

TRANSNATIONAL CORRUPTION, ECONOMIC & ORGANISED CRIME

G20 POSITION PAPER

RELEVANT COMMITMENTS

The G20 Italian Presidency is placing particular emphasis on modern forms of corruption, increasingly linked to economic and organised crime. A series of previous commitments¹ made by the G20 are relevant in this context and the G20 should emphasise measures that strengthen existing commitments and ensure their effective implementation across G20 countries.

Commitment 3 of the G20 Call to Action on Corruption and COVID-19 focuses on measures to foster integrity in the longer-term recovery, including the effective implementation of anti-money laundering obligations, transparency of the beneficial ownership of legal persons and arrangements, and improvements in international cooperation and asset recovery.

Furthermore, the G20 High Level Principles on Beneficial Ownership Transparency state: “The G20 is committed to leading by example by endorsing a set of core principles on the transparency of beneficial ownership of legal persons and arrangements that are applicable across G20 work streams. ... Countries should ensure that competent authorities ... have timely access to adequate, accurate and current information regarding the beneficial ownership of legal persons.”

THE CHALLENGE

Corruption is as an enabler of organised criminality and multiple types of economic crimes. By abusing weak regulatory and governance systems, paying bribes and capturing the public sector, criminals are able to operate in the black market, commit fraud, promote counterfeit products, smuggle goods, traffic humans, drugs and endangered species. Corruption prevents effective responses from the

justice sector, allowing criminals to escape investigation and prosecution.

The relationship between corruption, economic and organised crime becomes even more intertwined if we consider modern forms of corruption, which are transnational in nature. Transnational corruption usually involves a system of sophisticated networks that cross national boundaries in their drive to hide financial flows and deposits, maximise returns and gain power. It is increasingly linked to economic and organised crime, particularly as they share similar drivers, rely on similar mechanisms to move and launder illicit funds, and deprive societies of much-needed financial resources. The operations of these networks threaten economic and social stability, democratic governance and international security, thus posing increased threats to all nations.

Transnational corruption and organised crime schemes often abuse the financial system to sustain their criminal activity and launder ill-gotten gains.

Firstly, there is no evidence to suggest any decline in the widespread use of anonymous legal vehicles, such as shell companies, for hiding the identity of criminals and disguising the origin of funds.

Secondly, transnational schemes often involve the so-called gatekeepers of the financial sector, such as banks, lawyers, accountants, real estate agents and luxury goods dealers. They are in a crucial position to prevent and detect illicit flows, but end up – knowingly, negligently or unwittingly – enabling illicit payments and money laundering.

Thirdly, the scale of official governmental activities in preventing, uncovering and investigating transnational corruption – which requires effective coordination and cooperation between authorities in different countries across the globe – remains modest, compared to the challenges.

Fourthly, in many countries, legal and institutional frameworks continue to be ill-suited to effectively

¹ These include, for example, [the High-Level Principles on Beneficial Ownership Transparency](#), [Guiding Principles on Enforcement of the Foreign Bribery Offence](#), [High-Level Principles on Cooperation on Persons Sought for Corruption and Asset Recovery](#) and [High-Level Principles for the Effective Protection of Whistleblowers](#).

ensure that stolen assets are detected, frozen, confiscated and repatriated.

Fifthly, some countries, including G20 countries, offer schemes, such as 'golden passports' and 'golden visas' that trade in citizenship or residence in exchange for an investment, which are abused by the corrupt, fraudsters and organised criminals to launder money or hide from justice.

Lastly, 12 years after the G20 in its London Summit declared war on weakly regulated jurisdictions, commonly named offshore centres or tax havens, those jurisdictions still represent a very significant share of the global cross-border investment flows, are still used as subsidiary headquarters by large international financial or non-financial corporations and abused by the corrupt and others criminals as a transit place for illicit financial flows, so that the origin and destination of those flows remain hidden.

These types of crimes can no longer be understood as merely secondary actions of individuals passively or actively involved in criminal activity. It is a matter of urgency to disrupt the systems and mechanisms that enable transnational corruption and for economic and organised criminal groups to fund their activities, launder ill-gotten gains and broaden their political and economic influence.

THE SOLUTION

The challenges described above are well known to the international community. The G20 has adopted several high-level principles committing to reforms and effective action on areas relevant to the fight against transnational corruption, economic and organised crime. Existing global and regional treaties and standards also set requirements and recommendations in these areas. However, there are two main problems affecting the ability of countries to effectively prevent, detect and sanction transnational corruption linked to economic and organised crime.

Firstly, the implementation of G20 Principles as well other existing standards has been uneven across countries and not at the necessary pace.²

Secondly, some of the existing standards and principles do not go far enough to address modern forms of corruption and organised crime. We need

to ensure there is a global level playing field through the reform of existing global standards and the effective implementation of existing commitments and rules. In particular, the G20 should focus on the effective implementation of anti-money laundering obligations by financial institutions and non-financial businesses and professions (such as lawyers, accountants, real estate agents or luxury good dealers), strengthening their supervision and ensuring sanctions are proportionate, dissuasive and apply to both legal entities and individuals involved within those entities. Central, public beneficial ownership registers of legal entities and arrangements with verified data should be cemented as a global norm. To address the cross-border nature of modern corruption and economic and organised crime, emphasis should be placed on enabling effective cross-border investigations and exchanges through, for instance, the establishment of joint investigation teams and well-resourced and empowered financial intelligence units (FIUs). Action should also be taken to improve the detection, freezing, confiscation and repatriation of assets, including through the use of non-conviction-based forfeiture and unexplained wealth orders, ensuring also victims' compensation.

Finally, with regards to investment migration schemes, the G20 should agree on standards of enhanced due diligence, operational integrity and transparency to prevent the abuse of these schemes by the corrupt and the criminal.

G20 countries need to show their leadership by effectively implementing the principles they committed themselves to.

Action by individual G20 countries in the above-mentioned areas will help to not only reduce corruption, fight economic crime and limit the reach of organised crime within their own borders, but will have an impact on crimes committed elsewhere, by making it more difficult for the corrupt and criminals to use the international financial system, launder funds and enjoy their ill-gotten gains. Nevertheless, real progress will only be achieved if more countries

² Martini, M. & Murphy, M., 2018. [G20 Leaders or Laggards? Reviewing G20 promises on ending anonymous companies](#), Transparency International; Martini, M., 2019. [Who is behind the wheel? Fixing the global standards on company ownership](#), Transparency International.

follow suit, particularly key financial centres. The fact that the G20 comprises the world's leading economies puts the group in a privileged position to contribute to the shaping the global agenda and address these problems.

Action on this agenda has to be seen as urgent, not just because of the rising risks of corruption and organised criminal activity itself, but because corruption is currently exacerbating the health and economic impact of the COVID-19 pandemic.

RECOMMENDATIONS

The G20 should take immediate action to disrupt the systems and mechanisms enabling economic crime, organised criminal activity and transnational corruption. This requires actions to ensure a level playing field through the reform of existing global standards and the effective implementation of commitments and rules. In particular, we call on the G20 to address the following areas:

Beneficial ownership transparency

- Promote a revision of existing global standards, in particular, the recommendations of the Financial Action Task Force (FATF), to require for the jurisdictions to establish central, public beneficial ownership registers of legal entities and arrangements, with verified data, recognising these as the most effective and practical way to record information and facilitate timely access to domestic and foreign competent authorities
- Ensure the full implementation of the G20 High-Level Principles on Beneficial Ownership Transparency by critically assessing the effectiveness of measures adopted by G20 members to implement the principles and providing guidance on best practice mechanisms to be adopted by members
- Promote public access to beneficial ownership registers, in particular, in relation to public procurement processes and COVID-19-related relief spending to allow for public scrutiny and to ensure trust
- Promote the independent verification of beneficial ownership data available to competent authorities, ensuring that countries put in place mechanisms to verify the accuracy of the information provided by legal entities and arrangements

Anti-money laundering prevention and the role of gatekeepers

- Effectively implement principle 7 of the High Level Principles on Beneficial Ownership Transparency and ensure anti-money laundering obligations apply to non-financial businesses and professions, including corporate service providers, accountants, lawyers, real estate and luxury goods dealers
- Criminalise the aiding and abetting of money laundering to ensure that anyone who helps money launderers will themselves be committing the crime of money laundering
- Ensure effective, proportionate and dissuasive sanctions are swiftly imposed on those gatekeepers – legal entities and senior managers – who fail to fulfil their anti-money laundering obligations or help launder money
- Consider the specific risks of transnational corruption linked to economic and organised crime and ensure adequate risk-based supervision of both the financial and non-financial sectors
- Sufficiently fund national supervisory bodies so that they ensure banks' compliance with anti-money laundering regulations
- Adopt decisive measures towards offshore centres so that they comply with commonly agreed rules for disclosure of beneficial ownership
- Include the consideration of the interlinked nature of transnational corruption and economic crime in national money-laundering/counter-terrorist financing and organised crime risk assessments and issue appropriate supervisory guidance to obliged entities detailing how these threats can be mitigated

Cross-border investigations and international cooperation

- Explore ways to enable effective cross-border investigations and the exchange of information and cooperation, for example, through promoting the use of joint investigation teams
- Explore the adoption of centralised bank account registers to facilitate the monitoring of cross-border financial transactions linked to organised crime groups

- Ensure direct access by relevant competent authorities to key datasets and ensure coordination between law enforcement authorities and FIUs, facilitating the exchange of information across borders
- Prioritise intelligence work to support both supervisory action as well as law enforcement investigations, empowering FIUs and providing the necessary technical, financial and human resources for them to analyse suspicious transaction reports (STRs) and produce timely intelligence reports

Asset confiscation, recovery and repatriation

- Commit to transparency and accountability at every stage of asset recovery processes, building and expanding on the Global Forum on Asset Recovery Principles for the Disposition and Transfer of Confiscated Stolen Assets in Corruption Cases
- Adopt and implement legislation establishing non-conviction-based asset freezing, seizing and confiscation, including proactive preventive freezing and unexplained wealth orders
- Undertake prompt return of stolen assets of foreign origin to the benefit of plundered populations with provision for effective monitoring by independent civil society
- Ensure that, once confiscated, stolen assets of foreign origin are expressly distinguished from other funds within the public budget of the state holding assets; in no case should the funds count as development assistance

Investment migration schemes

- Agree on standards of enhanced due diligence and operational integrity to prevent the abuse of these schemes by the corrupt, the criminals and organised crime figures
- Broaden anti-money laundering requirements to ensure that all intermediaries involved in the golden visa industry are subject to anti-money laundering obligations, including customer due diligence and suspicious transaction reporting requirements
- Commit G20 member countries to greater transparency through publishing detailed statistics on golden visas and golden passports

schemes and, in the case of golden passport schemes, names and original nationality of individuals awarded citizenship

- Set up a mechanism for information-sharing between G20 countries concerning rejected applicants to prevent visa- and passport-shopping
- Examine investment migration schemes offering fast-track citizenship to rich individuals from the lens of international law

G20 countries should publicly report back on progress on the implementation of existing commitments, including on the main challenges and issues that countries face when implementing them. As a general practice, the G20 should commit to report back on progress on the implementation of high-level principles and commitments within two years of their adoption.

Supporting information

Dell, G., 2020. [Exporting Corruption. Progress Report 2020: Assessing Enforcement of the OECD Anti-Bribery Convention](#), Transparency International

Duri, J., 2021. [Corruption and Economic Crime](#), Transparency International Anti-Corruption Help Desk

Martini, M. & Murphy, M., 2018. [G20 Leaders or Laggards? Reviewing G20 Promises on Ending Anonymous Companies](#), Transparency International

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