

**Letter to the Ministers of Finance and Governors of Central Banks meeting in Washington D.C. on April 20, 2012 in the forum of the International Monetary and Financial Committee**

3<sup>rd</sup> April 2012

Your Excellencies,

We commend the G20 for acknowledging that a severe lack of integrity, transparency and accountability contributed to the global financial and economic crisis in 2008. Ongoing investigations of conflicts of interest between regulators and financial institutions, misleading of investors and inadequate audits show the extent to which corruption contributed to the financial collapse. Furthermore, the debt crisis in the Eurozone is due in part to a failure of public authorities to tackle bribery and tax evasion. For example, the amount of money lost by Greece over the last decade due to unrecorded transfers through its balance of payments was equal to the amount loaned to Greece by the Eurozone authorities and the International Monetary Fund (IMF) in 2010: USD 160 billion.<sup>1</sup>

We very much welcome and support the work of the G20 Anti-Corruption Working Group whose important mandate should be extended beyond 2012. These landmark efforts should now be complemented by pragmatic anti-corruption and accountability mechanisms in current global financial reform efforts. Accordingly, in view of your upcoming meeting at the IMF and on behalf of the Transparency International movement operating across more than 90 countries, we ask your consideration of the following recommendations:

**1) Enhance transparency of financial flows**

We call on the Ministers attending the meetings at the IMF to encourage all national financial regulatory and supervisory authorities to take all necessary actions that enforce rigorously Know Your Customer duties at financial services firms to ensure that they are not complicit in laundering the proceeds of corruption, tax evasion and organised crime. We are encouraged by the revision of the Financial Action Task Force (FATF) standards and look forward to their speedy and effective implementation at the national level.

The Ministers and Central Bank Governors meeting at the IMF in April should call on the G20 Summit to:

- Enhance corporate transparency by obliging companies in all sectors to publish payments to governments on a project-by-project and country-by-country basis as well as revenues and key organisational data on a country-by-country basis. In addition, disclosure of fully consolidated and non-fully consolidated subsidiaries should be required.
- Require mandatory national level registers disclosing the beneficial ownership of companies and the settlors, trustees and beneficiaries of trusts or regulatory systems with equivalent effect. The information should be shared with relevant investigative and judicial authorities both domestically and internationally and should also be made available to financial institutions to assist with their customer due diligence processes.
- Encourage other 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. For this Convention to become an effective framework for tracing illicit financial flows it will be essential that it is signed by developing countries and offshore financial centres. Based on their 2009 commitment to tackle bank secrecy, the G20 should not tolerate recent bilateral initiatives by several member states which undermine effective exchange of information.

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<sup>1</sup> Global Financial Integrity, May 2010.

- Actively support and facilitate stolen asset recovery building on the recommendations in the Stolen Asset Recovery Initiative's (StAR) 'Barriers to Asset Recovery' paper.<sup>2</sup>
- Implement UN Convention Against Corruption (UNCAC) Art. 9 to take appropriate measures to promote transparency and accountability in the management of public finances, including calling on States to ensure such transparency and accountability with respect to returned assets as well.

## 2) Promote fair and clean governance of the financial sector

The mandate of the IMF embraces its key role to enhance the stability of the global financial system.<sup>3</sup> The 2008 financial crisis efforts caused a major loss of public trust in the governance of many private sector financial institutions and diminished confidence in their official regulators, who were perceived in many instances to be too close to those institutions that they were charged with supervising. We now call upon the Ministers meeting at the IMF and through them to the G20 Summit to take all appropriate actions together with the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) to:

- Improve the accountability of both national and international financial sector regulatory authorities to ensure their independence from the financial institutions that they are charged with regulating and/or supervising.
- Ensure that regulators and supervisors have all necessary resources and expert training to fully perform their roles in view of the intense complexity of the operations of many global financial services firms today.
- Manage the risks of conflicts of interest by strengthening rules on "revolving doors" to ensure adequate 'cooling off' periods for individuals who move between public office and the private sector, and vice-versa.
- Set an example by protecting whistleblowers from reprisals and ensuring effective and independent follow-up of disclosures. Legislative proposals should be subject to consultation with relevant experts and civil society to ensure they meet the standards of best practice.
- Enhance the accountability of financial services firms by requiring greater public disclosure of financial institutions' risk profile, as well as other information necessary to monitor risk such as anti-bribery procedures, intra-group transactions, loan performance data, and asset valuation models. Financial institutions should also 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.
- Encourage the FSB and the BCBS to adopt levels of information transparency that have become standard at the IMF and the World Bank. In this regard we look forward to the recommendations of the Working Group on FSB Capacity, Resources and Governance.

We thank you in advance for taking into account our recommendations and look forward to continued engagement.

Yours sincerely,



Huguette Labelle  
Chair

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<sup>2</sup> [http://www1.worldbank.org/finance/star\\_site/publications/barriers.html](http://www1.worldbank.org/finance/star_site/publications/barriers.html)

<sup>3</sup> The former "Interim Committee" of the IMF assigned high priority at its Hong Kong 1997 meeting to supporting strong anti-corruption policies.