

Recommendations ahead of the meeting of the Ministers of Finance and Governors of Central Banks, Washington D.C. April 18-19, 2013

8 April 2013

Your Excellencies,

A number of tangible steps towards greater global financial transparency have been taken by G20 members in the last twelve months. New legislation has been drafted, discussed and adopted, programmes have been planned and piloted, and statements of intent have been delivered.

We very much welcome the Los Cabos emphasis on “closing the implementation and enforcement gap”. Progress will only be achieved with pledges that are focused and implemented. We see the April meeting of the Ministers of Finance and Governors of Central Banks as an opportunity to consolidate recommendations made last year with tangible action points that we believe would render the global financial system more transparent, more accountable and thus more secure.

We welcome the decision taken in Los Cabos last year to extend the mandate of the G20 Anti-Corruption Working Group until the end of 2014. The comprehensive nature of the challenges faced by G20 leaders is demonstrated by the breadth of the pledges made in the subsequent Anti-Corruption Action Plan 2013-2014. Transparency International and other civil society organisations have demonstrated in greater depth what tangible and pragmatic steps can be taken by G20 Members to realise those pledges.¹

The following concrete and feasible recommendations are made on behalf of the Transparency International movement, operating across some 100 countries. Whilst comprehensive, these recommendations address the Russian G20 Presidency’s overarching priority of ensuring “sustainable, inclusive and balanced growth”, as well as David Cameron’s vision of the G8 playing a “distinctive role” to “support enterprise and deliver economic growth”.² Corruption undermines sustainable and equitable growth and obstructs the realisation of the Millennium Development Goals (MDGs). Corruption reduces levels of investment, diverts public spending towards less productive activities, renders systems less efficient, wastes resources, undermines fair competition, creates reputational and legal risks for companies and increases vulnerability to extortion. As such, we welcome that both the G8 and G20 Presidencies envisage transparency as requisite to both agendas.

Corporate transparency is a crucial element of delivering economic growth. Greater disclosure means better investment decisions and less risk of misallocated capital. Transparency International welcomes the significant step taken by the European Union since last year to enhance corporate transparency by agreeing to legislation requiring banks to disclose all revenues, taxes paid, profits, public subsidies and employee numbers on a country-by-country basis from 2014 with the information to be made public from 2015. The EU legislation needs to be formally endorsed by Finance Ministers before becoming

¹ CSO recommendations in reaction to the new G20 Anti-Corruption Action Plan 2013-2014, December 2012, http://blog.transparency.org/wp-content/uploads/2012/12/CSO-recommendations-in-reaction-to-new-G20-ACAP_10-dec-20121.pdf

² Letter to G8 leaders from David Cameron upon taking over the Presidency, http://www.politicshome.com/uk/article/68957/no_10_pm_calls_on_g8_to_play_a_distinctive_role_to_deliver_economic_growth.html

law. We also welcome, in an effort to enhance integrity and ensure compensation levels and incentives are aligned with performance, new listing requirements in the US that promote independence of compensation committee members, and consider conflicts of interest when selecting compensation consultants and other advisors.

- Finance Ministers should publicly voice support for the new EU legislation on bank reporting and upon final adoption, ensure mechanisms are in place for monitoring compliance to ensure effective roll-out in 2014.
- Finance Ministers should encourage legislation with similar requirements to be drafted for consideration by non EU G20 members to ensure a more global approach to a global problem.
- Accountability in the wider financial services sector should be secured by requiring public disclosure of information relating to financial institutions' risk profile, such as anti-bribery procedures, intra-group transactions, loan performance data, and asset valuation models. Financial institutions should make a commitment to report annually on the measures they are adopting to strengthen risk management, especially in relation to bribery and corruption at the board and senior management levels.

We are encouraged that progress in corporate transparency by G20 members has not been confined to one sector alone.

Accountable and transparent management of natural resources promotes economic growth.

Transparency International is encouraged by recent progress. We welcome the rules adopted by the US Securities and Exchange Commission which requires all US listed companies in the extractive industry to publish payments made to governments. Similar rules which would require EU companies in the natural resource sector to disclose payments to governments are under negotiation with a final decision expected in the coming weeks.

Mandatory disclosure of payments and operations on a project-by-project and country-by country basis mitigate political, legal and reputational risks and increases longer-term stability through which investment returns can increase. Mandatory reporting will generate timely, disaggregated and easily comparable data.

- We call upon Finance Ministers to urge the adoption and implementation of national and international mandatory reporting requirements on a project-by-project and country-by-country basis for natural resource industries.
- We call upon Finance Ministers to ensure the adoption of EU legislation requiring corporate disclosure of payments to governments in exchange for oil, gas, minerals and forest resources without exemptions.
- We call upon Finance Ministers to assist G20 countries outside of the EU to commence national consultations with a view to drafting similar legislation in the near future.
- We call upon Finance Ministers to encourage consultations with other sectors, with a view to future roll-out of legislation that obliges companies to publish payments, revenues and key organisational data on a project-by-project and country-by-country basis. Disclosure of fully consolidated and non-fully consolidated subsidiaries should be required.

In addition, we welcome the Australian pilot of the Extractive Industries Transparency Initiative (EITI), which requires disclosure of company payments and government revenues in the mining, oil and gas production sectors. The US is expected to formally submit a candidature application to the EITI later this year and David Cameron has called for an urgent review of the UK's position.

Tax evasion and avoidance has a devastating impact on economic growth We welcome the recent OECD report on automatic exchange of tax information to tackle illicit financial flows,³ and the commitment in the Finance Ministers' and Central Bank Governors' Communiqué in February 2013 to extending this

³ Automatic Exchange of Information: What It Is, How It Works, Benefits, What Remains To Be Done
<http://www.oecd.org/ctp/exchange-of-tax-information/automaticexchangeofinformationreport.htm>

procedure. The G20 should continue to encourage countries to join the Global Forum on Transparency and Exchange of Information and the Multilateral Convention on Tax Information Exchange and support the provision for automatic exchange of tax information.

- We call upon Finance Ministers to commence international, inter-agency consultations within the next twelve months, to identify existing challenges and opportunities to overcome current legal, operational and political barriers on effective cross-border information-sharing on tax matters.

Economic growth could be more effectively delivered in a clean and transparent financial system.

Facilitating the process whereby banks and other institutions can identify the ultimate owners of companies and trusts and the source of their money would facilitate due diligence obligations, free up resources and lower legal and reputational risks.

Mandatory registries that include the beneficial ownership information of companies and the settlors, trustees and beneficiaries of trusts or regulatory systems would make it easier to expose and prosecute financial crimes such as bribery, tax evasion and money laundering. This month the UNCAC Coalition, representing over 350 organisations in 100 countries has also called for the collection of beneficial ownership information through national-level public registers to prevent money laundering. In addition, recent consultations by the Financial Action Task Force and the European Commission found that industry was overwhelmingly in favour of increased transparency around national registries of beneficial ownership information, which would facilitate their due diligence obligations.

- We repeat our call to Finance Ministers to ensure all national, financial, regulatory and supervisory authorities take all necessary actions that rigorously enforce anti-money laundering obligations, including Know Your Customer and due-diligence procedures in all relevant firms to ensure that they are not complicit in laundering the proceeds of corruption, tax evasion and organised crime.
- We urge Finance Ministers to take the preliminary steps to ensure the incorporation of beneficial ownership information into annual corporate registries. Research commissioned by the European Commission has shown that beneficial ownership registries would be a cost effective mechanism for preventing money laundering.⁴
- We call upon Finance Ministers to prioritise consultations on strengthening rules on “revolving doors”, to ensure adequate ‘cooling off’ periods and avoid conflicts of interests for individuals who move between public office and the private sector, and vice-versa to further and widely entrench principles of transparency and accountability.
- We reiterate that improving the accountability of both national and international financial sector regulatory authorities requires that regulators and supervisors have all necessary resources and expert training to fully perform their roles.
- We encourage G20 member states to put in place legal frameworks to enable victims of corruption and civil society to take asset recovery cases to court, both in countries where assets were stolen and deposited.

In line with Article 13 of the UN Convention against Corruption that requires States Parties to promote engagement of civil society in the fight against corruption and ensure access to information for civil society actors, we ask for increased dialogue with the Finance Ministers on these recommendations.

We thank you in advance for the consideration of our recommendations and we look forward to continued engagement.

Yours sincerely,



Huguette Labelle, Chair

⁴ European Commission Cost Benefit Analysis of Transparency Requirements in the Company/Corporate Field and Banking Sector Relevant for the Fight Against Money Laundering and Other Financial Crime <http://transcrime.cs.unitn.it/tc/855.php>