The Rt. Hon. Stephen Harper  
Prime Minister  
Canada  

H.E Mr. Lee Myung-bak  
President  
Republic of Korea  

19 May 2010  

Your Excellencies,  

As the G8 and G20 Sherpas meet to prepare for the June Summits, we call on you to place efforts to enhance integrity, transparency and accountability at the very forefront of all planned actions to build a sound and safe global financial system and set the global economy on a solid and sustainable path to recovery. Only by doing this can public confidence in the G20 Summit process be secured and the work to reduce corruption across the world be strengthened.

Increasing evidence has come to light in recent months that fraud and corruption played roles in causing the financial crisis and they have been a prime cause of the serious decline in public confidence in both financial services firms and those that regulate them. More generally, corruption in all its manifestations continues to take a vast toll with, for example, the illicit transfers of funds from developing countries through offshore and onshore financial centres dwarfing the amounts provided in foreign aid to low-income countries. In Pittsburgh, the G20 recognised “that the current crisis has a disproportionate impact on the vulnerable in the poorest countries” as well as their “collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential.”

The G20 has a key responsibility to take the lead in ensuring greater accountability, transparency and integrity. Essential actions need to include the following recommendations:

1) Improved financial regulation remains a key priority and should be implemented in a far more transparent and accountable manner by establishing:

- Comprehensive cross-border regulations to mandate stronger corporate governance in financial services firms with particular reference to all aspects of risk management, greater accountability of boards of directors, and the disclosure of financial products offered by firms to their clients.
- A single, understandable set of global accounting standards for asset valuation in financial services firms.
- Regular reporting by supervisory authorities of the condition of institutions that pose systemic risks because of their size or leverage.
- Measures to prevent conflicts of interest between credit rating agencies, auditing firms, financial firms and the public sector.
- Publication by the multilateral institutions with lead responsibilities for financial reform and regulation – the Financial Stability Board (FSB), the Basel Committee on Banking Supervision, the International Monetary Fund – of regular, comprehensive reports on transparency and disclosure in banking, securities and insurance regulations in the G20 countries. These institutions should also adopt procedures to ensure full transparency and accountability by their management.
2) The G20, should take further concrete steps to counter money-laundering and facilitate asset recovery in accordance with the UN Convention against Corruption (UNCAC), including sanctions against non-cooperative tax havens. This entails introducing:

- A mandatory national register of trusts, foundations, and Anstalt (a financial entity specific to Liechtenstein) and their operators, trustees and beneficial owners.
- Mechanisms to share these registers with the tax, customs, and judicial authorities of other countries.
- Enhanced due diligence (based on FATF Recommendations) on Politically Exposed Persons.
- Coordinated action on initiatives such as the Stolen Asset Recovery programme to prevent cross-border illicit financial flows.
- Leadership by the G20 in UNCAC implementation and a commitment to on-site reviews with civil society participation and full publication of country reports. The G20 also should provide technical assistance to developing countries to fulfil the Convention’s provisions.

3) The G20 must be accountable for their commitments. Corruption is the single most important obstacle to poverty reduction and sustainable development. To demonstrate accountability and credibility to citizens, we urge the G20 to follow the ground-breaking G8 example and introduce a reporting mechanism that includes annual progress updates on anti-corruption commitments, with consistent and specific indicators and benchmarks and timetables for future progress. The G20 report should be based on a transparent and inclusive evaluation process that includes and seeks civil society participation.

In addition, important G20 anti-corruption commitments should be enhanced to include the following:

- Beneficiaries of government rescue packages, economic stimulus funds or multilateral lending facilities should publicly report on their use and implement anti-corruption programmes.
- All G20 members, in particular those who are not yet party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, should implement and enforce by 2012 laws criminalising foreign bribery and prohibiting off-book accounts. G20 members who are party to the Convention should participate in its peer review process.
- Encourage and support private sector initiatives based on the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance and the UN Global Compact – Transparency International Reporting Guidance on the UNGC’s 10th principle on anticorruption.
- Strengthen and improve whistleblower protection procedures.
- Encourage companies to publish key financial and legal data in every country where they operate.
- Ensure G20 export credit agencies adopt rules that forbid deals secured through bribery, fraud or collusion.

We urge the G20 leaders to underline in all their proposed actions transparency, ethical behaviour and accountability as a fundamental way of redressing the current situation and preventing a future crisis.

Yours sincerely,

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