



The
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“We remain committed to prevent the misuse of companies and other legal arrangements such as trusts to hide financial flows stemming from corruption, tax evasion, money laundering, and other crimes, ensuring that beneficial ownership information is available in a timely fashion to financial intelligence units, tax collection and law enforcement agencies, for example through central registries or other appropriate mechanisms, leading by example in implementing the Financial Action Task Force and other relevant international standards and our national action plans in line with the principles we agreed at Lough Erne.”

Brussels G7 Summit Declaration

Assessment

Country	Lack of Compliance	Work in Progress	Full Compliance
Canada			+1
France			+1
Germany			+1
Italy	- 1		
Japan		0	
United Kingdom			+1
United States		0	
European Union			+1
Average Score		+0.50	

Background

At the 1989 Paris Economic Summit, G7 members addressed the need to produce economic growth and remove inefficiencies within the economy.⁶⁶⁰ This included the recognition of new techniques used in worldwide financial activities. The regulations surrounding these activities varied greatly between the countries and members addressed the need to strengthen these regulations.⁶⁶¹

In order to target the inefficiencies, G7 members founded the Financial Action Task Force on Money Laundering (FATF), which was given the responsibility of “examining money laundering techniques and trends, reviewing the action which had already been taken at a national or international level, and setting out the measures that still needed to be taken to combat money laundering.”⁶⁶² The FATF currently produces annual reports and recommendations to increase the transparency of the financial system, in order to more easily detect criminal activity, and to provide countries with the capacity to take successful action against money launderers.⁶⁶³

At the 2013 Lough Erne Summit, G8 members committed to the implementation of national Action Plans based on the transparency of ownership, control of companies, and legal arrangements.⁶⁶⁴ Since the Lough Erne Summit, G7 members have encouraged other world leaders to ensure their

⁶⁶⁰ Economic Declaration, G8 Information Centre (Toronto) 16 July 1989. Access Date: 02 March 2015. <http://www.g8.utoronto.ca/summit/1989paris/communique/index.html>.

⁶⁶¹ Economic Declaration, G8 Information Centre (Toronto) 16 July 1989. Access Date: 02 March 2015. <http://www.g8.utoronto.ca/summit/1989paris/communique/index.html>.

⁶⁶² History of the FATF, Financial Action Task Force (Paris) 2013. Access Date: 02 March 2015. <http://www.fatf-gafi.org/pages/aboutus/historyofthefatf/>

⁶⁶³ An introduction to the FATF and its work, Financial Action Task Force (Paris) 2010. Access Date: 02 March 2015. <http://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/Introduction%20to%20the%20FATF.pdf>.

⁶⁶⁴ G8 Action Plan Principles to Prevent the Misuse of Companies and Legal Arrangements, G7 Information Centre (Toronto) 18 June 2013. Access Date: 02 March 2015. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-misuse.html>

countries are meeting the standards of the FATF, saying that “greater transparency in this area will help developing countries.”⁶⁶⁵

Commitment Features

The G7’s commitment to prevent the misuse of companies to hide financial flows relies heavily on the standards imposed by the FATF. In 2012, the FATF revised their previous recommendations to better combat money laundering and other financial corruption. These are divided into seven categories: (1) Polices and Coordination; (2) Money Laundering and Confiscation; (3) Terrorist Financing and Financing Proliferation; (4) Preventive Measures; (5) Transparency and beneficial Ownership of Legal Persons and Arrangements; (6) Powers and Responsibilities of Competent Authorities and Other Institutional Measures; and (7) International Cooperation.⁶⁶⁶

The commitment also states that the standards outlined by the FATF should be implemented by G7 Members as Action Plans to, “set out the concrete action each of us will take to counter money laundering and tax evasion.”⁶⁶⁷ These plans were based on eight core principles: (1) Companies should know who owns and controls them; (2) Ownership information should be accessible to law enforcement, tax administrations and other relevant authorities, through central registries; (3) Trustees of express trusts should know the beneficial ownership of the trust; (4) Authorities should understand the risks to which their anti-money laundering is exposed and implement effective measures to target them; (5) The misuse of financial instruments and of certain shareholding structures which may obstruct transparency should be prevented; (6) Financial institutions should be subject to effective anti-money laundering obligations to identify and verify the beneficial ownership of their customers; (7) dissuasive sanctions should be available for companies, financial institutions and other regulated businesses that do not comply with their respective obligations; and (8) national authorities should cooperate effectively domestically and across borders to combat the abuse of companies and legal arrangements for illicit activity.⁶⁶⁸

In order to achieve full compliance, each member state must begin or continue to implement a national Action Plan which is based on the eight core principles set out by the FATF.

Scoring Guidelines

- 1	G7 Member does not establish an action plan to prevent the misuse of companies.
0	G7 Member establishes, but does not implement, an action plan to prevent the misuse of companies.
+1	G7 Member establishes and begins to implement an action plan to prevent the misuse of companies.

Lead Analyst: Anthony Marchese

⁶⁶⁵ G7 Brussels Summit Declaration, G7 Research Group 5 June 2014. Access Date: 02 March 2015. <http://www.g8.utoronto.ca/summit/2014brussels/declaration.html>.

⁶⁶⁶ FATF International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation. Access Date: 02 March 2015. <http://www.fatf-gafi.org/topics/fatfrecommendations/documents/internationalstandardsoncombatingmoneylaunderingandthefinancingofterrorismproliferation-thefatfrecommendations.html>.

⁶⁶⁷ G8 Action Plan Principles to Prevent the Misuse of Companies and Legal Arrangements, G7 Information Centre (Toronto) 18 June 2013. Access Date: 02 March 2015. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-misuse.html>

⁶⁶⁸ G8 Action Plan Principles to Prevent the Misuse of Companies and Legal Arrangements, G7 Information Centre (Toronto) 18 June 2013. Access Date: 02 March 2015. <http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-misuse.html>

Canada: +1

Canada has fully complied with its commitment to the Financial Action Task Force (FATF) to prevent the misuse of companies and other legal arrangements to enable crime and corruption, through multiple channels.

On 1 February 2014, Canada's amendments to its Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations Act (PCMLTF) went into effect. Canada introduced multiple amendments to its PCMLTF as a means of ensuring FATF compliance, most concretely in its amendments relating to compliance on FATF Recommendation 5. Recommendation 5 states that financial institutions should not "keep anonymous accounts or accounts in obviously fictitious names and providing instances when financial institutions should verify the identity of their customers, including when there is a suspicion of money laundering or terrorist financing."⁶⁶⁹ The aforementioned amendments include: 1) Beneficial ownership identification;

2) Collecting information on the purpose and intended nature of the business relationship; 3) Ongoing due diligence, and; 4) Enhanced measures in higher risk scenarios.

On 17 February 2014, Canada was removed from the requirement of a regular follow up process by the FAFI, citing Canada's "significant progress" in moving towards compliance from FATF's 2008 report. This report details Canada's lack of compliance on key measures, including Recommendation 5.⁶⁷⁰ As a result of its compliance, Canada will subsequently be subject to a less frequent FATF review.

On 8 September 2014, Canada and the EU announced plans to sign a joint strategic partnership, with "enhanced cooperation in law enforcement to counteract terrorism, organized crime, cyber-crime and money laundering" being cited as items of advanced cooperation between the two governments.⁶⁷¹

On 13 February 2015, Finance Minister Joe Oliver — along with the G7's other finance ministers — issued a joint statement requesting that the FAFI "put a specific focus on financing of terrorism" and to prepare a report by October 2015, detailing "progress made and proposals to strengthen all counter-terrorism financing tools."⁶⁷²

Thus, the Canadian government has been awarded a score of +1 for its full compliance with its commitment to prevent the misuse of companies and other legal arrangements such as trusts to hide financial flows stemming from corruption, tax evasion, money laundering, and other crimes.

Analyst: Laura Riina

⁶⁶⁹ Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations Act, Government of Canada (Ottawa) 1 February 2014. Date of Access: 12 May 2015. <http://laws-lois.justice.gc.ca/PDF/P-24.501.pdf>

⁶⁷⁰ 6th Follow-up Report, Mutual Evaluation of Canada.

Financial Action Task Force. (Paris) February 2014. Date of Access: 12 May 2015. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Canada-2014.pdf#page36>

⁶⁷¹ Canada and EU sign co-operation treaty on crime, energy, CBC News (Toronto) 08 September 2014. Date Accessed: 12 May 2015. <http://www.cbc.ca/m/news/politics/canada-and-eu-sign-co-operation-treaty-on-crime-energy-1.2759217>

⁶⁷² Finance Minister Joe Oliver says 'more can be done' to disrupt terrorist financing, requests investigation, National Post (Ottawa) 13 February 2015. Date of Access: May 12 2015. <http://www.nationalpost.com/m/wp/blog.html?b=news.nationalpost.com//news/canada/finance-minister-joe-oliver-says-more-can-be-done-to-disrupt-terrorist-financing-requests-investigation>

France: +1

France has fully complied with its commitment to prevent the misuse of companies through the establishment of guidelines meant to address both money laundering and corporate transparency in compliance with the recommendations of the Financial Action Task Force (FATF).

On 12 February 2015, the French financial and prudential regulatory authority released an updated version of its practical guidelines on anti-money laundering. Guidelines intended to inform the expectations of regulatory bodies in the insurance sector in relation to anti-money laundering and the prohibition of terrorism funding. A primary change in the updated guidelines was the addition of a new chapter dedicated to non-life insurance that extended aspects of the duty of vigilance to the majority of non-life insurance products, thus increasing commercial transparency.⁶⁷³

Further, France increased its monitoring of small bank account transactions in an effort to combat terrorist financing. In addition to several other measures which limit small bank account transactions, any cash deposit or withdrawal more than EUR10,000 in a month now signals the Tracfin (Traitement du renseignement et action contre les circuits financiers clandestins) anti-fraud and money laundering agency. In response to the 7 January 2015 attacks, Finance Minister Michel Sapin affirmed France's commitment to "fight against the use of cash and anonymity in the French economy."⁶⁷⁴

France has taken significant steps towards fulfilling the standards outlined by the FATF in regards to financial transparency legislation. Thus, France is awarded a score of +1 for full compliance.

Analyst: Emma Murray

Germany: +1

Germany has received a score of +1 for full compliance towards its commitment.

Since having been identified by the Financial Action Task Force (FATF) in 2010 to be insufficiently compliant with the Task Force's core recommendations,⁶⁷⁵ Germany has come a long way in improving its efforts to combat crime and corruption. A June 2014 Follow-Up Report released by the FATF lauded the German government's implementation of legal and policy reforms targeting previously identified areas of deficiency,⁶⁷⁶ and 2014-15 saw a continuation of proactive measures taken towards improving financial security and coordination with international anti-crime and anti-terrorism efforts.

One of five key European countries to sign on to the initial pilot stage of the initiative back in April 2013, Germany joined with 50 other countries on 29 October 2014 to sign a multilateral competent authority agreement committing its signatories to the automatic exchange of financial information.⁶⁷⁷

⁶⁷³ France: Regulatory authority updates its guidelines on anti-money laundering | Lexology. Retrieved May 20, 2015, from <http://www.lexology.com/library/detail.aspx?g=31d8171b-ad73-494f-95fa-6509b29c2a67>

⁶⁷⁴ France steps up monitoring of cash payments to fight 'low-cost terrorism' (2015, March 18). Retrieved May 20, 2015, from <http://www.reuters.com/article/2015/03/18/us-france-security-financing-idUSKBN0ME14720150318>

⁶⁷⁵ Mutual Evaluation of Germany: 3rd Follow-up Report (Paris) June 2014. Date of Access: 29 May 2015. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Germany-2014.pdf>

⁶⁷⁶ Mutual Evaluation of Germany: 3rd Follow-up Report (Paris) June 2014. Date of Access: 29 May 2015. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Germany-2014.pdf>

⁶⁷⁷ Automatic Exchange of Financial Account Information: Background Information Brief (Paris) 29 October 2014. Date of Access: 29 May 2015. <http://www.oecd.org/tax/exchange-of-tax-information/Automatic-Exchange-Financial-Account-Information-Brief.pdf>

The agreement, which is slated to enter into effect for Germany in September 2017,⁶⁷⁸ will utilize an OECD-established international standard to mandate party states to participate in the collection and multilateral exchange of financial account information from domestic financial institutions, marking an important step towards the bolstering of international efforts to combat money laundering and tax evasion.

In addition, in response to the European Commission's appeal on 17 December 2014 for all its member states to join in its efforts to identify and eradicate multinational preferential tax schemes,⁶⁷⁹ Germany launched an investigation in early 2015 into possible illicit financial activities within its jurisdiction. In February 2015, German police raided the offices of Commerzbank, a German-based multinational bank, as part of a probe into the institutions possible involvement in money laundering and tax evasion practices.⁶⁸⁰ That same month, Royal Bank of Scotland subsidiary Coutts also came under investigation for the possible aiding and abetting of tax evasion.⁶⁸¹ Such initiatives reflected Germany's continued commitment to multinational efforts to counter global financial crime.

Both at home and abroad, Germany continued to demonstrate a willingness to spearhead the push to end global terrorism financing in 2015. On 4 February 2015, the German parliament passed a draft legislation pertaining to reforms of the country's anti-terror laws. In addition to the strengthening of monitoring and prosecutorial mechanisms for potential participants in terrorism, the new legislation proposes to recognize terrorist financing as a stand-alone crime.⁶⁸² Additionally, German Finance Minister Wolfgang Schäuble issued a joint statement with his French counterpart in March 2015 calling on the European Commission to introduce a continent-wide legislative structure for better regulation of cross-border financial flow and more expedient freezing of terrorist assets.⁶⁸³ In addition to enhanced monitoring of electronic currency outflows, the statement also called for improvements to regulatory and reporting mechanisms for the movement of alternative sources of financing such as gold, valuable gems, and prepaid credit cards.⁶⁸⁴

Combined, these initiatives reflect a consistent, systematic German effort to introduce and maintain measures in compliance with the eight core principles set out by the FATF. Thus, Germany has been awarded a score of +1 in the commitment area of crime and corruption.

Analyst: William Zhang

Italy: -1

Italy has not complied in its commitment to establish an Action Plan to prevent the misuse of companies.

⁶⁷⁸ Automatic Exchange of Financial Account Information: Background Information Brief (Paris) 29 October 2014. Date of Access: 29 May 2015. <http://www.oecd.org/tax/exchange-of-tax-information/Automatic-Exchange-Financial-Account-Information-Brief.pdf>

⁶⁷⁹ State aid: Commission extends information enquiry on tax rulings practice to all Member States (Brussels) 17 December 2014. Date of Access: 29 May 2015. http://europa.eu/rapid/press-release_IP-14-2742_en.htm

⁶⁸⁰ Commerzbank raided over possible tax evasion (Berlin) 24 February 2015. Date of Access: 29 May 2015. <http://www.dw.de/commerzbank-raided-over-possible-tax-evasion/a-18277245>

⁶⁸¹ Coutts' Swiss operation faces German investigation over tax evasion claims (Manchester) 26 February 2015. Date of Access: 29 May 2015. <http://www.theguardian.com/business/2015/feb/26/coutts-swiss-operation-german-investigation-tax-evasion-claims>

⁶⁸² Germany set to pass 'one of the harshest' anti-terror laws in Europe (Berlin) 5 February 2015. Date of Access: 29 May 2015. <http://www.euractiv.com/sections/justice-home-affairs/germany-set-pass-one-harshest-anti-terror-laws-europe-311851>

⁶⁸³ Germany, France Urge EU to Clamp Down on Terrorist Financing (New York) 31 March 2015. Date of Access: 29 May 2015. <http://www.wsj.com/articles/germany-france-urge-eu-to-clamp-down-on-terrorist-financing-1427814952>

⁶⁸⁴ Germany, France Urge EU to Clamp Down on Terrorist Financing (New York) 31 March 2015. Date of Access: 29 May 2015. <http://www.wsj.com/articles/germany-france-urge-eu-to-clamp-down-on-terrorist-financing-1427814952>

Italy has not taken any significant actions toward creating a national Action Plan that would abide by the 8 FATF core principles to prevent the misuse of companies for the purpose of money laundering and financing terrorism in this compliance cycle.

Thus, Italy has been awarded a score of – 1 for non-compliance.

Analyst: Spencer Adrian McMurray

Japan: 0

Japan has partially complied with its commitment to prevent the misuse of companies though the establishment of an Action Plan addressing both money laundering and company transparency in compliance with the recommendations of the Financial Action Task Force (FATF).

In February 2014, Japan's Financial Intelligence Center signed multiple Statements of Cooperation with foreign financial intelligence units, concerning the exchange of information on money laundering and terrorist financing. Agreements were reached with People's Democratic Republic of Algeria, Principality of Monaco and Saint Martin.⁶⁸⁵ These agreements have established a framework whereby the Japanese Financial Intelligence Center can disclose details of suspicious transactions to foreign intelligence units. Any information is accompanied by documents specifying the restrictions on the use of the provided information.⁶⁸⁶

However, on 27 June 2014, FATF issued a public statement expressing apprehension with regards to Japan's continued failure to address insufficiencies outlined in the third mutual evaluation report agreed upon in 2008. FATF's major concerns were as follows: (1) the incomplete criminalization of terrorist financing, (2) the lack of due diligence and other preventative measures in both financial and non-financial sectors, (3) the limited mechanism to freeze terrorist assets, (4) failure to ratify and implement the Palermo convention.⁶⁸⁷

Although there have been steps made towards fulfilling the standards outlined by the FATF, Japan has failed to implement substantive changes to its financial transparency legislation.

For this reason Japan is awarded a score of 0 for partial compliance to its commitment to prevent the misuse of companies and other legal arrangements such as trusts to hide financial flows stemming from corruption, tax evasion, money laundering, and other crimes.

Analyst: Emma Murray

United Kingdom: +1

The United Kingdom is in full compliance with its commitment on crime and corruption. It has established and begun to implement an action plan to prevent the misuse of companies and other legal arrangements to hide financial flows.

In October 2014 in Berlin, the UK was one of the first countries to sign agreements to bring into effect by 2018 a secured automatic exchange of information of financial accounts with over 90

⁶⁸⁵ Statements of Cooperation between JAFIC and foreign FIUs concerning Exchange of Information related to Money Laundering and Terrorist Financing, National Police Agency (Japan) n.d. Date of Access: 15 May 2015.

http://www.npa.go.jp/sosikihanzai/jafic/en/kokusai_e/mousin_e.htm

⁶⁸⁶ International Cooperation, National Police Agency (Japan) n.d. Date of Access: 15 May 2015.

http://www.npa.go.jp/sosikihanzai/jafic/en/kokusai_e/kokutop_e.htm

⁶⁸⁷ Documents: FATF calls on Japan to enact adequate anti-money laundering and counter terrorist financing legislation, Financial Action Task Force (Paris) n.d. Date of Access: May 15, 2015. <http://www.fatf-gafi.org/countries/j-m/japan/documents/japan-aml-cft-deficiencies.html>

countries.⁶⁸⁸ This automatic exchange of information will give the UK access to information on UK tax residences' offshore accounts annually, including but not limited to, balances and interest. This will allow them to look through these structures to determine who has been hiding beneficial owners of accounts abroad and allow them to obtain evidence in order to prosecute them fully.

In addition, the UK government is heavily involved in the OECD's BEPS Action Plan, and helped deliver the first phase of the project on time in September 2014. Through this, countries reached agreement on the first set of outputs including creating a country-by-country reporting template in order to improve transparency between MNCs and tax authorities, as well as developing rules to counter hybrid mismatch arrangements.⁶⁸⁹ The UK government further committed to concluding the BEPS project with its international partners in 2015. The goal of this project is to ensure that profits are taxed where the economic activities of a multi-national company are actually happening. On 20 September 2014, the UK government announced that in 2015 they will begin to implement the country-by-country reporting⁶⁹⁰ appropriate legislation within the UK in order to gain information on corporate profits, taxes and economic activity for risk assessment.⁶⁹¹

Her Majesty's (HM) Treasury, the UK government's economic and finance ministry, released a document in March 2015 titled, "Tackling Tax Evasion and Tax Avoidance," outlining the specific ways in which the UK was going to crack down on crime and corruption involving financial flows. This includes the addition of new criminal offenses and much larger financial penalties for offenders for up to 200 per cent of the amount of evaded tax and the possibility of the seizure of assets.⁶⁹² On 1 April 2015 the UK government introduced a 25 per cent tax rate to counter the use of complex arrangements by multinational corporations (MNCs) to divert profits out of the UK.⁶⁹³ Further, new legislation will be introduced in 2016 that provides no guarantee for tax avoiders that criminal investigations will not be pursued.⁶⁹⁴

⁶⁸⁸ Tackling Tax Evasion and Avoidance, HM Treasury and HM Revenue and Customs (London) March 2015. Date of Access: 13 May 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413931/Tax_evasion_FINAL__with_covers_and_right_sig_.pdf

⁶⁸⁹ Tackling Tax Evasion and Avoidance, HM Treasury and HM Revenue and Customs (London) March 2015. Date of Access: 13 May 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413931/Tax_evasion_FINAL__with_covers_and_right_sig_.pdf

⁶⁹⁰ Country-by-Country Reporting, HM Revenue and Customs (London) 10 December 2014. Date of Access: 13 May 2015. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/385161/TIIN_2150.pdf

⁶⁹¹ Tackling Tax Evasion and Avoidance, HM Treasury and HM Revenue and Customs (London) March 2015. Date of Access: 13 May 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413931/Tax_evasion_FINAL__with_covers_and_right_sig_.pdf

⁶⁹² Tackling Tax Evasion and Avoidance, HM Treasury and HM Revenue and Customs (London) March 2015. Date of Access: 13 May 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413931/Tax_evasion_FINAL__with_covers_and_right_sig_.pdf

⁶⁹³ Tackling Tax Evasion and Avoidance, HM Treasury and HM Revenue and Customs (London) March 2015. Date of Access: 13 May 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413931/Tax_evasion_FINAL__with_covers_and_right_sig_.pdf

⁶⁹⁴ Tackling Tax Evasion and Avoidance, HM Treasury and HM Revenue and Customs (London) March 2015. Date of Access: 13 May 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413931/Tax_evasion_FINAL__with_covers_and_right_sig_.pdf

In 2014 and 2015, HM Treasury and Home Office conducted the first National Risk Assessment (NRA) of money laundering (ML) and terrorist financing (TF) risks associated with the UK. This assessment was to ensure that the Government of the UK understands their ML/FT risks and can take steps to improve the domestic legislative and supervisory regime accordingly.⁶⁹⁵

Thus, the UK has been awarded a score of +1 for its full compliance to its commitment on crime and corruption because of its continued provision of measures that comply with the eight core principles set out by the FATF.

Analyst: Rebecca Patrick

United States: 0

The United States has partially complied with its commitment to prevent the misuse of companies via the creation and implementation of a national Action Plan emphasizing transparency of ownership, control of companies, and legal arrangements, as made and reinforced at the 2013 Lough Erne G8 Summit and the 2014 Brussels G7 Summit.

The United States laid out its national Action Plan immediately after the Lough Erne Summit. Following the Lough Erne Summit, the Office of the Press Secretary of the White House released a statement titled “United States G-8 Action Plan for Transparency of Company Ownership and Control.”⁶⁹⁶ Within this document, the United States commits to updating national risk assessment, working towards comprehensive legislation, defining beneficial owners, collecting and verifying documentation, further regulating company formation agents, ameliorating accessibility of information, bettering customer due diligence standards for United States financial institutions, engaging in increased international cooperation related to beneficial ownership of companies, and releasing mandates that will emphasize transparency of transfers, exemptions, and liabilities. Thus, the United States can be said to have successfully established an Action Plan to prevent the misuse of companies.

Furthermore, since the 2014 Brussels G7 Summit, the United States has made further progress where comprehensively establishing its Action Plan is concerned. On 26 June 2014, the United States Senate passed a bill geared at creating transparency-related legal reforms in Delaware, one of the most prominent secrecy havens in the country.⁶⁹⁷ The bill, titled “An Act to Amend Chapter 18, Title 6 of the Delaware Code Relating to the Creation, Regulation, Operation and Dissolution of Domestic Limited Liability Companies and the Registration and Regulation of Foreign Limited Liability Companies” — or, in short form, “House Bill #327” — amends the Delaware Limited Liability Company Act to ameliorate transparency of ownership by requiring that limited liability companies provide their communications contacts with records containing the names and addresses of all members and managers of the limited liability companies.

The United States’ dedication to establishing legislation to address money laundering and tax evasion is a vital first step for this country, given that it has repeatedly been deemed one of the most prominent homes to anonymous “shell” companies in the world, alongside Kenya. This dedication is

⁶⁹⁵ Anti-Money Laundering and Counter Terrorist Finance Supervision Report 2013-14, HM Treasury (London) 24 March 2015. Date of Access: 13 May 2015. <https://www.gov.uk/government/publications/anti-money-laundering-and-counter-terrorist-finance-supervision-reports/anti-money-laundering-and-counter-terrorist-finance-supervision-report-2013-14>

⁶⁹⁶ United States G-8 Action Plan for Transparency of Company Ownership and Control, Office of the Press Secretary of the Whitehouse (Washington) 18 June 2013. Access Date: 13 May 2015. <https://www.whitehouse.gov/the-press-office/2013/06/18/united-states-g-8-action-plan-transparency-company-ownership-and-control>.

⁶⁹⁷ 147th General Assembly House Bill #327, Delaware.Gov (Delaware) 2014. Access Date: 13 May 2015. <http://legis.delaware.gov/lis/lis147.nsf/vwlegislation/hb+327?opendocument>.

made clear not solely by House Bill 327, but also by the Incorporation Transparency and Law Enforcement Assistance Act, or S.1465, a bill that would require greater transparency with respect to company ownership, and that was, as of 19 June 2014, pending in both the U.S. House and the Senate.⁶⁹⁸ Reintroduced by Senators Carl Levin and Chuck Grassley, and cosponsored by Senators Dianne Feinstein, Tom Harkin, and Sheldon Whitehouse, this bill, though not enacted in a previous session of Congress, has been heralded by many as a step in the right direction.⁶⁹⁹

These amendments and bill reintroductions, while significant, have been called insufficient by some, as House Bill #327 does not explicitly allow law enforcement to uncover the beneficial owners of companies, and S.1465 has yet to be enacted. Furthermore, the United States seems considerably behind other G7 members where implementing its anti-tax evasion and anti-money-laundering commitments is concerned, as it has not yet outlined how it will implement these commitments.¹² Further, the commitments themselves do not put corporate ownership information into the public domain, and are thus ineffective in comparison to those measures put in place by, for example, the U.K., which has already announced that it will be creating public registries of beneficial ownership, and the European Parliament, which in March 2014 voted to approve revisions to money-laundering regulations that would require all 28 European Union Countries to create public registries of company and trust ownership.

Cumulatively, while the United States has established a national Action Plan to prevent the misuse of companies, it has not begun to implement it across all of its dimensions and is considerably behind other G7 members where enacting relevant legislation is concerned. As such, the United States has been awarded a compliance score of 0.

Analysts: Humayun Ahmed and Sophia Glisch

European Union: +1

The European Union is in full compliance with its commitment to prevent the misuse of companies and other legal arrangements (including trusts) via the implementation of a national Action Plan as per the standards of the Financial Action Task Force (FATF).

On 27 January 2015, Commissioner Pierre Moscovici welcomed the adoption of anti-tax evasion measures, including stringent tax planning methods. The European Commission introduced this measure as part of the anti-abuse clause of the Parent-Subsidiary Directive on 9 December 2014, and adopted the measure on 27 January 2015.⁷⁰⁰ Moreover, on 18 March 2015, the European Commission presented its Tax Transparency Package in an effort to tackle corporate tax evasion and problematic tax competition.⁷⁰¹ This was done in order to: 1) ensure fair competition and increased burden-sharing between companies in all member states; 2) target companies that do not currently pay their fair share of tax, and; 3) prevent double-taxation.

⁶⁹⁸ Delaware to Remain U.S. "Shell Corporation" Capital, MintPress News (Minneapolis) 19 June 2014. Access Date: 13 May 2015. <http://www.mintpressnews.com/delaware-remain-u-s-shell-corporation-capital/192674/>.

⁶⁹⁹ The United States begins move towards transparency on beneficial ownership, Globe Business Media Group (London) 14 April 2014. Access Date: 13 May 2015. <http://www.lexology.com/library/detail.aspx?g=1018c889-612c-416a-b34c-95e636181334>.

⁷⁰⁰ Commissioner Moscovici welcomes the adoption of measures against tax evasion and aggressive tax planning, European Commission Press Release Database (Brussels) 27 January 2015. Access Date: 20 May 2015. http://europa.eu/rapid/press-release_STATEMENT-15-3720_en.htm.

⁷⁰¹ Combatting corporate tax avoidance: Commission presents Tax Transparency Package, European Commission Press Release Database (Brussels) 18 March 2015. Access Date: 20 May 2015. http://europa.eu/rapid/press-release_IP-15-4610_en.htm?locale=en.

On 10 February 2015, the European Council approved an agreement with the European Parliament to enforce more stringent regulations against money laundering and terrorist financing activities.⁷⁰² The council not only implemented the standards recommended by the FATF, but also proposed even tighter measures enhancing directive scopes while taking into account the risks and limitations associated with anti-money laundering efforts, and putting into place improved standards for customer due diligence. Moreover, the Council implemented specific provisions to enhance transparency of beneficial ownership of companies. Transparency will be enhanced through central registries that will be accessible to competent authorities and financial intelligence institutions, including banks. Finally, the Council also provided measures to enforce sanctions.

Finally, on 20 May 2015, Vera Jourova, the European Union's Commissioner for Justice, Consumers and Gender Equality, welcomed Parliament's vote to finalize adoption of the Anti-Money Laundering Package (AML), to further cooperation among financial intelligence units across all member states of the European Union, and to establish policies concerning non-EU countries that have deficient anti-money laundering and counter-terrorist financing regimes.⁷⁰³ These adopted rules reflect the revised 2012 recommendation of the FATF. As part of this proposal, emphasis was put on prompt implementation of rules, and on ensuring that the new framework is effectively put into place.

Thus, the European Union has been given a score of +1 for its prompt and legally binding attempts to establish and implement an Action Plan that prevents the misuse of companies and other legal arrangements.

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⁷⁰² Money laundering: Council endorses agreement with EP, European Council (Brussels) 10 February 2015. Access Date: 20 May 2015. <http://www.consilium.europa.eu/en/press/press-releases/2015/02/150210-money-laundering-council-endorses-agreement-with-ep/>.

⁷⁰³ European Parliament backs stronger rules to combat money laundering and terrorism financing, European Commission Press Release Database (Brussels) 20 May 2015. Access Date: 20 May 2015. http://europa.eu/rapid/press-release_IP-15-5001_en.htm.