

To:
Member delegations to the FATF
FATF observers

Copied to:
FATF Secretariat
Ministers of Finance of FATF member countries

11 June 2010

We are writing to you on the eve of the June plenary meeting of the Financial Action Task Force (FATF). The Task Force on Financial Integrity and Economic Development is a consortium of research and advocacy organizations and governments working towards mechanisms that will curb the global flows of illicit capital, because of the damage done to developing countries. Its wider membership includes governments, economists and other academics, as well as development, human rights and faith-based organisations.

We wish to raise three points in advance of your meeting.

Firstly, we understand that following the G20's request regarding corruption last September, and the presentation of a report on the subject by an informal working group to the February FATF plenary, the FATF has agreed to raise the profile of anti-corruption work within its ongoing initiatives and work. We also understand that in response to the same G20 request, the FATF will give more priority to its ongoing work on customer due diligence, beneficial ownership and transparency. This is all very welcome.

Clearly, the current review of the FATF's Recommendations offers an excellent opportunity to tackle these issues, particularly the requirements for transparency of beneficial ownership information as set out in Recommendations 33 and 34.

The G20's request was not specific about what progress on 'beneficial ownership' and 'transparency' will look like, and we understand that debate is still ongoing within the FATF about what to do with Recommendations 33 and 34. However, our growing coalition of civil society organisations from all regions has a very clear vision of what is needed, which is this: in order to prevent misuse of corporate vehicles and legal arrangements, the only meaningful option is **public registries of beneficial ownership** of companies, as well as settlors, trustees and beneficiaries of trusts, with those who set them up subject to the anti-money laundering (AML) regime of customer due diligence requirements.

Secondly, the FATF has done a very effective job in many jurisdictions in ensuring that anti-money laundering laws are on the books, and a significant proportion of the third round of evaluations has

been devoted to this process. Now that many countries are starting to have AML laws in place, the focus turns to ensuring effective enforcement of those laws.

We welcome the process of listing those jurisdictions that are failing to meet the FATF's standards, that was reinitiated in February. Nuhu Ribadu, the former Nigerian anti-corruption chief, frequently talks about how Nigeria's place on the previous non-compliant list was essential in galvanising his then government to put in place a more effective AML regime.

However, the listing process is based on the existing evaluation reports, which were produced according to an assessment methodology that, while it includes some elements to measure enforcement, is still heavily weighted towards measuring whether laws are in place. We would welcome the development, for the fourth round of mutual evaluations, of a new '**methodology for assessing enforcement**' to measure whether governments are fully implementing such legislation.

Finally, we note that between May and August 2002, during the period when the FATF Recommendations were last being reviewed, there was a consultation process open to all interested parties.

The work of the FATF, and indeed of the Task Force on Financial Integrity and Economic Development, is driven by a recognition of the fundamental importance of transparency and accountability. We look forward to the **opportunity to contribute to the review** process this time.

If you have any questions please respond to Robert Palmer at Global Witness. He can be reached at rpalmer@globalwitness.org, +44 (0) 20 7492 5860, or by post at Global Witness, Buchanan House, 30 Holborn, London, EC1N 2HS, United Kingdom.

Yours sincerely,

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Sherpa, France
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Transparency International, Ireland
Zero Corruption Coalition, Nigeria
Egyptians Against Corruption, Egypt
The Afro-Egyptian Human Rights Organization, Egypt
Youth Partnership for Peace and Development, Sierra Leone
5th Pillar, India
Actions for Genuine Democratic Alternatives, Liberia
Centre for applied Sociology, India
ETRAC Foundation, India
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The Task Force on Financial Integrity and Economic Development, a consortium of governments and research and advocacy organizations, focuses on achieving greater transparency in the global financial system for the benefit of developing countries.