

TACKLING KLEPTOCRACY AND TRANSNATIONAL CORRUPTION

Positions for the G7 Summit 2022

G7 POSITION PAPER

RELEVANT COMMITMENTS

Throughout the years, G7 leaders have recognised the importance of tackling illicit financial flows, denying safe haven to corrupt actors and their money, and recovering stolen assets.¹

In September 2021, G7 interior and security ministers specifically highlighted the need for action on corruption, “including by sharing information on illicit financial activities, tackling the misuse of shell companies, and curtailing the ability of illicit actors ... to hide wealth, including in real estate”.² In the statement, they committed to strengthening international cooperation and the appropriate use of sanctions and visa restrictions in order to end impunity for the corrupt and stop them from hiding the proceeds of crimes.

G7 countries have also repeatedly committed to establishing and strengthening beneficial ownership registers as well as implementing and promoting the Financial Action Task Force (FATF) standards to tackle money laundering.³

In the aftermath of Russia’s invasion of Ukraine, the G7 committed to find, restrain, freeze and seize the assets of individuals connected to Russia’s unjustified and unprovoked military aggression, establishing a transatlantic Task Force – the Russian Elites, Proxies, and Oligarchs (REPO) Task Force.⁴

THE CHALLENGE

G7 countries have been an attractive destination for kleptocrats and other corrupt actors to launder or hide stolen funds. This is because corrupt actors

tend to favour countries with a strong rule of law, political and economic stability, and advanced – yet opaque – financial services to keep their ill-gotten gains safe. To achieve impunity, they exploit weak defences against dirty money, the opacity of legal entities and arrangements, and the limited capacity of the authorities tasked with investigating and prosecuting crimes. They also rely on an array of private sector intermediaries ready and willing to help launder and invest stolen fortunes.

The challenges of effectively tracing suspect assets – be it to implement Russia-Ukraine sanctions or in the context of civil and criminal investigations – are many. It is not surprising that back in 2004 asset tracing was already highlighted by the then G8 as an area in need of improvement.⁵ It is, however, puzzling that almost 20 years later many of the same shortcomings remain problematic across G7 countries.

Transparency International’s new comparative analysis⁶ has found that, in spite of previous commitments, significant transparency gaps across G7 countries allow rogue actors to continue secretly storing assets and undercut efforts to find them. Asset ownership remains opaque and national frameworks have serious shortcomings when it comes to extending and implementing anti-money laundering rules to non-financial gatekeepers.

Moreover, high-level commitments to collect, cooperate and share information have not yet sufficiently improved intelligence work. In most G7 countries, authorities have limited access to credible financial and company ownership information or face significant challenges in accessing information held in a foreign country. This challenge is exacerbated by poor resourcing of law enforcement,

¹ See, for example: G7 (June 2014), [The Brussels G7 Summit Declaration](#); G7 (June 2021), [G7 Finance Ministers and Central Bank Governors Communiqué](#)

² G7 (September 2021), [Statement against corruption and kleptocracies](#).

³ See, for example: G7 (May 2016), [G7 Action to Fight Corruption](#); G7 (June 2021), [G7 Finance Ministers and Central Bank Governors Communiqué](#)

⁴ G7 (April 2022), [G7 Finance Ministers and Central Bank Governors’ Sstatement on Russia’s war of aggression against Ukraine](#)

⁵ G8 (June 2004), [Best practice principles on tracing, freezing and confiscation of assets](#)

⁶ Transparency International (May 2022), [Up to the task? The state of play in countries committed to freezing and seizing Russian dirty money](#)

supervisory authorities and financial intelligence units. Improving intelligence and information sharing among domestic competent authorities as well as foreign authorities remains one of the most important issues to be addressed.

Yet, the policy priorities set by the German G7 Presidency for 2022 not only fail to follow up on previous commitments, but they do not even recognise the importance of tackling corruption and illicit financial flows to achieve the stated overall goal of “progress towards an equitable world”.

Russia’s aggression against Ukraine in February 2022 ignited a global reckoning over the dangers of kleptocracy and the international community’s decades-long complicity. G7 countries have an obligation to bring the fight against kleptocracy and transnational corruption to the centre of the debate and to, once and for all, take decisive measures to reform the global financial system.

RECOMMENDATIONS

Transparency International urges G7 countries to strengthen their individual and collective efforts to tackle kleptocracy and transnational corruption. To efficiently combat all illicit assets – originating from Russia or elsewhere – we urge G7 governments to provide the public with a detailed update on their joint efforts and **develop a clear action plan** to overcome the identified challenges in the following areas.

- 1. Strengthen multilateral efforts.** As also argued in the C7 Open Societies Statement 2022, the REPO Task Force should expand its current coordination efforts beyond just Russian elites. A permanent international body should be established to coordinate efforts and share intelligence about investigations into transnational corruption, money laundering and financial crime.
- 2. Fast-track key transparency measures.** As a matter of priority, G7 should define and commit to global standards on beneficial ownership transparency, disclosing the ultimate owners of companies in a central, public registry with free and open data. Further, all G7 countries should establish and maintain central registers with verified information about the beneficial ownership of companies, trusts and assets – including luxury goods. Governments should provide publicly available information in open data formats so that foreign authorities, media

and civil society can support accountability efforts.

- 3. Regulate and hold all professional enablers to account.** Banks, corporate service providers, lawyers, investment fund managers, accountants, real estate agents and luxury goods dealers should be obligated to identify the beneficial owners of customers and report suspicious transactions to authorities. They should be regularly supervised and punished if found to support sanctions evasion and other crimes.
- 4. Effectively resource financial intelligence units and law enforcement.** Countries should substantially increase the resourcing of dedicated financial crime investigative units in national law enforcement with a strategic focus on investigating complex, large scale corruption and money laundering cases.
- 5. Strengthen mechanisms for tracing, seizing, confiscating and returning assets.** Going beyond sanctions, countries should ensure they have civil and criminal mechanisms to seize and confiscate assets – including, for example, unexplained wealth orders or non-conviction-based forfeiture – and eventually return these assets to the victims of corruption.

Cross-border crimes require cross-border responses. The success of the multilateral efforts to hold corrupt individuals accountable and end advanced economies’ complicity in creating safe havens for illicit wealth depends on the G7 stepping up now.

Supporting information

Transparency International (May 2022), [Up to the task? The state of play in countries committed to freezing and seizing Russian dirty money](#)

C7 (May 2022), [Open Societies Statement 2022](#)

Transparency International (May 2022), [The challenges of asset freezing sanctions as an anti-corruption tool](#)

Contact information

Maíra Martini, Research and Policy Expert – Corrupt Money Flows, mmartini@transparency.org

