

SUPPORT MEANINGFUL REVISION OF RECOMMENDATION 24 ON TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL PERSONS

Open letter to Heads of Delegation of FATF members

21 February 2022

Dear Heads of Delegation,

As you prepare for the Financial Action Task Force (FATF) Plenary and Working Group Meetings taking place from 21 February to 4 March 2022, we are writing to draw your attention to the dire need for the new, fit-for-purpose global standard on transparency and beneficial ownership of legal persons. When you consider and discuss the tabled proposals, Transparency International urges you to unequivocally support bold and ambitious measures to advance the global fight against corruption. By voting for a meaningful revision of Recommendation 24, you can help mark the beginning of the end of an era of worldwide abuse of anonymous companies.

Anonymous companies have long been the vehicle of choice of the corrupt and criminals, sanction evaders and human rights abusers, traffickers of wildlife and drugs. Unscrupulous government leaders have relied on secretive legal entities to launder looted assets, while many more have hidden behind anonymous shell companies to evade taxes. These rampant practices have also tainted the reputation of major financial centres raising doubts about their complicity in cross-border corruption and money laundering.

All too often, when your own law enforcement agencies investigate such schemes, they hit a dead end and are unable to track down the individuals abusing the global financial system. For the fight against corruption and money laundering to be effective, a central register is needed to provide immediate, direct and unfiltered access to adequate, accurate and up-to-date information on companies' true owners. Information should be collected based on a single definition of "beneficial ownership" in a given jurisdiction. In addition to domestic and foreign competent authorities, the registers should also be open to the public – so other authorities and financial institutions, civil society and media can help monitor information and connect the dots.

To that end, we applaud the reforms in individual countries to improve and strengthen rules for collecting and verifying beneficial ownership information. However, as you very well know, the loophole will persist as long as there is still at least one country where hiding behind anonymous companies remains possible.

In 2019, Transparency International called for the revision of the global standard on beneficial ownership transparency, and we have campaigned to fix the global standard since then. On various occasions, including in our submissions to FATF, we have made the case for the standard to require centralised, public registers of companies' real owners.¹

¹ Transparency International. Reforming global standards on beneficial ownership transparency (campaign). Accessible at: <https://www.transparency.org/en/campaigns/global-standards-fatf-beneficial-ownership-transparency>

Transparency International is not alone in calling for this. In recent years, various expert groups and stakeholders from across the world have also spoken in support of the global adoption of beneficial ownership registers. Most notably in 2021, 700 signatories from 120 countries called for a commitment from all countries to establish central, public registers of beneficial ownership. “Transparency in company ownership is more than a technical solution to a problem. It is a matter of social justice,” reads the petition endorsed by academics, civil society activists and representatives from both the public and private sectors.²

In October 2021, we welcomed your decision to put forward much-needed amendments to FATF Recommendation 24.³ We were particularly pleased to see that you are preparing to require that all countries set up a beneficial ownership register or use an alternative mechanism as long as this mechanism has equal efficiency. Transparency International readily responded to the public consultation and suggested additional ways to strengthen the proposed standard.

As representatives of 37 countries and two regional organisations, you will be voting on measures whose impact extends well beyond your own countries and regions. That is why in January, Transparency International’s national chapters and partners in Africa also urged FATF to “ensure that revised Recommendation 24 requires centralised, public registers of beneficial ownership.”⁴ This can immensely support the fight against illicit financial flows, which considerably hinder countries from reaching the Sustainable Development Goals.

Now, we look to you to bring the reform successfully over the finish line.

By voting for strong measures as part of the revised standard, you can help societies everywhere to mitigate the suffering caused by cross-border corruption, money laundering and other financial crimes. When you deliberate and vote to decide what the new global standard will look like under Recommendation 24, we urge you to bear in mind that you have a historic opportunity and responsibility to end the decades-long abuse of anonymous companies around the world.

We thank you for your efforts and wish you productive deliberations.

² Transparency International. UNGASS 2021: Commit to transparency in company ownership for the common good (Petition). Accessible at: <https://www.transparency.org/en/press/ungass-2021-hundreds-join-petition-to-end-anonymous-shell-companies>

³ Transparency International, 22 October 2022. *Registers of true owners of anonymous companies on track to become a requirement worldwide*. Accessible at: <https://www.transparency.org/en/press/registers-true-owners-anonymous-companies-requirement-worldwide>

⁴ Transparency International, 12 January 2022. Open letter to FATF: To support African continent in its fight against capital flight, ensure that revised Recommendation 24 requires centralised, public registers of beneficial ownership. Accessible at: <http://anticorru.pt/2Du>