

To: Paolo Gentiloni, EU Commissioner for Economy

Berlin, 27 May 2021

Dear Commissioner,

Transparency International, the global movement against corruption, and its representatives in each G7 country, urge you to increase your efforts in fighting kleptocracy to ensure resources for development, and help protect human rights, the climate and the environment.

The G7 under the Presidency of the UK has committed to “unite leading democracies to help the world fight and then build back better from coronavirus and create a greener, more prosperous future.” We welcome this commitment and believe that its success will depend, to a great extent, on the G7 countries advancing on the adoption and implementation of robust measures to tackle illicit finance at national and global levels. Anonymous shell companies have become a tool of kleptocrats and organised crime groups involved in the trafficking of drugs, arms, endangered species and people. They have also become a tool of malign foreign policy targeting democratic societies.

This is not a new problem. The international community is taking far too long to act decisively against anonymous companies despite the growing evidence of their negative impact on societies. The G7 has the opportunity to lead the path to long-lasting solutions by implementing strong measures at the national level and by pushing for stronger global standards.

The G7 first committed to beneficial ownership transparency in 2013, when the “Principles to Prevent the Misuse of Companies and Legal Arrangements” were adopted, and since then the group has repeatedly acknowledged the need to improve on the measure. While progress has been slow, by now most G7 countries have recognised the importance of beneficial ownership registers to ensure greater transparency in company ownership. Public beneficial ownership registers are in place across G7 European members and important steps have been taken in the US. More recently, Canada announced its plans to establish a public beneficial ownership register, leaving Japan as the only G7 member that has not yet made such a commitment.

Progress in tackling the abuse of anonymous companies will only be possible if information about beneficial owners is easily and timely available in **all** jurisdictions, and if authorities are able to make use of that information and cross-check data for investigative purposes. The reform of the Financial Action Task Force’s (FATF) recommendations on beneficial ownership transparency, currently under discussion, presents a unique opportunity.

There is ample evidence that past practice is ill-suited to tackle illicit finance. As a consequence, law enforcement authorities everywhere – advanced economies as well as low- or middle-income countries – face significant challenges and delays in their efforts to investigate corruption, tax evasion, illegal wildlife trade and other crimes. On the other hand, in countries where public beneficial ownership registers are in place, domestic and foreign competent authorities are more

likely to have access to key data in a timely manner, as well as their partners in the private sector and civil society.¹

To be effective, we believe that anti-money laundering global standards must include central beneficial ownership registers with verified data as a requirement, as part of a multi-pronged approach where data is also available from additional sources such as financial institutions and business service providers.

We are aware of the determined resistance within the FATF membership, particularly from key financial centres, but merely cosmetic changes are not enough. When you meet on 4-5 June, we urge the G7 to show its leadership and support a meaningful review of the current global standard on beneficial ownership to ensure it is fit for purpose.

We thank you for your consideration and are looking forward to constructively engaging with you.

Transparency International Canada
Transparency International EU
Transparency International France
Transparency International Germany
Transparency International Italy
Transparency International Japan
Transparency International UK
Transparency International U.S. Office
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¹ Transparency International (2019). *Who is behind the wheel? Fixing the global standards on company ownership*. Accessible at: <https://www.transparency.org/en/press/reliance-on-information-from-banks-hindering-investigations-of-white-collar>