



UNIVERSITY OF
TORONTO

MUNK
SCHOOL
OF
GLOBAL
AFFAIRS

Join the Global Conversation

The
G8 Research Group
at the Munk School of Global Affairs at Trinity College in the University of Toronto
presents the

**2013 Lough Erne G8 Summit
Interim Compliance Report**

18 June 2013 to 13 January 2014

Prepared by
Enko Koceku, Laura Correa Ochoa, Guillaume Kishibe and Sarah Danruo Wang,
with Caroline Bracht

G8 Research Group, University of Toronto,
and

Mark Rakhmangulov, Andrey Shelepov and Vitaly Nagornov
National Research University Higher School of Economics International
Organisations Research Institute (Moscow)

25 April 2014

www.g8.utoronto.ca • www.g8live.org
g8@utoronto.ca

7. Transparency [87]

“[We will make a concerted and collective effort to] improve the transparency of companies.”

2013 G8 Lough Erne Communiqué

Assessment:

| Country | Lack of Compliance | Work in Progress | Full Compliance |
|----------------|--------------------|------------------|-----------------|
| Canada | | 0 | |
| France | | 0 | |
| Germany | | | +1 |
| Italy | | | +1 |
| Japan | | 0 | |
| Russia | | | +1 |
| United Kingdom | | | +1 |
| United States | | | +1 |
| European Union | | 0 | |
| Average Score | | +0.56 | |

Background:

G7 members first addressed their international concerns regarding money laundering at the 1989 Paris Economic Summit. The summit addressed the need to produce economic growth and remove inefficiencies within the economy.³⁷⁰ This included the recognition of new techniques used in worldwide financial activities, such as insider trading, which G7 members claimed, “could hamper the credibility of financial markets.”³⁷¹ Members further recognized that the regulations surrounding these activities varied greatly between the countries and addressed the need to strengthen these regulations.³⁷²

In order to target these inefficiencies and discourage black money, G7 delegates declared the need to: “Convene a financial action task force from Summit Participants and other countries interested in these problems.”³⁷³ The mandate of the task force included assessing the results of international cooperation to prevent the utilization of the banking system and financial institutions for the purpose of money laundering.³⁷⁴ It also called for additional preventive efforts, including the establishment of legal regulatory systems to enhance multilateral judicial assistance.³⁷⁵

This founded the Financial Action Task Force on Money Laundering (FATF), which was given the responsibility of: “examining money laundering techniques and trends, reviewing the action which had already been taken at a national or international level, and setting out the measures that

³⁷⁰ Economic Declaration, G8 Information Centre (Toronto) 16 July 1989. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/1989paris/communique/index.html>.

³⁷¹ Economic Declaration, G8 Information Centre (Toronto) 16 July 1989. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/1989paris/communique/index.html>.

³⁷² Economic Declaration, G8 Information Centre (Toronto) 16 July 1989. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/1989paris/communique/index.html>.

³⁷³ Economic Declaration, G8 Information Centre (Toronto) 16 July 1989. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/1989paris/communique/index.html>.

³⁷⁴ Economic Declaration, G8 Information Centre (Toronto) 16 July 1989. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/1989paris/communique/index.html>.

³⁷⁵ Economic Declaration, G8 Information Centre (Toronto) 16 July 1989. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/1989paris/communique/index.html>.

still needed to be taken to combat money laundering.”³⁷⁶ The FATF currently produces annual reports and recommendations to increase the transparency of the financial system, in order to more easily detect criminal activity, and to provide countries with the capacity to take successful action against money launderers and terrorist financiers.³⁷⁷

This issue was addressed again at the 1994 G7 Summit, where “cooperation against transnational crime and money-laundering” was an explicit pillar in the communiqué. The communiqué stated: “We are alarmed by the growth of organized transnational crime, including money laundering, and by the use of illicit proceeds to take control of legitimate business. This is a world-wide problem with countries in transition increasingly targeted by criminal organisations. We are determined to strengthen international cooperation to address this situation.”³⁷⁸ G7 members also recognized the achievements of the FATF and reaffirmed their support for the organization.³⁷⁹

Commitment Features:

The commitment recognizes that “a lack of knowledge about who ultimately controls, owns and profits from companies and legal arrangements, including trusts, not only assists those who seek to evade tax, but also those who seek to launder the proceeds of crime, often across borders.”³⁸⁰ It directly addresses the use of shell companies in facilitating illicit financial flows, through corruption, tax evasion and money laundering.³⁸¹ As such, the commitment forwards a “concerted and collective effort” to address these issues and to improve the transparency of companies and legal arrangements.³⁸²

Through these means, the commitment aims to: “improve the investment climate; ease the security of doing business and tackle corruption and bribery.”³⁸³ It is noted in the communiqué that compliance with this commitment will support law enforcement efforts to: “pursue criminal networks, enforce sanctions, and identify and recover stolen assets.”³⁸⁴

The commitment also includes an agreement to publish national Action Plans based on common principles to prevent the misuse of companies and legal arrangements.³⁸⁵ This requires companies

³⁷⁶ History of the FATF, Financial Action Task Force (Paris) 2013. Date of Access: 03 December 2013. <http://www.fatf-gafi.org/pages/aboutus/historyofthefatf/>.

³⁷⁷ An introduction to the FATF and its work, Financial Action Task Force (Paris) 2010. Date of Access: 03 December 2013. <http://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/Introduction%20to%20the%20FATF.pdf>.

³⁷⁸ Summit Communiqué, G8 Information Centre (Toronto) 10 July 1994. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/1994naples/communique/crime.html>.

³⁷⁹ Summit Communiqué, G8 Information Centre (Toronto) 10 July 1994. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/1994naples/communique/crime.html>.

³⁸⁰ G8 Lough Erne Leaders Communiqué, G8 Information Centre (Toronto) 18 June 2013. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-communique.html>.

³⁸¹ G8 Lough Erne Leaders Communiqué, G8 Information Centre (Toronto) 18 June 2013. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-communique.html>.

³⁸² G8 Lough Erne Leaders Communiqué, G8 Information Centre (Toronto) 18 June 2013. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-communique.html>.

³⁸³ G8 Lough Erne Leaders Communiqué, G8 Information Centre (Toronto) 18 June 2013. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-communique.html>.

³⁸⁴ G8 Lough Erne Leaders Communiqué, G8 Information Centre (Toronto) 18 June 2013. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-communique.html>.

³⁸⁵ Annex 1: G8 Action Plan Principles to prevent the misuse of companies and legal arrangements. G8 Lough Erne Leaders Communiqué, G8 Information Centre (Toronto) 18 June 2013. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-communique.html>.

“to obtain and hold information on their beneficial ownership, and to ensure that this information is available in a timely fashion to law enforcement, tax collection agencies and other relevant authorities as appropriate, including financial intelligence units.”³⁸⁶

Scoring Guidelines:

| | |
|----|--|
| -1 | Member does not establish an Action Plan to ensure that companies' information is available to relevant authorities as appropriate. |
| 0 | Member establishes an Action Plan to ensure that companies' information is available to relevant authorities as appropriate BUT does not start to implement it. |
| +1 | Member establishes an Action Plan to ensure that companies' information is available to relevant authorities as appropriate and begin implementation in earnest. |

Lead Analyst: Sarah Burton

Canada: 0

Canada has partially complied with its commitment to improve corporate transparency, enforcement thereof, and to work alongside the Financial Action Task Force (FATF).

On 12 June 2013, in advance of the summit, Prime Minister Stephen Harper announced the adoption of new mandatory standards for reporting payments made to foreign and domestic governments by energy and mining corporations.³⁸⁷ The Government of Canada further announced that in the subsequent months it “will consult closely with provincial and territorial counterparts, First Nations and Aboriginal groups, industry and civil society organizations on how to establish the most effective regime.”³⁸⁸

Accordingly, on 18 June 2013, Prime Minister Steven Harper announced Canada's G8 Action Plan on Transparency of Corporations and Trusts, which builds on existing regulations. The plan identified three key areas: (1) Improve money laundering and terrorist finance risk assessment approach; (2) implement amendments to the “Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations” that will come into force in early 2014, and; (3) consulting publicly on the issue of corporate transparency with a focus on bearer shares and the ability of competent authorities to access information on beneficial ownership.³⁸⁹

At the opening address at the Money Laundering in Canada Conference, held on 30 September 2013, the Director of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Gérald Cossette notes that that the Centre has provided financial intelligence to assist with money laundering investigations “terrorist activity financing, and threats to the security of Canada.” Cossette also emphasized that the FINTRAC continues to work in conjunction with the “Canadian Association of Chiefs of Police and its committees dealing with

³⁸⁶ G8 Lough Erne Leaders Communiqué, G8 Information Centre (Toronto) 18 June 2013. Date of Access: 03 December 2013. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-communique.html>.

³⁸⁷ Harper Announces New Transparency Rules for Energy, Mining, CBC News, 12 June 2013. Date of Access: 28 December 2013. <http://www.cbc.ca/news/politics/harper-announces-new-transparency-rules-for-energy-mining-1.1305236>.

³⁸⁸ Canada Commits to Enhancing Transparency in the Extractive Sector, Office of the Prime Minister (Ottawa), 12 June 2013. Date of Access: 8 January 2014. <http://pm.gc.ca/eng/news/2013/06/12/canada-commits-enhancing-transparency-extractive-sector>

³⁸⁹ PM Releases Canada's G-8 Action Plan on Transparency of Corporations and Trusts, Office of the Prime Minister (Ottawa) 18 June 2013. Date of Access: 28 December 2013. <http://pm.gc.ca/eng/news/2013/06/18/pm-releases-canadas-g-8-action-plan-transparency-corporations-and-trusts>.

organized crime and national security, as well as the Canadian Integrated Response to Organized Crime committee.”³⁹⁰

Moreover, at the Money Laundering Conference in Vancouver FINTRAC announced “new criteria for the public naming of entities that receive administrative monetary penalties for non-compliance with Canada’s Proceed of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA).”³⁹¹ The aim of these changes is to ensure that “businesses meet their legal obligations and provide the data we need to assist our regime partners in protecting Canada and Canadians.”³⁹² Going forward business will only be named when (1) a “person or entity has committed a serious violation”; (2) the base penalty amount is equal to, or greater than CAN250,000; and/or (3) when “we find repeat significant non-compliance on the part of the person or entity.”³⁹³

Furthermore, on 4 November 2013 reaffirmed its support of FATF “efforts to combat money laundering and terrorist financing.” In particular, FINTRAC reiterated “to all reporting entities subject to the requirements of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act the risks of doing business with individuals and entities based in, or connected to, Iran and the Democratic People’s Republic of Korea.” It also advised that special attention and reporting should be given to transactions related to Algeria, Burma (Myanmar), Ecuador, Ethiopia, Indonesia, Kenya, Pakistan, Syria, Tanzania, Turkey, and Yemen.³⁹⁴

In addition, on 12 December 2013 the Canadian Government “launched a review of the Corporate Social Responsibility (CSR) Strategy for the Extractive Sector with a round-table session in Ottawa with civil society organizations.” These consultations are part of a five-year project that will help the Canadian Government “develop a plan to better assist Canadian extractive companies operating abroad with their responsible business practices.” Canadians can submit comments on the strategy through the CSR website. The objective of the review includes creating job opportunities and enhances “Canada’s strong reputation as a global leader in mining.”³⁹⁵

³⁹⁰ Opening Address by Director Gérald Cossette Financial Transactions and Reports Analysis Centre of Canada at the Money Laundering in Canada Conference, Financial Transactions and Reports Analysis Centre of Canada (Ottawa) 30 September 2013. Date of Access: 8 January 2014. <http://www.fintrac-canafe.gc.ca/new-neuf/ps-pa/2013-09-30-eng.asp>

³⁹¹ FINTRAC Announces Changes to its Administrative Monetary Penalties Program, Financial Transactions and Reports Analysis Centre of Canada (Ottawa) 30 September 2013. Date of access: 8 January 2014. <http://www.fintrac-canafe.gc.ca/new-neuf/nr/2013-09-30a-eng.asp>

³⁹² Opening Address by Director Gérald Cossette Financial Transactions and Reports Analysis Centre of Canada at the Money Laundering in Canada Conference, Financial Transactions and Reports Analysis Centre of Canada (Ottawa) 30 September 2013. Date of Access: 8 January 2014. <http://www.fintrac-canafe.gc.ca/new-neuf/ps-pa/2013-09-30-eng.asp>

³⁹³ FINTRAC Announces Changes to its Administrative Monetary Penalties Program, Financial Transactions and Reports Analysis Centre of Canada (Ottawa) 30 September 2013. Date of access: 8 January 2014. <http://www.fintrac-canafe.gc.ca/new-neuf/nr/2013-09-30a-eng.asp>

³⁹⁴ FINTRAC Advisory, Financial Transactions and Reports Analysis Centre of Canada (Ottawa) 4 November 2013. Date of access: 8 January 2014. <http://www.fintrac-canafe.gc.ca/new-neuf/avs/2013-11-04-eng.asp>

³⁹⁵ Harper Government Launches Consultations to Review Corporate Social Responsibility Strategy for Extractive Sector, Foreign Affairs, Trade and Development Canada (Ottawa) 12 December 2013. Date of Access 8 January 2014. <http://www.international.gc.ca/media/comm/news-communiqués/2013/12/12c.aspx?lang=eng>

Although Canada has created an Action Plan to promote corporate transparency, continues to support law enforcement bodies and has reiterated its support for FATF initiatives, some of the Plan's most concrete components have yet to be implemented. Therefore, Canada has been awarded a partial score of 0

Analyst: Laura Correa Ochoa and Colin Campbell

France: 0

France has partially complied with its commitment to increase transparency. It has begun to offer protection for whistle blowers³⁹⁶ and release action plans.³⁹⁷

Since the June 2013 Lough Erne G8 Summit, France released an Action Plan to further transparency in government spending.³⁹⁸ This plan establishes context for the Open Government Data policy, identifies future challenges, and marks priorities for further development.³⁹⁹ The plan especially stresses openness as a means of encouraging innovation and combatting corruption in France, and was concurrent with the release of France's new "Open Data" plan.⁴⁰⁰

France also released a less-specific joint Action Plan with Canada for 2012-2013, which focuses on more transparent trade and economic relations between France and Canada.⁴⁰¹ The document also stresses open information trading and collaboration in business development between the nations.⁴⁰²

Moreover, on 25 February 2011, the FATF's official evaluation report measuring France's attempts to stop money laundering and terrorist financing ranked them with high compliance.⁴⁰³ However, no newer report has been released.

Thus, France has been awarded a score 0 for taking partial steps to promote the transparency of companies.

Analyst: Annie Rose Webb

³⁹⁶ Encadrement du Lobbying, Transparency International France (Paris) 2013. Date of Access: 18 December 2013. http://www.transparency-france.org/ewb_pages/div/Encadrement_du_lobbying.php.

³⁹⁷ Plan d'action G8 sur l'ouverture des données publiques, Office of the Prime Minister (Paris) 11 July 2013. Date of Access: 18 December 2013. <http://www.gouvernement.fr/gouvernement/plan-d-action-g8-sur-l-ouverture-des-donnees-publiques>.

³⁹⁸ Plan d'action G8 sur l'ouverture des données publiques, Office of the Prime Minister (Paris) 11 July 2013. Date of Access: 18 December 2013. <http://www.gouvernement.fr/gouvernement/plan-d-action-g8-sur-l-ouverture-des-donnees-publiques>.

³⁹⁹ Action Plan for France, Office of the Prime Minister (Paris) 11 July 2013. Date of Access: 18 December 2013. http://www.gouvernement.fr/sites/default/files/fichiers_joints/plan_dactions_-_version_anglaise.pdf.

⁴⁰⁰ Plan d'action G8 sur l'ouverture des données publiques, Office of the Prime Minister (Paris) 11 July 2013. Date of Access: 18 December 2013. <http://www.gouvernement.fr/gouvernement/plan-d-action-g8-sur-l-ouverture-des-donnees-publiques>.

⁴⁰¹ 2012-2013 Canada-France Joint Action Plan, Government of Canada (Ottawa) 6 June 2013. Date of Access: 18 December 2013. http://www.canadainternational.gc.ca/france/bilateral_relations_bilaterales/program.aspx?lang=eng.

⁴⁰² 2012-2013 Canada-France Joint Action Plan, Government of Canada (Ottawa) 6 June 2013. Date of Access: 18 December 2013. http://www.canadainternational.gc.ca/france/bilateral_relations_bilaterales/program.aspx?lang=eng.

⁴⁰³ Plan d'action G8 sur l'ouverture des données publiques, Office of the Prime Minister (Paris) 11 July 2013. Date of Access: 18 December 2013. <http://www.gouvernement.fr/gouvernement/plan-d-action-g8-sur-l-ouverture-des-donnees-publiques>.

Germany: +1

Germany has fully complied with its commitment to improve transparency of companies. It has created an action plan following FATF standards and supported efforts to increase transparency internally and externally.

Germany set up an Action Plan to prevent misuse of legal persons and legal arrangements following the Lough Erne G8 Summit. The plan focused on transparency regarding the beneficial ownership and control of legal persons and arrangements. The efforts aimed at contributing to an effective anti-money laundering and counter-terrorist financing (AML/CFT) system, as well as to fight against corruption and tax evasion in addition to improving asset recovery.⁴⁰⁴

The Action Plan consisted of several items, including: (1) having companies know their beneficial owners, “companies will be able to deliver on request adequate, accurate and current information on their beneficial owners”⁴⁰⁵; (2) the ensuring of timely access to beneficial ownership information; (3) the carrying out of national risk assessment, such as being able to, “identify, assess and understand the money laundering and terrorist financing risk it faces”⁴⁰⁶; (4) the prevention of misuse of legal arrangements; (5) the adequate supervision of obliged entities for compliance with their AML/CFT requirements on beneficial ownership; (6) the application of effective, proportionate, and dissuasive sanctions; and (7) the provision of international cooperation.⁴⁰⁷

Included in the Action Plan is a survey on the extent of money laundering within Germany and on the risks of money laundering in individual business sectors, expected to be finalized by the end of 2014.⁴⁰⁸ Germany also called for a stronger involvement of the European Commission and better coordination among member states regarding the appropriate risk-management policies based on supranational and national risk assessments. This effort aims to suppress cross-border terrorist financing through money laundering networks.⁴⁰⁹ As reported by Chancellor Angela

⁴⁰⁴ Germany’s Action Plan to prevent the misuse of legal persons and legal arrangements, German Federal Government (Berlin) June 2013. Date of Access: 31 December 2013.

http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?__blob=publicationFile&v=2.

⁴⁰⁵ Germany’s Action Plan to prevent the misuse of legal persons and legal arrangements, German Federal Government (Berlin) June 2013. Date of Access: 31 December 2013.

http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?__blob=publicationFile&v=2.

⁴⁰⁶ Germany’s Action Plan to prevent the misuse of legal persons and legal arrangements, German Federal Government (Berlin) June 2013. Date of Access: 31 December 2013.

http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?__blob=publicationFile&v=2.

⁴⁰⁷ Germany’s Action Plan to prevent the misuse of legal persons and legal arrangements, German Federal Government (Berlin) June 2013. Date of Access: 31 December 2013.

http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?__blob=publicationFile&v=2.

⁴⁰⁸ Germany’s Action Plan to prevent the misuse of legal persons and legal arrangements, German Federal Government (Berlin) June 2013. Date of Access: 31 December 2013.

http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?__blob=publicationFile&v=2.

⁴⁰⁹ Germany’s Action Plan to prevent the misuse of legal persons and legal arrangements, German Federal Government (Berlin) June 2013. Date of Access: 31 December 2013.

http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?__blob=publicationFile&v=2.

Merkel during the G8 Summit, “The communiqué of the G8 states will make it quite clear that there is to be extensive data and information sharing on the basis of the Foreign Account Tax Compliance Act (FATCA) in an effort to tackle tax evasion.”⁴¹⁰

Moreover, on 27 November 2013, Colombia, Greece, Iceland, Liechtenstein, Luxembourg, and Malta joined the initiative proposed by Germany, France, Italy, Spain, and the UK, to share tax information automatically. In a joint statement, the finance ministers of the member countries stated that this new global standard will “mark a step change in our ability to clamp down on tax evasion,” furthermore, the joining countries “have recognised that those jurisdictions which will prosper in the future will be those which embrace tax transparency and work cooperatively to tackle tax evasion.”⁴¹¹

Therefore Germany has received a score of +1 for its effort to ensure transparency of companies and for the creation of an action plan following FATF standards and recommendations.

Analyst: Artur Pereira

Italy: +1

Italy has fully complied with its commitment to make a concerted and collective effort to improve transparency of companies.

On 16 July 2013, the Italian government announced their commitment to combat tax evasion and promote transparency in the ownership of companies and trusts.⁴¹² The proposed actions follow the Action Plan established at the G8 Summit during June 2013. The Action Plan is in accordance with the FATF standards. The reforms are aimed at ensuring that the information regarding the ownership and control of companies, other legal entities, and trusts is available and fully transparent.⁴¹³

⁴¹⁰ Pulling together to clamp down on tax evasion, German Federal Government (Berlin) 18 June 2013. Date of Access: 31 December 2013.

<http://www.bundesregierung.de/ContentArchiv/EN/Archiv17/Reiseberichte/2013/2013-06-17-g8-lougherne.html>.

⁴¹¹ Sharing tax information: Joint statement by the finance ministers of France, Germany, Italy, Spain and the UK, German Federal Ministry of Finance (Berlin) 28 November 2013. Date of Access: 31 December 2013. <http://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2013/2013-11-28-joint-statement-g5.html>.

⁴¹² Italy’s Action Plan to enhance transparency and prevent the misuse of companies and trusts, Ministero dell’Economia e delle Finanze (Rome) 16 July 2013. Date of Access: 13 December 2013.

http://www.mef.gov.it/ufficio-stampa/comunicati/2013/documenti/Italyxs_Action_Plan_to_enhance_transparency_and_prevent_the_misuse_of_companies_and_trusts_-_Allegato_al_comunicato_nx_97.pdf

⁴¹³ Italy’s Action Plan to enhance transparency and prevent the misuse of companies and trusts, Ministero dell’Economia e delle Finanze (Rome) 16 July 2013. Date of Access: 13 December 2013.

http://www.mef.gov.it/ufficio-stampa/comunicati/2013/documenti/Italyxs_Action_Plan_to_enhance_transparency_and_prevent_the_misuse_of_companies_and_trusts_-_Allegato_al_comunicato_nx_97.pdf

The actions include: (1) the creation of Italy's National Risk Assessment on Money Laundering and Terrorist Financing, in accordance with FATF Recommendation,⁴¹⁴ by the end of 2014; (2) the adoption of "legislative measures to ensure that companies know who owns and controls them and their beneficial ownership"⁴¹⁵; (3) the adoption of "legislation to ensure that the trustees of trusts identify the beneficiaries of their trusts and disclose this information to competent authorities and obliged entities"⁴¹⁶; (4) the establishment of sanctions under the Legislative Decree n.231, enacted in 2001 in compliance with EU legislation principles on the prevention of corporate crimes and assessment of companies' liability,⁴¹⁷ to companies and trustees that are not compliant with the new transparency obligations; (5) the strengthening of authorities' oversight⁴¹⁸; and (6) the promotion of "international cooperation on exchange for basic and beneficial ownership information on companies, trustees, and other legal entities."⁴¹⁹

Furthermore, on 12 July 2013, Italian police arrested seven people suspected of rigging lucrative contracts for a multi-billion euro project.⁴²⁰ The effort was aimed at dismantling tax evasion schemes and illegal company favouring.

During July 2013, the Italian police dismantled a EUR 1 billion tax evasion ring. The system involved approximately 1,500 clients and is estimated to have been operating since 2000.⁴²¹

⁴¹⁴ Italy's Action Plan to enhance transparency and prevent the misuse of companies and trusts, Ministero dell'Economia e delle Finanze (Rome) 16 July 2013. Date of Access: 13 December 2013. http://www.mef.gov.it/ufficio-stampa/comunicati/2013/documenti/Italyxs_Action_Plan_to_enhance_transparency_and_prevent_the_misuse_of_companies_and_trusts_-_Allegato_al_comunicato_nx_97.pdf

⁴¹⁵ Italy's Action Plan to enhance transparency and prevent the misuse of companies and trusts, Ministero dell'Economia e delle Finanze (Rome) 16 July 2013. Date of Access: 13 December 2013. http://www.mef.gov.it/ufficio-stampa/comunicati/2013/documenti/Italyxs_Action_Plan_to_enhance_transparency_and_prevent_the_misuse_of_companies_and_trusts_-_Allegato_al_comunicato_nx_97.pdf

⁴¹⁶ Italy's Action Plan to enhance transparency and prevent the misuse of companies and trusts, Ministero dell'Economia e delle Finanze (Rome) 16 July 2013. Date of Access: 13 December 2013. http://www.mef.gov.it/ufficio-stampa/comunicati/2013/documenti/Italyxs_Action_Plan_to_enhance_transparency_and_prevent_the_misuse_of_companies_and_trusts_-_Allegato_al_comunicato_nx_97.pdf

⁴¹⁷ Brief Summary of Italian Legislative Decree n. 231/2001, Tenova Group (Milan). Date of Access: 27 December 2013. http://www.tenovagroup.com/pdf/corporate_governance/brief_summary_italian_legislative_decree_231.pdf

⁴¹⁸ Italy's Action Plan to enhance transparency and prevent the misuse of companies and trusts, Ministero dell'Economia e delle Finanze (Rome) 16 July 2013. Date of Access: 13 December 2013. http://www.mef.gov.it/ufficio-stampa/comunicati/2013/documenti/Italyxs_Action_Plan_to_enhance_transparency_and_prevent_the_misuse_of_companies_and_trusts_-_Allegato_al_comunicato_nx_97.pdf

⁴¹⁹ Italy's Action Plan to enhance transparency and prevent the misuse of companies and trusts, Ministero dell'Economia e delle Finanze (Rome) 16 July 2013. Date of Access: 13 December 2013. http://www.mef.gov.it/ufficio-stampa/comunicati/2013/documenti/Italyxs_Action_Plan_to_enhance_transparency_and_prevent_the_misuse_of_companies_and_trusts_-_Allegato_al_comunicato_nx_97.pdf

⁴²⁰ Venice flood barrier executives arrested in massive fraud swoop, Reuters UK Edition (Rome) 12 July 2013. Date of Access: 13 December 2013 <http://uk.reuters.com/article/2013/07/12/uk-italy-venice-fraud-idUKBRE96B0E220130712>

In the continued effort to pursue these illegal networks, Apple was investigated in Italy for allegedly hiding EUR 1 billion from local tax authorities, EUR 206 million in 2010 and EUR 853 million in 2011. In June, fashion designers Domenico Dolce and Stefano Gabbana were sentenced with a fine and a 20-month suspended prison sentence for hiding hundreds of millions of euros in unpaid taxes.⁴²²

On 3 October 2013, Italy's Financial Police seized EUR 15 million from Bank of America Merrill Lynch in Milan. This action was part of a probe into alleged fraud, using derivative contracts, against the city council of Verona.⁴²³ Additionally, on 27 November 2013, Silvio Berlusconi, former prime minister, was expelled by the Italian Senate over his tax fraud conviction.⁴²⁴

Therefore, Italy is given a score of +1 for full compliance since its Action Plan is allied to the standards and recommendations proposed by the FATF. This combined effort led to greater transparency of companies, trusts, and other legal entities, including the enforcement of punishments and sanctions in relevant cases.

Analyst: Artur Pereira

Japan: 0

Japan has partially complied with its commitment to establish an Action Plan which requires companies to obtain and hold information on their beneficial ownership and work alongside the Financial Action Task Force (FATF) to implement FATF standards and access FATF recommendations.

Japan recognizes the importance of implementing measures in accordance with FATF standards. In November 2013 the Ministry of Finance published a motion paper for "Japan's Action Plan," its primary objective to "prevent the misuse of companies and legal arrangement."⁴²⁵ The Plan sought to conduct a National risk assessment on money laundering and terrorist financing at the end of 2014 to support the Japan Financial Intelligence Centre's annual report design.⁴²⁶ It will

⁴²¹ Italian police crack billion euro tax evasion ring, Reuters UK Edition (Rome) 23 July 2013. Date of Access: 13 December 2013 <http://uk.reuters.com/article/2013/07/23/uk-italy-tax-idUKBRE96M0ML20130723>

⁴²² Italy investigates Apple for alleged tax fraud — sources, Reuters UK Edition (Milan) 14 November 2013. Date of Access: 13 December 2013 <http://uk.reuters.com/article/2013/11/14/uk-apple-italy-tax-idUKBRE9AC0S920131114>

⁴²³ Italian police seize \$20 million at Merrill Lynch in fraud probe, Reuters UK Edition (Rome/Milan) 3 October 2013. Date of Access: 13 December 2013. <http://uk.reuters.com/article/2013/10/03/uk-italy-merrilllynch-idUKBRE9920AO20131003>

⁴²⁴ Berlusconi expelled from Italian parliament over tax fraud, Reuters UK Edition (Rome) 27 November 2013. Date of Access: 13 December 2013 <http://uk.reuters.com/article/2013/11/27/us-italy-berlusconi-idUKBRE9AQ0P220131127>

⁴²⁵ Japan Action Plan to prevent the misuse of companies and legal arrangement, Ministry of Foreign Affairs of Japan (Tokyo) 18 June 2013. Date of access: 16 December 2013. <http://www.mofa.go.jp/files/000006562.pdf>

⁴²⁶ Japan Action Plan to prevent the misuse of companies and legal arrangement, Ministry of Foreign Affairs of Japan (Tokyo) 18 June 2013. Date of access: 16 December 2013 <http://www.mofa.go.jp/files/000006562.pdf>

design a “mechanism,” based on the national risk assessment to provide relevant information to use and create more transparency between foreign and domestic authorities.⁴²⁷

On 7 October 2013, Transparency International published the ninth annual progress report on foreign bribery enforcement. The report classified Japan as having “little or no enforcement” on enforcing the Organisation for Economic Co-operation and Development (OECD) Convention on enforcing bribery.⁴²⁸ It states Japan has not ratified the United Nations Convention against Corruption, that its enforcement system insufficiently maintains and lacks cohesion between prosecution and investigative groups, and that its sanctions available against foreign bribery are ineffective.⁴²⁹ However, the report states that Japan has “taken some steps” to improve enforcement. On 18 March 2013 Japan’s Ministry of Economy, Trade and Finance published an online report on foreign bribery and issued leaflets to businesses to raise awareness on this issue.⁴³⁰

Moreover, on 8 October 2013, the Transparency International Secretariat published a press release stating that Japan has adequately held companies and businesses accountable for bribing foreign governments.⁴³¹

On 6 December 2013, the Japanese Diet passed the states secret bill.⁴³² The law aims to protect classified information provided by both foreign and domestic authorities on articles such as defence, diplomacy, counterterrorism and counterintelligence.⁴³³ According to Jeff Kingston, Director of Asian studies at Temple University, the term “special secrets” as defined by the bill, is “vague and has loose guidelines which allows for government officials to “abuse the system.”⁴³⁴

⁴²⁷ Japan Action Plan to prevent the misuse of companies and legal arrangement, Ministry of Foreign Affairs of Japan (Tokyo) 18 June 2013. Date of access: 19 December 2013. <http://www.mofa.go.jp/files/000006562.pdf>.

⁴²⁸ Exporting Corruption: Progress report 2013: assessing enforcement of the OECD Convention on combating bribery, Transparency International (Berlin) 7 October 2013. Date of access: 17 December 2013. http://www.transparency.org/whatwedo/pub/exporting_corruption_progress_report_2013_assessing_enforcement_of_the_oecd.

⁴²⁹ Exporting Corruption Progress report 2013, assessing enforcement of the OECD Convention on combating bribery, Transparency International (Berlin) 7 October 2013. Date of access: 18 December 2013. http://www.transparency.org/whatwedo/pub/exporting_corruption_progress_report_2013_assessing_enforcement_of_the_oecd.

⁴³⁰ Exporting Corruption Progress report 2013, assessing enforcement of the OECD Convention on combating bribery, Transparency International (Berlin) 7 October 2013. Date of access: 16 December 2013 http://www.transparency.org/whatwedo/pub/exporting_corruption_progress_report_2013_assessing_enforcement_of_the_oecd.

⁴³¹ Many Exporting Nations still turn a blind eye to bribing foreign officials, Transparency International Secretariat (Berlin) 8 October 2013. Date of access: 20 December 2013. http://www.transparency.org/news/pressrelease/many_exporting_nations_still_turn_a_blind_eye_to_bribing_foreign_officials.

⁴³² A Blow to Transparency; Japan Passes Secrecy Bill, [freedominfo.org](http://www.freedominfo.org) (Washington D.C) 9 December 2013. Date of access: 20 December 2013. <http://www.freedominfo.org/2013/12/blow-transparency-japan-passes-secrecy-bill/>.

⁴³³ Abe promotes secrecy sidelining transparency and open government, Japan Times News Edition (Tokyo) 5 October 2013. Date of access: 21 December 2013. <http://www.japantimes.co.JPY/opinion/2013/10/05/commentary/abe-promotes-secrecy-sidelining-transparency-and-open-government/#.UrpOGPW1yy>.

⁴³⁴ Abe promotes secrecy sidelining transparency and open government, Japan Times News Edition (Toyko) 5 October 2013. Date of access: 20 December 2013. <http://www.japantimes.co.JPY/opinion/2013/10/05/commentary/abe-promotes-secrecy-sidelining-transparency-and-open-government/#.UrpOGPW1yy>.

On 22 November 2013 United Nations Special Rapporteur Frank La Rue stated that the draft bill establishes “very broad and vague grounds for secrecy” which could pose a threat to transparency.⁴³⁵ Japanese Prime Minister Shinzo Abe stated that “a highly independent body” would be formed to prevent the government from over-classifying information to protect transparency. However, these bodies would be operated by the Cabinet Office, which invited criticism that the government wants to keep total internal control.⁴³⁶

In addition, on November 2013, international NGO Global Witness published an annual report on Company ownership. Japan is graded “red,” meaning that it either lacks jurisdiction on public registry of beneficial ownership or that it lacks any plans to implement enforcement.⁴³⁷ The report states that: “the Japanese government is not considering creating a registry of beneficial ownership.”⁴³⁸

On 24 October 2013, the Aid Transparency Index published its annual Index report which focuses on Donor agencies’ commitments towards aid transparency. The Donors representing Japan are Japan International Cooperation Agency (JICA) and the Ministry of Foreign Affairs (MOFA).⁴³⁹ The agencies received a score of 23.51 per cent and 17.17 per cent respectively, which are substantially lower than the average of 32.63 per cent.⁴⁴⁰

Furthermore, Japan implemented several commitments on transparency and cooperation regarding the issue of asset recovery. Guides on information about main agencies that are related to asset recovery cases are available and Japan regularly participates in preparatory meetings to launch an asset recovery network in the Asia Pacific Region.⁴⁴¹ Japan also adopted mechanisms for enforcement of foreign orders of confiscation and provides assistance for the purpose of identifying assets concerned and ensures that domestic legal frameworks and mutual legal assistance are granted.⁴⁴²

⁴³⁵ Japan: “Special Secrets Bill threatens transparency” — UN independent experts, Office of the High Commissioner for Human Rights (Geneva) 22 November 2013. Date of access: 18 December 2013. <http://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=14017>.

⁴³⁶ Government to promulgate new Secrets Law quickly, Japan Times News Edition (Toyko) 12 December 2013. Date of access: 17 December 2013. http://www.japantimes.co.jp/news/2013/12/12/national/government-to-promulgate-new-secrets-law-quickly/#.UrpOM_QW1yy.

⁴³⁷ Company ownership: which places are the most and least transparent?, Global Witness and Christian Aid (London) November 2013. Date of access: 17 December 2013 http://www.globalwitness.org/sites/default/files/library/GW_CA_Company%20Ownership%20Paper_download.pdf.

⁴³⁸ Company ownership: which places are the most and least transparent?, Global Witness and Christian Aid (London) November 2013. Date of access: 17 December 2013 http://www.globalwitness.org/sites/default/files/library/GW_CA_Company%20Ownership%20Paper_download.pdf.

⁴³⁹ Japan Donor scoring in Aid Transparency Index 2013, Publish What you Fund (London) October 2013. Date of access: 16 December 2013. <http://ati.publishwhatyoufund.org/major-donor/japan/>.

⁴⁴⁰ Japan Donor scoring in Aid Transparency Index 2013, Publish What you Fund (London) October 2013. Date of access: 18 December 2013. <http://ati.publishwhatyoufund.org/major-donor/japan/>.

⁴⁴¹ Japan Asset Recovery Action Plan Implementation Road Map 2013, Stolen Asset Recovery Initiative (Washington D.C) November 2013. Date of access: 21 December 2013. http://star.worldbank.org/star/sites/star/files/japans_asset_recovery_roadmap_2013-final.pdf.

⁴⁴² Japan Asset Recovery Action Plan Implementation Road Map 2013, Stolen Asset Recovery Initiative (Washington D.C) November 2013. Date of access: 21 December 2013. http://star.worldbank.org/star/sites/star/files/japans_asset_recovery_roadmap_2013-final.pdf.

Although there is evidence of funding towards progress to improve transparency through the FATF program, Japan has failed to implement any significant measures or actions to further improve it. Thus, Japan has been awarded a score of 0.

Analyst: Arnold Yung

Russia: +1

Russia has fully complied with the commitment to improve the transparency of companies.

On 28 June 2013, Russian President Vladimir Putin signed Federal Law on Amendments to Certain Legislative Acts of the Russian Federation regarding Prevention of Illegal Financial Operations.⁴⁴³ The law aims to ensure transparency of the beneficial ownership of companies and legal arrangements, and to prevent tax evasion using offshore jurisdictions.⁴⁴⁴

In September 2013, the Russian Federal Financial Monitoring Service published an Action Plan to enhance transparency and prevent misuse of companies and other legal entities. The action plan provides for taking legislative action to support implementation of Federal Law on Amendments to Certain Legislative Acts of the Russian Federation regarding Prevention of Illegal Financial Operations. The Federal Financial Monitoring Service mentioned that the Action Plan was adopted in accordance with the FATF Standards and the commitment made by the Russian Federation at the G8 Leaders summit.⁴⁴⁵

Russia has started to implement the Action Plan. In particular, on 19 September 2013, the Russian Central Bank issued the guidelines on informing the regulator about measures to freeze (block) assets and about the results of identifying clients whose assets should be frozen (blocked) by commercial banks.⁴⁴⁶

Russia has established an Action Plan to ensure that companies' information is available to relevant authorities as appropriate and started to implement it. Thus, it receives a score of +1.

Analyst: Andrey Shelepov

United Kingdom: +1

The United Kingdom is in full compliance with its commitment to increase the transparency of companies by creating an Action Plan to hold information on the beneficial ownership of companies, enforcing efforts to pursue criminal networks, and working alongside the Financial Action Task Force (FATF) to implement FATF standards.

The United Kingdom recognizes that seven of the ten world's fastest growing economies are located in Africa, which exposes these growing African economies to the increased threat of

⁴⁴³ Introduction of amendments to certain legislation in order to prevent illegal financial operations, President of Russia 30 June 2013. Date of Access: 13 January 2014. <http://kremlin.ru/news/18424>.

⁴⁴⁴ Amendments to several laws in order to prevent illegal financial operations, President of Russia 30 June 2013. Date of Access: 31 December 2013. <http://eng.kremlin.ru/news/5662>.

⁴⁴⁵ Action Plan to enhance transparency and prevent misuse of companies and other legal entities, Federal Financial Monitoring Service September 2013. Date of Access: 13 January 2014. http://www.fedsfm.ru/en/international-cooperation/action_plan.

⁴⁴⁶ Bank of Russia Bulletin No. 62 (1458), Bank of Russia 14 November 2013. Date of Access: 13 January 2014. <http://cbr.ru/publ/vestnik/ves131114062.pdf>.

illicit financial activity.⁴⁴⁷ As such, a joint venture between the HM Treasury and the U.S. Department of the Treasury launched “the inaugural Sub-Saharan Africa Public-Private Sector Dialogue (PPSD) to help support the development and implementation of robust anti-money laundering and combating the financing of terrorism (AML/CFT) regimes in Eastern and Southern Africa.”⁴⁴⁸ The PPSD was presented at the 2013 Lough Erne G8 Summit where leaders committed to it.

On 6 September 2013, the Dialogue was launched in Swakopmund, Namibia. This was attended by Mark Simmonds—the UK Minister for Africa, the Namibian Finance Minister, and the President of the FATF.⁴⁴⁹

On 7 September 2013, Marianne Young, British High Commissioner to Namibia, delivered a speech at the inaugural PPSD on anti-money laundering and combatting the financing of terrorism.⁴⁵⁰ She claimed that the dialogue offered, “a chance for discussion between the public and private sectors, amongst G8 and Sub-Saharan Africa, a chance to raise the political profile of anti-money laundering and combatting the financing of terrorism. And [sic] a chance to exchange technical knowledge on policy development and practical implementation.”⁴⁵¹

According to the High Commissioner, the UK is committed to lead the front on the implementation of the FATF standards.⁴⁵² Moreover, the UK will conduct the UK National Risk Assessment of money laundering and terrorist financing, which will take place over the course of 2014.⁴⁵³ Young also claims that the UK, “will improve the supervision and enforcement of review

⁴⁴⁷ G8 Public-Private Sector Dialogue on Anti-Money Laundering and Countering Terrorist Finance, Foreign & Commonwealth Office and Cabinet Office (London) 6 September 2013. Date of Access: 07 January 2014. <https://www.gov.uk/government/news/g8-public-private-sector-dialogue-on-anti-money-laundering-and-countering-terrorist-finance>.

⁴⁴⁸ G8 Public-Private Sector Dialogue on Anti-Money Laundering and Countering Terrorist Finance, Foreign & Commonwealth Office and Cabinet Office (London) 6 September 2013. Date of Access: 07 January 2014. <https://www.gov.uk/government/news/g8-public-private-sector-dialogue-on-anti-money-laundering-and-countering-terrorist-finance>.

⁴⁴⁹ G8 Public-Private Sector Dialogue on Anti-Money Laundering and Countering Terrorist Finance, Foreign & Commonwealth Office and Cabinet Office (London) 6 September 2013. Date of Access: 07 January 2014. <https://www.gov.uk/government/news/g8-public-private-sector-dialogue-on-anti-money-laundering-and-countering-terrorist-finance>.

⁴⁵⁰ G8 PPSD opening remarks by British High Commissioner to Namibia, Foreign & Commonwealth Office (Namibia) 7 September 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/speeches/g8-ppsd-opening-remarks-by-british-high-commissioner-to-namibia>.

⁴⁵¹ G8 PPSD opening remarks by British High Commissioner to Namibia, Foreign & Commonwealth Office (Namibia) 7 September 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/speeches/g8-ppsd-opening-remarks-by-british-high-commissioner-to-namibia>.

⁴⁵² G8 PPSD opening remarks by British High Commissioner to Namibia, Foreign & Commonwealth Office (Namibia) 7 September 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/speeches/g8-ppsd-opening-remarks-by-british-high-commissioner-to-namibia>.

⁴⁵³ G8 PPSD opening remarks by British High Commissioner to Namibia, Foreign & Commonwealth Office (Namibia) 7 September 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/speeches/g8-ppsd-opening-remarks-by-british-high-commissioner-to-namibia>.

of trust and company service providers.”⁴⁵⁴ She states: “We are undertaking a review of corporate transparency, including through bearer shares and nominee directors ... we are committed to leading from the front on implementing the standards on beneficial ownership transparency.”⁴⁵⁵

Young further claims that the UK Department for Business issued a discussion paper detailing the UK’s plans to achieve transparency, including: (1) Requiring companies to obtain and hold information on their beneficial owners; (2) Holding this information in a central registry for tax authorities and law enforcement to access, and; (3) Consulting on whether that registry will be made publicly available.⁴⁵⁶ The UK is committed to, “implementing these measures in the year ahead.”⁴⁵⁷

On 28 November 2013, the HM Treasury published the, “Anti-money laundering and counter terrorist finance supervision report 2012-13.”⁴⁵⁸ The report monitors the anti-money laundering and counter terrorist finance sector.⁴⁵⁹ The report is a result of the collaborative effort of the HM Treasury with supervisors to develop an annual report on anti-money laundering and counter terrorist finance supervision.⁴⁶⁰ According to the Executive Summary, this most recent report, “contains more quantitative and qualitative information than in previous years, as supervisors rise to the challenges set by the FATF to focus their efforts more on demonstrating that they supervise in accordance with a risk-based approach and that this supervision is effective.”⁴⁶¹

According to British Ambassador Nicholas Cannon, “The British government committed itself to put in place mechanisms that would enable the real beneficial owners of British companies to be

⁴⁵⁴ G8 PPSD opening remarks by British High Commissioner to Namibia, Foreign & Commonwealth Office (Namibia) 7 September 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/speeches/g8-ppsd-opening-remarks-by-british-high-commissioner-to-namibia>.

⁴⁵⁵ G8 PPSD opening remarks by British High Commissioner to Namibia, Foreign & Commonwealth Office (Namibia) 7 September 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/speeches/g8-ppsd-opening-remarks-by-british-high-commissioner-to-namibia>.

⁴⁵⁶ G8 PPSD opening remarks by British High Commissioner to Namibia, Foreign & Commonwealth Office (Namibia) 7 September 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/speeches/g8-ppsd-opening-remarks-by-british-high-commissioner-to-namibia>.

⁴⁵⁷ G8 PPSD opening remarks by British High Commissioner to Namibia, Foreign & Commonwealth Office (Namibia) 7 September 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/speeches/g8-ppsd-opening-remarks-by-british-high-commissioner-to-namibia>.

⁴⁵⁸ Anti-money laundering and counter terrorist finance supervision report 2012-13, HM Treasury (London) 28 November 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/publications/anti-money-laundering-and-counter-terrorist-finance-supervision-reports/anti-money-laundering-and-counter-terrorist-finance-supervision-report-2012-13>.

⁴⁵⁹ Anti-money laundering and counter terrorist finance supervision reports, HM Treasury (London) 28 November 2013. Date of Access: 7 January 2013. <https://www.gov.uk/government/publications/anti-money-laundering-and-counter-terrorist-finance-supervision-reports>.

⁴⁶⁰ Anti-money laundering and counter terrorist finance supervision reports, HM Treasury (London) 28 November 2013. Date of Access: 7 January 2013. <https://www.gov.uk/government/publications/anti-money-laundering-and-counter-terrorist-finance-supervision-reports>.

⁴⁶¹ Anti-money laundering and counter terrorist finance supervision report 2012-13, HM Treasury (London) 28 November 2013. Date of Access: 7 January 2014. <https://www.gov.uk/government/publications/anti-money-laundering-and-counter-terrorist-finance-supervision-reports/anti-money-laundering-and-counter-terrorist-finance-supervision-report-2012-13>.

identified.”⁴⁶² At the Open Government Partnership Summit, David Cameron announced that, “Details of who really owns and controls UK companies will be made publicly accessible.”⁴⁶³ The central registry of company beneficial ownership will contain: “information on individuals with an interest in more than 25 per cent of a company’s shares or voting rights, or who otherwise control the way it is run.”⁴⁶⁴ Companies are expected to: “hold information on the names and addresses of their beneficial owners and details of their interest in the company. Moreover, Companies House will hold and make publicly accessible the names of the beneficial owners and details of their interest in the company.”⁴⁶⁵ The Department for Business, Innovation & Skills (BIS) will set out further detail in the discussion paper, which will be published in early 2014.⁴⁶⁶

Moreover, BIS will also set out its plans from the ‘Transparency and Trust’ discussion paper including: (1) abolishing bearer shares, whose ownership is completely opaque; (2) tackling the use of corporate directors, which refers to one company acting as a director for another, and; (3) addressing situations where a front director is registered but the control is concealed elsewhere.⁴⁶⁷

The UK government also created and enforced the Bribery Act, which sets out a modern scheme of bribery offences in the UK and overseas.⁴⁶⁸ This is already giving rise to convictions.⁴⁶⁹

According to James Brokenshire, financial gain is often the fundamental motive for serious and organized crime. He claims that: “Criminal assets are ... being moved overseas beyond the easy reach of law enforcement agencies in the UK. Some countries are willing safe havens for criminal

⁴⁶² British Ambassador Nicholas Cannon speech at the Open Government Partnership conference in Tirana, Foreign & Commonwealth Office (Albania) 5 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/open-government-partnership>.

⁴⁶³ The Prime Minister announced that details of who really owns and controls UK companies will be made publicly accessible, Department for Business, Innovation & Skills and Prime Minister’s Office (London) 31 October 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/news/public-register-to-boost-company-transparency>.

⁴⁶⁴ The Prime Minister announced that details of who really owns and controls UK companies will be made publicly accessible, Department for Business, Innovation & Skills and Prime Minister’s Office (London) 31 October 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/news/public-register-to-boost-company-transparency>.

⁴⁶⁵ The Prime Minister announced that details of who really owns and controls UK companies will be made publicly accessible, Department for Business, Innovation & Skills and Prime Minister’s Office (London) 31 October 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/news/public-register-to-boost-company-transparency>.

⁴⁶⁶ The Prime Minister announced that details of who really owns and controls UK companies will be made publicly accessible, Department for Business, Innovation & Skills and Prime Minister’s Office (London) 31 October 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/news/public-register-to-boost-company-transparency>.

⁴⁶⁷ The Prime Minister announced that details of who really owns and controls UK companies will be made publicly accessible, Department for Business, Innovation & Skills and Prime Minister’s Office (London) 31 October 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/news/public-register-to-boost-company-transparency>.

⁴⁶⁸ Reducing corruption and increasing transparency are vital for global stability and prosperity, British Embassy Hanoi (Vietnam) 9 December 2013. Date of Access: 8 January 2013. <https://www.gov.uk/government/world-location-news/reducing-corruption-and-increasing-transparency-are-vital-for-global-stability-and-prosperity>.

⁴⁶⁹ Reducing corruption and increasing transparency are vital for global stability and prosperity, British Embassy Hanoi (Vietnam) 9 December 2013. Date of Access: 8 January 2013. <https://www.gov.uk/government/world-location-news/reducing-corruption-and-increasing-transparency-are-vital-for-global-stability-and-prosperity>.

property.”⁴⁷⁰ As such, the UK government is working towards strengthening the legislation by closing loopholes that allow criminals to exploit the current framework.⁴⁷¹ Moreover, the government will strengthen prison sentence for failure to pay confiscation orders.⁴⁷² Brokenshire further contends that “we will also reduce the time that criminals have to pay those orders.”⁴⁷³

The U.K. wishes to work with its overseas partners in order to encourage them to enforce their orders and approaches to financial laundering. The government wants to: “work with the banking, legal, accountancy and other professions, and their regulators, to expose and bring to justice those who are complicit in facilitating organised [sic] crime and laundering money.”⁴⁷⁴ The U.K. emphasizes that it is not just about recovering the money, as it is about disrupting criminal activity.⁴⁷⁵ As such, financial investigations will be used to disrupt serious and organized crime.⁴⁷⁶ The National Crime Agency (NCA) will be spearheading this crackdown.⁴⁷⁷

According to Brokenshire, “The NCA, in particular its Economic Crime Command, will bring a single national focus to cutting economic crime, working closely with other law enforcement bodies, the public, private and voluntary sectors. While the [National Fraud Authority] has been successful in raising awareness of fraud, the focus now has to be on investigating and cutting economic crime.”⁴⁷⁸

Therefore, the United Kingdom is in full compliance with its commitment to improve the transparency of companies.

Analyst: Sarah Burton

⁴⁷⁰ James Brokenshire speech on cutting organised and serious crime, Home Office (London) 3 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/james-brokenshire-speech-on-cutting-organised-and-serious-crime>.

⁴⁷¹ James Brokenshire speech on cutting organised and serious crime, Home Office (London) 3 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/james-brokenshire-speech-on-cutting-organised-and-serious-crime>.

⁴⁷² James Brokenshire speech on cutting organised and serious crime, Home Office (London) 3 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/james-brokenshire-speech-on-cutting-organised-and-serious-crime>.

⁴⁷³ James Brokenshire speech on cutting organised and serious crime, Home Office (London) 3 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/james-brokenshire-speech-on-cutting-organised-and-serious-crime>.

⁴⁷⁴ James Brokenshire speech on cutting organised and serious crime, Home Office (London) 3 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/james-brokenshire-speech-on-cutting-organised-and-serious-crime>.

⁴⁷⁵ James Brokenshire speech on cutting organised and serious crime, Home Office (London) 3 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/james-brokenshire-speech-on-cutting-organised-and-serious-crime>.

⁴⁷⁶ James Brokenshire speech on cutting organised and serious crime, Home Office (London) 3 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/james-brokenshire-speech-on-cutting-organised-and-serious-crime>.

⁴⁷⁷ James Brokenshire speech on cutting organised and serious crime, Home Office (London) 3 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/james-brokenshire-speech-on-cutting-organised-and-serious-crime>.

⁴⁷⁸ James Brokenshire speech on cutting organised and serious crime, Home Office (London) 3 December 2013. Date of Access: 8 January 2014. <https://www.gov.uk/government/speeches/james-brokenshire-speech-on-cutting-organised-and-serious-crime>.

United States: +1

The United States has fully complied with its commitment to make a collective effort to improve transparency of companies with the creation of an action plan as well as a concerted effort to dismantle tax evading networks.

On 18 June 2013, the United States presented, through the Office of the Press Secretary at the White House, the Action Plan for Transparency of Company Ownership and Control. This was a response to the G8 commitment for member countries to publish national action plans on transparency of company ownership and control, established in the Lough Erne G8 Summit.⁴⁷⁹

The United States committed to the following actions: (1) the updating of its national risk assessment, comprising of a document that assesses major money laundering conduits and methods, specifically addressing the abuse of legal entities; (2) the continuation of advocating legislation to require identification and verification of beneficial ownership information at the time a company is formed; (3) The clarification and strengthening of customer due diligence standards for U.S. financial institutions, and; (4) the assessment of “the effectiveness of existing means for complying with requests for mutual legal assistance and other forms of international cooperation related to beneficial ownership of companies.”⁴⁸⁰

Among the continuation of the comprehensive legislation for identification and verification of beneficial ownership information at the time of a company’s formation, the following actions were also set forth: (1) the definition of beneficial owners; (2) the collection and verification of documentation; (3) the regulation of company formation agents; (4) the ensuring of accessibility of information; (5) the request for information update within 60 days of changes in beneficial owners, and; (6) the implementation of civil and criminal penalties for companies that knowingly provide false information or documentation to a state or formation agent.⁴⁸¹

On 9 July 2013, the U.S. Department of the Treasury announced 31 individuals and entities located in Colombia, Panama, and Israel, as Specially Designated Narcotics Traffickers (SDNTs). Together, the individuals and entities formed a money laundering network responsible for laundering USD millions in drug money connected to drug trafficking organizations.⁴⁸²

Moreover, on 14 November 2013 the Department of Treasury announced the intergovernmental agreement signed between the United States and France to implement the Foreign Account Tax Compliance Act (FATCA). France was among the first countries to support the goals proposed by

⁴⁷⁹ United States G-8 Action Plan for Transparency of Company Ownership and Control, The White House Office of the Press Secretary (Washington) 18 June 2013. Date of Access: 31 December 2013. <http://www.whitehouse.gov/the-press-office/2013/06/18/united-states-g-8-action-plan-transparency-company-ownership-and-control>.

⁴⁸⁰ United States G-8 Action Plan for Transparency of Company Ownership and Control, The White House Office of the Press Secretary (Washington) 18 June 2013. Date of Access: 31 December 2013. <http://www.whitehouse.gov/the-press-office/2013/06/18/united-states-g-8-action-plan-transparency-company-ownership-and-control>.

⁴⁸¹ United States G-8 Action Plan for Transparency of Company Ownership and Control, The White House Office of the Press Secretary (Washington) 18 June 2013. Date of Access: 31 December 2013. <http://www.whitehouse.gov/the-press-office/2013/06/18/united-states-g-8-action-plan-transparency-company-ownership-and-control>.

⁴⁸² Treasury Targets Major Money Laundering Network Operating Out of Colombia, U.S. Department of the Treasury (Washington) 9 July 2013. Date of Access: 31 December 2013. <http://www.treasury.gov/press-center/press-releases/Pages/jl2002.aspx>.

the FATCA and its intergovernmental approach in 2012.⁴⁸³ The agreement was signed by U.S. Ambassador to France Charles H. Rivkin and French Finance Minister Pierre Moscovici. Ambassador Rivnik stated the signing of the agreement represented, “an important step forward in the collaboration between the United States and France to combat tax evasion.”⁴⁸⁴

Furthermore, on 29 November 2013, the Department of Treasury announced the signing of intergovernmental agreements with the Cayman Islands and Costa Rica to implement the FATCA, as expressed by the Deputy Assistant Secretary for International Tax Affairs Robert B. Stack: “Today’s announcement marks a milestone in the effort to promote global tax transparency.”⁴⁸⁵

On 19 December 2013 the U.S. Department of Treasury announced that the United States had, in the previous week, signed bilateral agreements with six additional jurisdictions to “implement the information reporting and withholding tax provisions commonly known as the Foreign Account Tax Compliance Act.” The aim of these agreements was to improve tax compliance and to combat international tax evasion.⁴⁸⁶

On 19 December 2013 the U.S. Department of Treasury took action against four senior members of the Yamaguchi-gumi, the largest and most prominent Japanese Yakuza syndicate. The efforts were designed to protect United States’ financial system from the influence of the transnational criminal organization. Under Secretary for Terrorism and Financial Intelligence David S. Cohen pointed towards the effort “to undermine the financial stability of the Yakuza and disrupt their transnational drug-trafficking and money laundering efforts.”⁴⁸⁷

Additionally, on 24 December 2013, the United States urged China to take steps to implement the planned reforms to open its economy. The Office of the U.S. Trade Representative (USTR), in a report to U.S. lawmakers, stated that United States shared the reforms’ goal of “reducing Chinese government intervention in the economy, accelerating China’s opening up to foreign goods and services, reforming China’s state-owned enterprises and improving transparency and the rule of law to allow fair competition in China’s market.”⁴⁸⁸ The effort is to improve transparency in the

⁴⁸³ U.S. And France Agree To Combat Offshore Tax Evasion, U.S. Department of the Treasury (Washington) 14 November 2013. Date of Access: 31 December 2013. <http://www.treasury.gov/press-center/press-releases/Pages/jl2217.aspx>.

⁴⁸⁴ U.S. And France Agree To Combat Offshore Tax Evasion, U.S. Department of the Treasury (Washington) 14 November 2013. Date of Access: 31 December 2013. <http://www.treasury.gov/press-center/press-releases/Pages/jl2217.aspx>.

⁴⁸⁵ U.S. Signs Historic Agreements With Cayman Islands, Costa Rica To Fight Offshore Tax Evasion, U.S. Department of the Treasury (Washington) 29 November 2013. Date of Access: 31 December 2013. <http://www.treasury.gov/press-center/press-releases/Pages/jl2226.aspx>.

⁴⁸⁶ United States Signs Six More Bilateral Agreements To Improve Tax Compliance, Combat International Tax Evasion, And Implement FATCA, U.S. Department of the Treasury (Washington) 19 December 2013. Date of Access: 31 December 2013. <http://www.treasury.gov/press-center/press-releases/Pages/jl2251.aspx>.

⁴⁸⁷ Treasury Sanctions Members of Japanese Criminal Organization, U.S. Department of the Treasury (Washington) 19 December 2013. Date of Access: 31 December 2013. <http://www.treasury.gov/press-center/press-releases/Pages/jl2250.aspx>.

⁴⁸⁸ U.S. urges China to implement planned economic reforms, Reuters U.S Edition (Washington) 24 December 2013. Date of Access: 31 December 2013. <http://www.reuters.com/article/2013/12/24/us-usa-china-trade-idUSBRE9BN0N520131224>.

country considered “among the least transparent and predictable of the world’s major markets for agricultural products.”⁴⁸⁹

Therefore the United States has received a score of +1 for its effort to ensure transparency of companies at home and abroad and for the creation of an action plan following FATF standards and recommendations.

Analyst: Artur Pereira

European Union: 0

The European Union has partially complied with its commitment to improve the transparency of companies.

On 16 February 2012, the Financial Action Task Force on Money Laundering (FATF) revised its international standards on money laundering and financing to, “further protect the integrity of the financial system by providing governments with stronger tools to take action against financial crime.”⁴⁹⁰ Internal Market and Services Commissioner Michel Barnier, welcomed the revised standards, and promised to take appropriate steps, “to ensure that these revised standards are rapidly incorporated.”⁴⁹¹ On 5 February 2013, the European Commission adopted two proposals to “fully take into account the latest recommendations of the FATF.”⁴⁹² The new Directive: (1) improves clarity across EU Member states; (2) provides a mechanism for identification of owners; (3) improves rules on customer due diligence; (4) expands provisions on politically exposed persons; (5) requires those dealing with payments of EUR 7500 or more to comply with regulations; and (6) strengthens cooperation between financial intelligence units to share data on suspicious financing.⁴⁹³ Both the European Central Bank and the European Economic and Social Committee welcomed the proposals in May 2013.^{494,495}

⁴⁸⁹ U.S. urges China to implement planned economic reforms, Reuters U.S Edition (Washington) 24 December 2013. Date of Access: 31 December 2013. <http://www.reuters.com/article/2013/12/24/us-usa-china-trade-idUSBRE9BN0N520131224>.

⁴⁹⁰ International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, Financial Action Task Force (Paris) 16 February 2012. Date of Access: 17 December 2013. <http://www.fatf-gafi.org/topics/fatfrecommendations/documents/internationalstandardsoncombatingmoneylaundryingandthefinancingofterrorismproliferation-thefatfrecommendations.html>.

⁴⁹¹ Statement by Commissioner Michel Barnier, European Commission (Brussels) 16 February 2012. Date of Access: 17 December 2013. http://europa.eu/rapid/press-release_MEMO-12-113_en.htm?locale=en.

⁴⁹² Anti-Money Laundering: Stronger Rules to Respond to New Threats, European Commission (Brussels) 5 February 2013. Date of Access: 17 December 2013. http://europa.eu/rapid/press-release_IP-13-87_en.htm?locale=en.

⁴⁹³ Anti-Money Laundering: Stronger Rules to Respond to New Threats, European Commission (Brussels) 5 February 2013. Date of Access: 17 December 2013. http://europa.eu/rapid/press-release_IP-13-87_en.htm?locale=en.

⁴⁹⁴ Opinion of the European Central Bank on a proposal for a directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and on a proposal for a regulation on information accompanying transfers of funds, European Central Bank (Frankfurt) 17 May 2013. Date of Access: 17 December 2013. <http://www.europarl.europa.eu/oeil/popups/summary.do?id=1286051&t=d&l=en>.

Despite this, the proposals have yet to be embodied in EU law, as it requires a qualified majority for adoption by the Council of the European Union “in agreement with the Parliament.”⁴⁹⁶ However, legislative progress has been made. Additionally, on 11 November 2013, a draft incorporating the Commissions’ proposals into the future Fourth Anti-Money Laundering Directive was presented to the European Parliament.⁴⁹⁷ Currently, future Parliament votes on the Directive are scheduled for January 2014 in Committee and March 2014 in Plenary Sitting. On 15 November 2013, the Anti Money Laundering (AML) Directive was debated in the Council, where members confirmed its intention to reach an agreement “with the European Parliament before the end of its current term (May 2014).”⁴⁹⁸

Furthermore, though voting has not taken place, the European Parliament has shown its support for the Directive. On 23 October 2013, Parliament adopted the Special Committee on Organized Crime, Corruption, and Money Laundering’s final report and recommendations.⁴⁹⁹ Many of the recommendations support “the efforts made by the FATF to promote anti-money laundering policies,”⁵⁰⁰ as well as the “full access to information on the actual owners of companies, foundations, and trusts.”⁵⁰¹ Transparency International also supported Parliament for furthering “a Europe-wide Action Plan.”⁵⁰²

⁴⁹⁵ Opinion of the European Economic and Social Committee on the Proposal for a Directive of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, European Economic and Social Committee (Brussels) 23 May 2013.

<http://eescopinions.eesc.europa.eu/eescopiniondocument.aspx?language=EN&docnr=1767&year=2013>.

⁴⁹⁶ Economic and Financial Affairs, Council of the European Union (Brussels) 15 November 2013. Date of Access: 17 December 2013.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/139626.pdf.

⁴⁹⁷ Draft Report: Prevention of the Use of the Financial System for the Purpose of Money Laundering and Terrorist Financing, European Parliament (Brussels) 11 November 2013. Date of Access: 17 December 2013. <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fNONSGML%2bCOMPARL%2bPE-523.003%2b01%2bDOC%2bPDF%2bV0%2f%2fEN>.

⁴⁹⁸ Economic and Financial Affairs, Council of the European Union (Brussels) 15 November 2013. Date of Access: 17 December 2013.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/139626.pdf.

⁴⁹⁹ Commissioner Malmström welcomes the European Parliament report on Organized Crime, Corruption, and Money Laundering, (Brussels) 23 October 2013. Date of Access: 17 December 2013.

http://europa.eu/rapid/press-release_MEMO-13-925_en.htm.

⁵⁰⁰ Organized crime, corruption, and money laundering: recommendations on action and initiatives to be taken, European Parliament (Brussels) 23 October 2013. Date of Access: 17 December 2013.

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2013-0444&language=EN&ring=A7-2013-0307>.

⁵⁰¹ Organized crime, corruption, and money laundering: recommendations on action and initiatives to be taken, European Parliament (Brussels) 23 October 2013. Date of Access: 17 December 2013.

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2013-0444&language=EN&ring=A7-2013-0307>.

⁵⁰² Organized Crime, Corruption, and Money-Laundering: European Parliament Report — what next?, Transparency International Liaison Office to the European Union (Brussels) 23 October 2013. Date of Access: 17 December 2013. http://www.transparency.org/news/pressrelease/organised_crime_corruption_and_money_laundering_european_parliament_report.

The European Union has worked alongside the FATF to implement FATF standards and recommendations. Yet, it has not legally established an Action Plan that requires the transparency of companies to relevant authorities. Thus, the EU is awarded a score of 0 for partial compliance.

Analyst: Anthony Marchese