

To: Dr. Markus Pleyer, President FATF

Copied to:

Elisa de Anda Madrazo, FATF Vice-President
FATF Secretariat

Berlin, 4 March 2021

Dear Dr. Pleyer,

Transparency International, a global movement working in more than 100 countries to end the injustice of corruption, would like to congratulate the efforts of the Financial Action Task Force (FATF) under the German Presidency to develop and refine international standards to combat money laundering and terrorist financing, in particular Recommendations 24 and 25 on beneficial ownership transparency. With this letter, we would like to bring to your attention Transparency International's recent efforts and proposals for accelerating progress in this regard.

Numerous investigative reports and scandals have shown that anonymous companies enable and fuel corruption and other financial crimes with devastating consequences to citizens, threatening the rule of law and democracy. The findings of FATF's own evaluations, on the other hand, reveal that countries are still ill-prepared to deal with this problem. In the great majority of jurisdictions assessed by the FATF and FATF-style regional bodies, competent authorities do not have timely access to adequate, accurate and up-to-date beneficial ownership information.

As you very well know, current FATF standards do not prescribe how access to beneficial ownership information should be guaranteed. To achieve this objective, countries are free to choose the specific mechanisms they consider appropriate among different options, including beneficial ownership registers, companies recording the information themselves or information compiled by obliged entities. An analysis undertaken by Transparency International of FATF mutual evaluation reports shows that all assessed countries have indeed implemented at least one of the mechanisms to ensure competent authorities have access to beneficial ownership information. The majority of them rely on existing information compiled by obliged entities. However, our analysis shows that in most cases the mechanism used is ineffective – and competent authorities report great challenges in accessing information about the real owners of companies, both in their country and abroad.

On the other hand, in countries where public beneficial ownership registers are in place, domestic and foreign competent authorities are more likely to have access to key data in a timely manner, as well as independent actors. The recent OpenLux investigative project is a perfect example of the power of public registers. Resulting stories show that when beneficial

ownership information is publicly available, investigative media and civil society can scrutinise it to identify suspicions of money laundering, corruption, tax evasion and other criminal activity. For example, journalists were able to find companies linked to Latin American politicians that were unknown to the authorities, despite the fact they have been under investigation for years.

We believe that the flexibility provided by the FATF standards and the guidance documents is counter-productive, as it supports measures that are unlikely to achieve the expected result. We agree with FATF's more recent calls for countries to adopt a multi-pronged approach to beneficial ownership transparency. However, to be effective, it is Transparency International's position that a multi-pronged approach must include public beneficial ownership registers with verified data as a requirement.

Within this context, we welcome the report published by the UN High Level Panel on International Financial Accountability, Transparency and Integrity (FACTI Panel) laying out a clear vision for a cooperative international framework to combat corruption, tax evasion, money laundering and other financial crimes. In particular, the report supports our call for an international anti-money laundering standard requiring all countries to create a central register of beneficial ownership and encouraging countries to make the information public to avoid inconsistency between national approaches.

As the global standard-setter on anti-money laundering, the FATF should ensure that the recommendations by the FACTI Panel – which represent the views of a variety of experts and stakeholders on the field – are seriously considered in the ongoing discussions to amend and further strengthen the FATF requirements on beneficial ownership. We would nevertheless like to emphasise the urgency of the issue. This is not a new problem. The international community has taken way too long to take effective measures to put an end to anonymous companies despite the growing evidence of their negative impact on societies.

Against this backdrop, we are also urging the UN General Assembly Special Session against Corruption (UNGASS 2021), scheduled in June, to discuss the issue and engage countries across the globe on an effective solution to this problem. On 24 February, on behalf of more than 700 academics, business leaders, public bodies and civil society organisations, Transparency International submitted a petition calling on the UNGASS to help establish central public registers of beneficial ownership as the new global standard.

With signatories from 120 countries and representing different sectors, this petition is another demonstration of the broad support for public beneficial ownership registers and also a call for action. We call on you to take this global call to action seriously and take decisive steps to solve the problem.

The FATF should not miss the opportunity to meaningfully review the standards and put forward requirements that are fit for purpose. We are aware of the powerful resistance within the membership, particularly from key financial centres, but there is no more time for

cosmetic changes and FATF – as the global standard setter – needs to lead the way. We will only make progress in tackling anonymous companies if information about beneficial owners is easily and timely available in all jurisdictions and if authorities are able to make use of those and cross-check data for investigative purposes.

We urge you to bring the FACTI Panel's recommendations and our multi-stakeholder petition to the members' attention, and to ensure that these two global calls from diverse stakeholders are seriously considered.

Finally, we welcome the recent engagement of the FATF Secretariat with Transparency International and other civil society organisations on the topic and look forward to the opportunity to contribute to the review process and, later, to hold FATF members accountable for the effective implementation of the revised standards.

If you have any questions, please do not hesitate to contact Maira Martini at Transparency International. She can be reached at mmartini@transparency.org

Sincerely,



Dr. Daniel Eriksson
Interim Managing Director