not yet agreement within the FATF on specifying precisely what success in strengthening standards on ‘beneficial ownership’ and ‘transparency’ would look like.

We believe that the G20 should elaborate the next steps that are necessary in order to make concrete progress on these issues, and to this end, we ask the G20 in its June summit to:

Call on the Financial Action Task Force to amend its recommendations 33, 34, and VIII to provide that the beneficial ownership of all companies, trusts, foundations and charities be made a matter of public record.

The use of corporate vehicles allows the corrupt (as well as terrorists, weapons proliferators organised criminals and tax evaders) to hide their identity and thus their illicit funds. This has been a longstanding concern for all of the international organisations working on money laundering, noted by the UNODC in 1998 (*Financial Havens, Banking Secrecy and Money Laundering*), the OECD in 2001 (*Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*) and the FATF in 2006 (*The Misuse of Corporate Vehicles, Including Trust and Corporate Service Providers*).

In our own work investigating, prosecuting corruption or promoting transparency, accountability and integrity, we too have repeatedly seen how corporate vehicles are misused. The current FATF standard requires at a minimum that beneficial ownership information be made available to law enforcement, but in our experience this is not enough. A solution that focuses on transparent registers of their beneficial ownership in each jurisdiction will help not only the fight against corrupt funds, but also terrorist financing, proliferation finance, tax evasion and organised crime.

Yours sincerely

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