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**G20 Research Group**  
at Trinity College at the Munk School of Global Affairs in the University of Toronto  
with the  
**International Organisation Research Institute**  
at the National Research University Higher School of Economics, Moscow

present

## **2013 St. Petersburg G20 Summit Interim Compliance Report**

7 September 2013 to 16 June 2014

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## 10. Crime and Corruption

“We commit to take measures to ensure that we meet the FATF [Financial Action Task Force] standards regarding the identification of the beneficial owners of companies.”

*G20 St. Petersburg Leaders' Declaration*

### Assessment

|                | Lack of Compliance | Partial Compliance | Full Compliance |
|----------------|--------------------|--------------------|-----------------|
| Argentina      |                    | 0                  |                 |
| Australia      |                    | 0                  |                 |
| Brazil         |                    |                    | +1              |
| Canada         |                    | 0                  |                 |
| China          |                    | 0                  |                 |
| France         |                    | 0                  |                 |
| Germany        |                    | 0                  |                 |
| India          |                    |                    | +1              |
| Indonesia      |                    | 0                  |                 |
| Italy          | -1                 |                    |                 |
| Japan          | -1                 |                    |                 |
| Korea          | -1                 |                    |                 |
| Mexico         |                    | 0                  |                 |
| Russia         |                    |                    | +1              |
| Saudi Arabia   | -1                 |                    |                 |
| South Africa   |                    | 0                  |                 |
| Turkey         | -1                 |                    |                 |
| United Kingdom |                    |                    | +1              |
| United States  |                    | 0                  |                 |
| European Union |                    |                    | +1              |
| Average        |                    | -0.00              |                 |

### Background

The G20 has repeatedly affirmed its commitment to combating crime and corruption since the 2009 Pittsburg Summit. The G20 recognizes that “corruption threatens the integrity of markets, undermines fair competition, distorts resource allocation, destroys public trust, and undermines the rule of law. Corruption is a severe impediment to economic growth, and a significant challenge for developed, emerging and developing countries.”<sup>1188</sup> The G20 also recognizes its responsibility to “prevent and tackle corruption, to establish legal and policy frameworks that promote a clean business environment and to continue to assist G20 countries in their capacity building efforts to combat corruption.” At the 2013 St. Petersburg Summit, the G20 leaders recognized the importance of the Financial Action Task Force’s (FATF) work in anti-money laundering/counter-terrorist financing (AML/CFT) measures and the identification of beneficial ownership.

<sup>1188</sup> G20 Anti-Corruption Action Plan 2013-2014, Organisation for Economic Co-operation and Development (Paris) 2014. Access Date: 14 March 2014. [http://www.oecd.org/g20/topics/anti-corruption/G20\\_Anti-Corruption\\_Action\\_Plan\\_%282013-2014%29.pdf](http://www.oecd.org/g20/topics/anti-corruption/G20_Anti-Corruption_Action_Plan_%282013-2014%29.pdf).

The 2009 Pittsburgh Summit Leaders' Declaration stated that "[the G20 leaders welcomed] the progress made by the FATF in the fight against money laundering and terrorist financing and [called] upon the FATF to issue a public list of high risk jurisdictions by February 2010."<sup>1189</sup>

The 2011 Cannes Summit Final Declaration echoed this call: "[The G20 leaders] support the work of the Financial Action Task Force (FATF) to continue to identify and engage those jurisdictions with strategic Anti-Money Laundering/Counter-Financing of Terrorism (AML/CFT) deficiencies and update and implement the FATF standards calling for transparency of cross-border wires, beneficial ownership, customer due diligence and enhanced due diligence."<sup>1190</sup>

Later in 2012 the Los Cabos Summit Leaders' Declaration again repeated that "[the G20 leaders supported] the renewal of the Financial Action Task Force (FATF) mandate, thereby sustaining global efforts to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction. [The] G20 members also [welcomed] the adoption of the revised FATF standards and look forward to their implementation. [The leaders welcomed] the progress made by FATF in identifying and monitoring high-risk jurisdictions with strategic Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT) deficiencies, using AML/CFT tools in the fight against corruption, improving transparency of corporate vehicles and increasing cooperation against tax crimes, addressing the risks posed by tax havens, as well as in increasing the reach and the effectiveness of AML/CFT measures by also considering financial inclusion efforts. [Lastly, the G20 leaders looked ] forward to the completion in 2013 of the update of the FATF assessment process for the next round of mutual evaluations."<sup>1191</sup>

On 4-5 November 2012, Ministers of Finance and Central Bank Governors of the G20 reaffirmed their commitment to FATF standards, stating: "We remain committed and encourage the FATF to continue to pursue all its objectives, and notably to continue to identify and monitor high-risk jurisdictions with strategic Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT) deficiencies. We look forward to the completion in 2013 of the revision of the FATF assessment process. We encourage all countries to adapt their legal framework with a view to complying with the revised FATF's Recommendations, in particular the necessity to identify the beneficial owner of corporate vehicles, and we look forward to the assessment of the effectiveness of the measures countries take and their compliance with the global standards in the next round of Mutual Evaluations."<sup>1192</sup>

The Tax Annex to the 2013 St. Petersburg G20 Leaders' Declaration outlines the critical role of the Global Forum on Transparency and Exchange in strengthening international cooperation on matters of taxation.<sup>1193</sup> The G20 stated that the "Global Forum [would] draw on the work of the FATF on

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<sup>1189</sup> The G20 Leaders Statement: The Pittsburgh Summit, G20 Information Centre (Toronto) 25 September 2009. Access Date: 14 March 2014. <http://www.g20.utoronto.ca/2009/2009communique0925.html>.

<sup>1190</sup> Cannes Summit Final Declaration - Building Our Common Future: Renewed Collective Action for the Benefit of All, G20 Information Centre (Toronto) 4 November 2011. Access Date: 14 March 2014. <http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html>.

<sup>1191</sup> G20 Leaders Declaration: Los Cabos, G20 Information Centre (Toronto) 19 June 2012. Access Date: 14 March 2014. <http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html>.

<sup>1192</sup> Ministers of Finance and Central Bank Governors of the G20 reaffirm commitment to the FATF, Financial Action Task Force (Paris) 8 November 2012. Access Date: 14 March 2014. <http://www.fatf-gafi.org/documents/news/ministersoffinanceandcentralbankgovernorsoftheg20reaffirmcommitmenttothefatf.html>.

<sup>1193</sup> Tax Annex to the St. Petersburg Leaders' Declaration, G20 Information Centre (Toronto) 5 September 2013. Access Date: 14 March 2014. <http://www.g20.utoronto.ca/2013/2013-0905-tax.html>.

beneficial ownership and ensure that all countries have information regarding the beneficial ownership of entities operating in their jurisdictions.”<sup>1194</sup>

Together, the G20 Anti-Corruption Working Group and the FATF have convened three Experts Meetings on Corruption. The first meeting, convened in 2011, was the first international platform for AML/CFT specialists and anti-corruption experts to discuss innovation in combating corruption.<sup>1195</sup> The second meeting in 2012 focused on specific issues relating to “international cooperation, specifically in the context of money laundering cases involving the proceeds of corruption and asset recovery.”<sup>1196</sup> The 2013 meeting reiterated the G20’s support of FATF standards in combating crime and corruption. The meeting focused on the preventative measures within the FATF recommendations along with issues on the lack of transparency regarding beneficial ownership arrangements.

On 23 February 2014, the Communiqué of G20 Finance Ministers and Central Bank Governors asked the “G20 Anti-Corruption Working Group for an update by our April meeting on concrete actions that the G20 can take to meet the Financial Action Task Force (FATF) standards regarding the beneficial ownership of companies and other legal arrangements such as trusts by G20 countries leading by example.”<sup>1197</sup>

At the Cannes Summit in 2011, the G20 leaders requested that the FATF submit a report during the following summit in Los Cabos on the adoption of the revised FATF recommendations.<sup>1198</sup> The new FATF Recommendations address several key issues which were viewed as being of particular importance to the G20 leaders including “additional emphasis on customer due diligence, beneficial ownership and enhanced due diligence.”

Since the 2009 Leaders Summit in St. Petersburg, the G20 has reiterated on many occasions its commitment to combat crime and corruption through its partnership with the FATF in identifying beneficial ownership with the overall objective of combating money laundering and terrorism financing internationally.

Table 10-1 details the G20 countries’ membership status in the FATF.

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<sup>1194</sup> Tax Annex to the St. Petersburg Leaders’ Declaration, G20 Information Centre (Toronto) 5 September 2013. Access Date: 14 March 2014. <http://www.g20.utoronto.ca/2013/2013-0905-tax.html>.

<sup>1195</sup> President’s Summary of Outcomes from the Experts’ Meeting on Corruption, Financial Action Task Force (Paris) 12 October 2013. Access Date: 14 March 2014. <http://www.fatf-gafi.org/media/fatf/documents/statements/Corruption-Expert-meeting-Oct-2013.pdf>.

<sup>1196</sup> President’s Summary of Outcomes from the Experts’ Meeting on Corruption, Financial Action Task Force (Paris) 12 October 2013. Access Date: 14 March 2014. <http://www.fatf-gafi.org/media/fatf/documents/statements/Corruption-Expert-meeting-Oct-2013.pdf>.

<sup>1197</sup> Communiqué of the G-20 Finance Ministers and Bank Governors, Department of Finance Canada (Ottawa) 23 February 2014. Access Date: 14 March 2014. <http://www.fin.gc.ca/n14/14-029-eng.asp>.

<sup>1198</sup> G20: support for new FATF Recommendations, Financial Action Task Force (Paris) 28 June 2012. Access Date: 14 March 2014. <http://www.fatf-gafi.org/documents/documents/20supportfornewfatfrecommendations.html>.

**Table 10-1: G20 Membership in the Financial Action Task Force**

| Country        | Membership Status <sup>1199</sup> |
|----------------|-----------------------------------|
| Argentina      | Member since 2000                 |
| Australia      | Member since 1990                 |
| Brazil         | Member since 2000                 |
| Canada         | Member since 1990                 |
| China          | Member since 2007                 |
| France         | Member since 1990                 |
| Germany        | Member since 1990                 |
| India          | Member since 2010                 |
| Indonesia      | Not a member                      |
| Italy          | Member since 1990                 |
| Japan          | Member since 1990                 |
| Korea          | Member since 2009                 |
| Mexico         | Member since 2000                 |
| Russia         | Member since 2003                 |
| Saudi Arabia   | Not a member                      |
| South Africa   | Member since 2003                 |
| Turkey         | Member since 1991                 |
| United Kingdom | Member since 1990                 |
| United States  | Member since 1990                 |
| European Union | European Commission is a member   |

### **Commitment Features**

The commitment requires the G20 members to work in partnership in identifying the beneficial owners in order to meet FATF recommendations on AML)/CFT measures to combat corruption. The G20 recognizes the need for partnership and communication between the G20 Anti-Corruption Working Group, the B20 and C20, as well as the international business community in order to comply with the FATF guidelines.<sup>1200</sup>

In 2012 the FATF released revised recommendations on the transparency and beneficial ownership of legal persons and arrangements. The recommendation states that “countries should ensure that there is adequate, accurate and timely information on the beneficial ownership and control of legal persons that can be obtained or accessed in a timely fashion by competent authorities. In particular, countries that have legal persons that are able to issue bearer shares or bearer share warrants, or which allow nominee shareholders or nominee directors, should take effective measures to ensure that they are not misused for money laundering or terrorist financing.”<sup>1201</sup> In addressing the transparency of legal arrangements, the FATF recommends that “countries should take measures to prevent the misuse of legal arrangements for money laundering or terrorist financing. In particular, countries should ensure that there is adequate, accurate and timely information on express trusts, including information on the

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<sup>1199</sup> FATF Members and Observers, Financial Action Task Force (Paris) 2014. Access Date: 26 March 2014. <http://www.fatf-gafi.org/pages/aboutus/membersandobservers/>.

<sup>1200</sup> The G20 St. Petersburg Summit Leader’s Declaration, G20 Information Centre (Toronto) 6 September 2013. Access Date: 1 February 2014. <http://www.g20.utoronto.ca/2013/2013-0906-declaration.html>.

<sup>1201</sup> International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations, Financial Action Task Force/Organisation for Economic Co-Operation and Development (France) February 2013. Access Date: 1 February 2014. [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).

settlor, trustee and beneficiaries, that can be obtained or accessed in a timely fashion by competent authorities.”<sup>1202</sup>

The revised recommendations solidify FATF expectations regarding beneficial ownership requirements and outline specific measures that countries are expected to take.<sup>1203</sup>

In the 2012 revisions, the FATF outlined several processes by which countries are addressing the transparency of beneficial ownership. The measures include:

- “providing guidance to financial institutions and other financial service providers on how to implement the applicable AML/CFT requirements;
- establishing interagency mechanisms and coordinated strategies for dealing with corruption networks or targeting corrupt politically exposed persons;
- having effective mechanisms for national cooperation and coordination on these issues, including engagement with the private sector;
- establishing company registries and trust registries (which may be centralised and/or publicly available), or using protected databases for the purpose of criminal investigations and prosecutions, including the name and address of the holders and beneficial owners of accounts;
- and ensuring that law enforcement and prosecutorial agencies have adequate powers to track and obtain beneficial ownership information.”<sup>1204</sup>

To achieve full compliance the G20 member must take actions to establish transparency mechanisms in identifying beneficial owners that also act to foster cooperation and coordination between government agencies, law enforcement and the business community in order to fight money laundering and the financing of terrorism.

**Scoring Guidelines**

|    |  |
|----|--|
| -1 | Member does not take actions to establish transparency mechanisms in identifying beneficial owners AND does not establish cooperation and coordination between government agencies, law enforcement, and the business community. |
| 0  | Member takes actions to establish transparency mechanisms in identifying beneficial owners OR to establish cooperation and coordination between government agencies, law enforcement, and the business community.                |
| +1 | Member takes actions to establish transparency mechanisms in identifying beneficial owners AND to establish cooperation and coordination between government agencies, law enforcement, and the business community.               |

*Lead Analyst: Caitlin Gillespie*

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<sup>1202</sup> International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations, Financial Action Task Force/Organisation for Economic Co-Operation and Development (France) February 2013. Access Date: 1 February 2014. [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).

<sup>1203</sup> International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation: The FATF Recommendations, Financial Action Task Force/Organisation for Economic Co-Operation and Development (France) February 2013. Access Date: 1 February 2014. [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).

<sup>1204</sup> President’s Summary of Outcomes from the Experts’ Meeting On Corruption, Financial Action Task Force/Organisation for Economic Co-operation and Development (France) 12 October 2013. Access Date: 1 February 2014. <http://www.fatf-gafi.org/media/fatf/documents/statements/Corruption-Expert-meeting-Oct-2013.pdf>.

## Argentina: 0

Argentina has partially complied with its commitment of establishing transparency mechanisms in identifying beneficial owners and also acting to foster cooperation and coordination between government agencies, law enforcement, and the business community in order to fight money laundering and the financing of terrorism.

On 19 September 2013, Argentina, represented by Alejandro Vanoli, president of the National Commission of Values, signed a memorandum of understanding with India, represented by Upendra Kumar Sinha, from the Securities and Exchange Board of India.<sup>1205</sup> The memorandum ensures an exchange of information between the authorities of both countries in order to secure the application and effective compliance of their respective legislations.

On 18 October 2013, the Financial Action Task Force (FATF) identified several jurisdictions, including Argentina, with strategic deficiencies in anti-money laundering/combating terrorist financing (AML/CFT) measures for which they had developed an action plan, as part of its on-going review of compliance to the standards.<sup>1206</sup> In June 2011, Argentina had made a high-level political commitment to work alongside the FATF in addressing its deficiencies with the AML/CFT recommendations. As assessed by the FATF, it was determined that certain strategic deficiencies remained and that Argentina should continue to work on implementing its action plan. The FATF recommendations included: (1) addressing of the remaining deficiencies with regard to the criminalization of money laundering and freezing terrorist-related assets; (2) addressing of the remaining issues for the Financial Intelligence Unit and suspicious transaction reporting requirements; and (3) further enhancing the AML/CFT supervisory programme for all financial sectors.

Under the Russian presidency, the first FATF Plenary Meeting of FATF-XXV was held on 16-18 October 2013. The FATF reviewed the voluntary tax compliance (VTC) programs in Argentina.<sup>1207</sup> The assessment was that the country had issued regulations for implementation of the program to ensure all AML/CFT were in place and informed that Argentina's financial institutions had continued to apply the measures. It was reviewed that some of the provisions of the country's VTC legislation limited the application of AML/CFT measures regarding the exception of tax evasion and customer due diligence requirements.

As part of the on-going process of the AML/CFT compliance review, on 14 February 2014, the FATF made a new assessment of Argentina's measures since October 2013.<sup>1208</sup> The analysis pointed to Argentina's continued effort towards improving its AML/CFT regime, including the issuing of new regulations that strengthened suspicious transaction reporting requirements and financial sector regulator's existing powers to apply sanctions for AML/CFT deficiencies. As in the October review, new recommendations were suggested, including addressing of the remaining deficiencies with regard to

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<sup>1205</sup> Para mejorar la supervisión de los mercados de capitales, National Commission of Values (Buenos Aires) 19 September 2013. Access Date: 26 February 2014.

<http://www.cnv.gob.ar/InfoFinan/Comunicados/acuerdoDeColaboracionConIndia.asp>.

<sup>1206</sup> Improving Global AML/CFT Compliance: On-going Process, Financial Action Task Force (Paris) 18 October 2013. Access Date: 24 February 2014. <http://www.fatf-gafi.org/countries/a-c/argentina/documents/fatf-compliance-oct-2013.html>.

<sup>1207</sup> Outcomes from the Plenary meeting of the FATF, Financial Action Task Force (Paris) 18 October 2013. Access Date: 24 February 2014. <http://www.fatf-gafi.org/countries/a-c/argentina/documents/plenary-outcomes-oct-2013.html>.

<sup>1208</sup> Improving Global AML/CFT Compliance: on-going process, Financial Action Task Force (Paris) 14 February 2014. Access Date: 24 February 2014. <http://www.fatf-gafi.org/countries/a-c/argentina/documents/fatf-compliance-feb-2014.html>.



the framework for freezing terrorist-related assets and enhancing the range and proportionality of the sanctions available for non-compliance with AML/CFT requirements.<sup>1209</sup>

Therefore, Argentina has received a score of 0 for continually strengthening its legislation and taking measures to comply with the FATF AML/CFT standards.

*Analyst: Artur Pereira*

### **Australia: 0**

Australia has partially complied with its commitment to take measures to ensure meeting the Financial Action Task Force (FATF) standards regarding the identification of the beneficial owners of companies and fostering cooperation and coordination between government agencies, law enforcement and the business community.

Australia has been a member of the FATF since 1990. Australia is also a member of the Asia/Pacific Group on Money Laundering (APG). Australia is set for the fourth round of joint APG/FATF Mutual Evaluations with a tentative on-site visit in August 2014 and a plenary discussion in February 2015.<sup>1210</sup>

The Australian government passed the Financial Transaction Reports Act 1988 to “provide for the reporting of certain transactions and transfers to the Australian Transaction Reports and Analysis Centre (AUSTRAC) and to impose certain obligations in relation to accounts, and for related purposes.”<sup>1211</sup> AUSTRAC was established in 1989 and its purpose is “to protect the integrity of Australia’s financial system and contribute to the administration of justice through our expertise in countering money laundering and the financing of terrorism.”<sup>1212</sup> AUSTRAC cites FATF regulations as its regulatory guide.<sup>1213</sup>

In May 2013, AUSTRAC published a discussion paper titled Consideration of Possible Enhancements to the Requirements for Customer Due Diligence. The paper discussed how “Australia is recognized internationally as having a robust Anti-Money Laundering/Counter-Terrorism Financing regime.”<sup>1214</sup> However, the paper recognized that the FATF had “identified a number of deficiencies in Australia’s regulatory obligations.” Specifically, the paper stated that “without measures to increase the transparency of beneficial ownership, criminals and terrorists will be able to continue to abuse legal structures to aid money laundering or terrorism financing.”

In December 2013, the Organisation for Economic Co-operation and Development (OECD) issued a Report Measuring OECD Responses to Illicit Financial Flows from Developing Countries. It found that “Australia is lagging behind many other developed countries on ending money laundering and illicit

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<sup>1209</sup> Improving Global AML/CFT Compliance: on-going process - 14 February 2014, FATF (Paris) 14 February 2014. Access Date: 24 February 2014. <http://www.fatf-gafi.org/countries/a-c/argentina/documents/fatf-compliance-feb-2014.html>.

<sup>1210</sup> Australia, Countries Financial Action Task Force (Paris). Access Date: 10 February 2014. <http://www.fatf-gafi.org/countries/a-c/australia/>.

<sup>1211</sup> Financial Transaction Reports Act 1988, Australian Transactions Reports and Analysis Centre (Melbourne) 11 December 2013. Access Date: 10 February 2014. [http://www.austrac.gov.au/ftr\\_act.html](http://www.austrac.gov.au/ftr_act.html).

<sup>1212</sup> About AUSTRAC, Australian Transactions Reports and Analysis Centre (Melbourne) 5 April 2013. Access Date: 10 February 2014. [http://www.austrac.gov.au/about\\_austrac.html](http://www.austrac.gov.au/about_austrac.html).

<sup>1213</sup> AUSTRAC Regulatory Guide, Australian Transactions Report and Analysis Centre (Melbourne) 17 January 2012. Access Date: 12 February 2014. [http://www.austrac.gov.au/rg\\_app\\_h.html](http://www.austrac.gov.au/rg_app_h.html).

<sup>1214</sup> Consideration of Possible Enhancements to the Requirements for Customer Due Diligence, Australian Transactions Report and Analysis Centre (Melbourne) May 2013. Access Date: 14 February 2014. [http://www.austrac.gov.au/files/cdd\\_discussion\\_paper.doc](http://www.austrac.gov.au/files/cdd_discussion_paper.doc).

financial flows.”<sup>1215</sup> The report finds that Australia was largely compliant with FATF recommendation 33 (beneficial owners — transparency of legal persons) but only partially compliant with FATF recommendation 34 (beneficial owners — transparency legal arrangements).<sup>1216</sup>

Thus, Australia has partially complied with its commitment. It has recognized compliance deficiencies via the FATF identification and the discussion paper. The 2013 OECD report found that Australia has partially complied with recommendations to establish transparency mechanisms in identifying beneficial owners. Australia has only partially complied with FATF recommendations on transparency in identifying beneficial owners, although there is cooperation and coordination between government agencies, law enforcement and the business community. Therefore, Australia receives a score of 0.

*Analyst: Irene Ferro Colmenares*

### **Brazil: +1**

Brazil has fully complied with its commitment to establish transparency mechanisms in identifying beneficial owners and establish cooperation and coordination between government agencies, law enforcement, and the business community.

On 9 September 2013, the Comptroller General of the Union (CGU) participated in the “Operação Esopo,” an investigation led by the Federal Police, with the Federal Public Ministry and the Secretariat of the Federal Revenue of Brazil, into a criminal operation that diverted public resources through fraudulent bidding processes.<sup>1217</sup> The investigation revealed “ghost” companies and companies intentionally lost the bid in order to obtain illegal patrimonial advantages.

On 19 September 2013, the CGU participated in the “Suseranos” operation, led by the Federal Police, in the state of Alagoas.<sup>1218</sup> The objective was to disarticulate a criminal organization diverting public resources destined to education in the region of Coruripe, through fraudulent bidding processes. The illegal scheme, led by an ex-chief of the purchases sector in the prefecture, used fake companies and representatives. Among the irregularities, BRL6 million were found to have been illegally deviated.

On 25 September 2013, the CGU, with the Federal Police, triggered the “Usura II” Operation, resulting from an investigation involving the diversion of federal public resources in the state of Maranhão.<sup>1219</sup> The investigation showed that fraudulent bidding processes were made in order to hire fake companies for services that were never completed. A total of BRL12 million was found to have been diverted.<sup>1220</sup>

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<sup>1215</sup> Australia’s role in money laundering further criticized, Devpolicy Blog (Canberra) 7 January 2014. Access Date: 14 February 2014. <http://devpolicy.org/in-brief/australias-role-in-money-laundering-further-criticised-20140107/>.

<sup>1216</sup> Measuring OECD Responses to Illicit Financial Flows from Developing Countries, Organisation for Economic Co-operation and Development (Paris) 2013. Access Date: 14 February 2014. <http://www.oecd.org/dac/governance-development/IFFweb.pdf>.

<sup>1217</sup> CGU participa da Operação Esopo para desarticular esquema de fraudes em licitações, The Office of the Comptroller General (CGU) (Brasília) 9 September 2013. Access Date: 24 February 2014. <http://www.cgu.gov.br/Imprensa/Noticias/2013/noticia10313.asp>.

<sup>1218</sup> CGU participa em Alagoas da Operação “Suseranos”, The Office of the Comptroller General (CGU) (Brasília) 19 September 2013. Access Date: 25 February 2014. <http://www.cgu.gov.br/Imprensa/Noticias/2013/noticia10813.asp>.

<sup>1219</sup> CGU e PF realizam operação para apurar desvio de dinheiro público federal em municípios do Maranhão, The Office of the Comptroller General (CGU) (Brasília) 25 September 2013. Access Date: 24 February 2014. <http://www.cgu.gov.br/Imprensa/Noticias/2013/noticia11413.asp>.

<sup>1220</sup> CGU e PF realizam operação para apurar desvio de dinheiro público federal em municípios do Maranhão, The Office of the Comptroller General (CGU) (Brasília) 25 September 2013. Access Date: 24 February 2014. <http://www.cgu.gov.br/Imprensa/Noticias/2013/noticia11413.asp>.

On 25 October 2013, the government launched a website with information about Brazil's role in the Open Government Partnership. The website details the calendar of the main events relative to Brazil's participation to facilitate access the participation of citizens and social orgs in the partnership.<sup>1221</sup>

On 8 November 2013, the secretary of Transparency and Corruption Prevention of the CGU, Sérgio Seabra, participated in the first Meeting for the Prevention and Fight Against Corruption, organized by the Latin-American and Caribbean States (Celac), held in Santa Cruz, Bolivia.<sup>1222</sup> He emphasized the country's advances in the fight against corruption, and ended his participation stating, "the combat against corruption is a daily fight. We are aware of the challenges that are imposed on us and that there is a lot that needs to be done; we are certain that cooperation is a valuable instrument in this job."

On 19-22 November 2013, the CGU, with the Federal Public Ministry, partnered with the U.S Securities and Exchange Commission, promoted the Transnational Bribery Investigation Training Conference.<sup>1223</sup> The goal was to debate punishing companies that act against the national or foreign administrations. The event approved the Law for Accountability of Legal Persons, to be implemented on 2014, which will implement more rigorous sanctions, internal guidelines for preventing and detecting company irregularities, and induce companies to create compliance mechanisms.

On 25-29 November 2013, the executive-secretary of the CGU, Carlos Higinio, participated in the fifth United Nations Convention against Corruption (UNCAC), held in Panama. The objective of the conference was to promote ratifying and monitoring of UNCAC, signed in 2003, that promotes cooperation on preventing, detecting, investigating, combatting and punishing corruption.<sup>1224</sup> Among the initiatives presented by the Brazilian representatives were the Transparency Portal and the actions of control and transparency to be adopted given the 2014 World Cup and the 2016 Olympics.

On 25-29 November 2013, the CGU participated in the annual meeting of the National Strategy for the Fight against Corruption and Money Laundering, held in Uberlândia, Minas Gerais. The conference was held to discuss the work done on 2013 as well as to deliberate and approve new actions for 2014.<sup>1225</sup>

Brazil has taken steps toward combating corruption and ensuring cooperation to tackle illegal schemes, as well as toward increasing govt transparency through website transparency portals. Therefore, Brazil has received a score of +1.

*Analyst: Artur Pereira*

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<sup>1221</sup> Governo Federal lança site sobre atuação do Brasil na Parceria para Governo Aberto, The Office of the Comptroller General (CGU) (Brasília) 30 October 2013. Access Date: 24 February 2014.  
<http://www.cgu.gov.br/Imprensa/Noticias/2013/noticia12713.asp>.

<sup>1222</sup> CGU participa, na Bolívia, de reunião sobre Prevenção e Luta contra a Corrupção, The Office of the Comptroller General (CGU) (Brasília) 13 November 2013. Access Date: 25 February 2014.  
<http://www.cgu.gov.br/Imprensa/Noticias/2013/noticia13513.asp>.

<sup>1223</sup> CGU realiza Conferência de Treinamento para Investigação de Suborno Transnacional, The Office of the Comptroller General (CGU) (Brasília) 22 November 2013. Access Date: 25 February 2014.  
<http://www.cgu.gov.br/Imprensa/Noticias/2013/noticia13613.asp>.

<sup>1224</sup> CGU participa da Operação Esopo para desarticular esquema de fraudes em licitações, The Office of the Comptroller General (CGU) (Brasília) 9 September 2013. Access Date: 25 February 2014.  
<http://www.cgu.gov.br/Imprensa/Noticias/2013/noticia13913.asp>.

<sup>1225</sup> CGU participa da reunião plenária anual da Estratégia Nacional de Combate à Corrupção, The Office of the Comptroller General (CGU) (Brasília) 3 December 2013. Access Date: 25 February 2014.  
<http://www.cgu.gov.br/Imprensa/Noticias/2013/noticia15113.asp>.

## Canada: 0

Canada has partially complied with its commitment to take measures to meet the standards of the Financial Action Task Force (FATF) regarding the identification of the beneficial owners of companies.

On 1 February 2014, amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) — which is the basis for preventive legislation on anti-money laundering/combating terrorist financing (AML/CFT) in relation to financial institutions and Designated Non-Financial Business or Profession in Canada — came in force. Among other issues, the amendments (specifically, the amendment to sections 11.1 and 53.1 of the PCMLTFA) brought progress to the outstanding issue of beneficial ownership identification.<sup>1226</sup>

On 1 February 2014, the newly updated Guideline 6G: Record Keeping and Client Identification for Financial Entities came into effect.<sup>1227</sup> The guideline was prepared by Financial Transactions and Reports Analysis Centre of Canada and, although not binding, brings progress to the issue of the identification of beneficial owners.<sup>1228</sup> Specifically, the guideline stipulates that financial institutions have to identify every client who conducts a suspicious transaction.

On 17 February 2014, the FATF released the Sixth Follow-Up Report: Mutual Evaluation of Canada that assessed Canada's progress on the road to compliance with its standards. The report notes that the recent amendments to the PCMLTFA effectively address the previously existing weaknesses in the legislation in relation to beneficial ownership.<sup>1229</sup>

Moreover, the recent amendments to the PCMLTFA have “brought Canada into substantial compliance with the 2003 FATF standards on the identification of beneficial ownership.”<sup>1230</sup>

Canada has strengthened its legislation in relation to the identification of beneficial owners of companies through amendments to a relevant legislation but has not taken steps to strengthen coordination between government agencies since the St. Petersburg Summit. Canada, however, has not taken action to boost coordination and cooperation between government agencies, law enforcement, and the business community since the St. Petersburg Summit. Thus, Canada is in partial compliance with its commitment to meet the FATF standards regarding the identification of the beneficial owners of companies. Canada receives a score of 0.

*Analys: Vera V. Gavrilova*

## China: 0

China has partially complied with its commitment to take action to establish transparency mechanisms in identifying beneficial owners and establish cooperation and coordination between government agencies, law enforcement and the business community.

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<sup>1226</sup> Sixth Follow-up Report: Mutual Evaluation of Canada, Financial Action Task Force (Paris) 17 February 2014. Access Date: 15 March 2014. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Canada-2014.pdf>.

<sup>1227</sup> Guideline 6G: Record Keeping and Client Identification for Financial Entities, Financial Transactions and Reports Analysis Centre of Canada (Ottawa) February 2014. Access Date: 15 March 2014. <http://www.fintrac-canafe.gc.ca/publications/guide/guide6/6G-eng.asp#s6>.

<sup>1228</sup> Sixth Follow-up Report: Mutual Evaluation of Canada, Financial Action Task Force (Paris) 17 February 2014. Access Date: 15 March 2014. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Canada-2014.pdf>.

<sup>1229</sup> Sixth Follow-up Report: Mutual Evaluation of Canada, Financial Action Task Force (Paris) 17 February 2014. Access Date: 15 March 2014. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Canada-2014.pdf>.

<sup>1230</sup> Sixth Follow-up Report: Mutual Evaluation of Canada, Financial Action Task Force (Paris) 17 February 2014. Access Date: 15 March 2014. <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FUR-Canada-2014.pdf>.

Chinese authorities and financial institutions have put considerable efforts into the prevention of money laundering over the recent years.

In 2013, the Chinese President Xi Jin Pin “launched a national crackdown on conspicuous consumption among party members and ordered anti-graft authorities to reclaim homes illegally occupied by local officials and seize public vehicles that are being improperly used.”<sup>1231</sup> The campaign has been broad and sustained, and is intensifying as it enters a second year. According to the Central Commission for Discipline and Inspection, 182,000 officials were punished for disciplinary violations in 2013.<sup>1232</sup>

On 12-15 November 2013 China attended the 19th Eurasian Group plenary meeting and working group meetings that took place in Ashgabat (Turkmenistan).<sup>1233</sup>

On 23 November 2013, Wang Qishan, the Chinese Secretary of the Central Commission for Discipline Inspection, urged efforts to “implement the decision on comprehensively deepening reform” approved by the Communist Party of China (CPC) Central Committee at the Third Plenary Session of the 18th CPC Central Committee.<sup>1234</sup> The main task is to punish and prevent corruption. Wang also called for institutional innovation and the building of a system to guarantee anti-corruption work.<sup>1235</sup>

On 25 November 2013, China attended the fifth Conference of States Parties to the United Nations Convention against Corruption (UNCAC) in Panama. Chinese Vice Foreign Minister Liu Zhenmin delivered a speech calling to develop a “coalition to promote a culture of zero tolerance for corruption.”<sup>1236</sup> Liu stressed that as part of its recent decision to comprehensively deepen reforms, Chinese leaders have pledged to “punish and prevent corruption, and called for institutional innovation and the building of a system to guarantee anti-corruption work.”

As demonstrated by these measures above, China has partially complied with its commitment on crime and corruption and receives a score of 0.

*Analyst: Angel Chu*

## **France: 0**

France has partially complied with its commitment to take action to establish transparency mechanisms in identifying beneficial owners and establish cooperation and coordination between government agencies, law enforcement and the business community. France has advanced in the establishment of transparency mechanisms in identifying beneficial owners.

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<sup>1231</sup> Xi Jinping's Anticorruption Paradox, Bloomberg Business Week (Beijing) 15 January 2014. Access Date: 3 March 2014. <http://www.businessweek.com/articles/2014-01-15/xi-jinpings-anti-corruption-paradox>.

<sup>1232</sup> Less Party Time: The Communist Party's anti-graft campaign has had a surprising impact, but a new report shows how far there is to go, The Economist (Beijing) 25 January 2014. Access Date: 2 March 2014. <http://www.economist.com/news/china/21595029-communist-partys-anti-graft-campaign-has-had-surprising-impact-new-report-shows-how>.

<sup>1233</sup> 19th EAG Plenary Meeting Public Statement, Eurasian Group on Combating Money Laundering and Financing of Terrorism (Moscow) 18 November 2013. Access Date: 3 March 2014. [http://www.eurasiangroup.org/detail/news1/19th\\_eag\\_plenary\\_meeting\\_public\\_statement/](http://www.eurasiangroup.org/detail/news1/19th_eag_plenary_meeting_public_statement/).

<sup>1234</sup> CPC watchdog calls for innovation in anti-corruption work, Xinhuanet (Beijing) 23 November 2013. Access Date: 3 March 2014. [http://news.xinhuanet.com/english/china/2013-11/13/c\\_132885721.htm](http://news.xinhuanet.com/english/china/2013-11/13/c_132885721.htm).

<sup>1235</sup> CPC watchdog calls for innovation in anti-corruption work, Xinhuanet (Beijing) 23 November 2013. Access Date: 3 March 2014. [http://news.xinhuanet.com/english/china/2013-11/13/c\\_132885721.htm](http://news.xinhuanet.com/english/china/2013-11/13/c_132885721.htm).

<sup>1236</sup> China pledges zero tolerance for corruption: vice FM, Xinhuanet (Beijing) 26 November 2013. Access Date: 3 March 2014. [http://news.xinhuanet.com/english/china/2013-11/26/c\\_132919653.htm](http://news.xinhuanet.com/english/china/2013-11/26/c_132919653.htm).

On 7-8 November 2013 France participated in the Organisation for Economic Co-operation and Development's (OECD) Forum on Tax and Crime in Istanbul, Turkey. The forum addressed priority issues on the responsibility for combating financial crime and "supported an ambiguous programme going forward."<sup>1237</sup> At the conclusion of the forum, participants, including France, released a communique in which they committed to "strengthen cooperation with other authorities in the fisheries sector in particular on beneficial ownership."

On 6 December 2013, the government of France has passed the Law #2013-1117 authorizing the creation of a centralized public registry to identify beneficial owners of trusts.<sup>1238</sup> The creation of the centralized registry will allow for the provision of more accurate and up-to-date information on beneficial owners, in line with the standards of the FATF.

On 20 February 2014 France supported a European Parliament vote to "set up public registers to identify company owners."<sup>1239</sup> The public register provision will require "banks and financial institutions, auditors, lawyers, accountants, notaries, tax advisors, asset managers, trusts and real estate agents" to provide ownership names to national authorities. The provision also outlines a 30-day requirement for any ownership changes to be communicated to national authorities. The provision will provide "a better starting point to verify the beneficial ownership of potential clients to organisations." The provision

France has participated in forums and European Parliament votes on improving the identification of beneficial ownership and has implemented legislation within its own borders to enhance the transparency mechanisms in identifying beneficial owners. However, France has not taken steps to strengthen cooperation and coordination between government agencies, law enforcement and the business community. Therefore, France receives a compliance score of 0.

*Analyst: Caitlin Gillespie*

## **Germany: 0**

Germany has partially complied with its commitment to take measures to ensure meeting the Financial Action Task Force (FATF) standards regarding the identification of the beneficial owners of companies and fostering cooperation and coordination between government agencies, law enforcement and the business community.

Germany has been a member of the FATF since 1990.<sup>1240</sup> It is an observer in the Asia/Pacific Group on Money Laundering, Eurasian Group and the Financial Action Task Force of South American Against Money Laundering. Germany is one of two G20 members that has yet to ratify the United Nations Convention Against Corruption (UNCAC).<sup>1241</sup> Although compliance commitments do not

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<sup>1237</sup> Outcomes Statement: The 3rd OECD Forum on Tax and Crime, Organisation for Economic Co-operation and Development (Paris) 8 November 2013. Access Date: 25 February 2014. <http://www.oecd.org/tax/crime/outcomes-third-forum-on-tax-crime.pdf>.

<sup>1238</sup> LOI n° 2013-1117 du 6 décembre 2013 relative à la lutte contre la fraude fiscale et la grande délinquance économique et financière, Légifrance (Paris) 7 December 2013. Date of Access: 29 July 2014. [http://www.legifrance.gouv.fr/affichTexte.do;jsessionid=CA2B8CFF2C9DFC93EB3250E62337C30C.tpdjo03v\\_3?cidTexte=JORFTEXT000028278976&categorieLien=id](http://www.legifrance.gouv.fr/affichTexte.do;jsessionid=CA2B8CFF2C9DFC93EB3250E62337C30C.tpdjo03v_3?cidTexte=JORFTEXT000028278976&categorieLien=id).

<sup>1239</sup> MEPs vote to abolish secret company ownership, EUobserver (Brussels) 21 February 2014. Access Date: 25 February 2014. <http://euobserver.com/justice/123221>.

<sup>1240</sup> Germany, Countries, Financial Action Task Force (Paris). Access Date: 17 February 2014. <http://www.fatf-gafi.org/countries/d-i/germany/>.

<sup>1241</sup> United Nations Convention Against Corruption Signatures and Ratification Status as of 29 November 2013, United Nations Office on Drugs and Crime (Vienna) 29 November 2013. Access Date: 7 March 2014. <https://www.unodc.org/unodc/en/treaties/CAC/signatories.html>.

relate directly to UNCAC, it covers “five main areas: prevention, criminalization and law enforcement measures, international cooperation, asset recovery, and technical assistance and information exchange.<sup>1242</sup> UNCAC is the only “legally binding universal anti-corruption instrument.” As a result, it plays an important role in complying with FATF recommendations, as both UNCAC and the FATF deal with combating financial corruption.

The German government released an action plan to prevent the misuse of legal persons and legal arrangements. It states that “Germany is committed to further strengthening its regime and related implementation measures.”<sup>1243</sup> It outlines seven key features: “having companies know their beneficial owners ... ensuring timely access to beneficial ownership information ... carrying out national risk assessments ... preventing the misuse of legal arrangements ... adequately supervising obliged entities for compliance with their AML/CFT [anti-money laundering/combating terrorist financing] requirements ... applying effective, proportionate and dissuasive sanctions ... providing international cooperation.”

The action plan discusses transparency, cooperation and communication between government agencies, law enforcement and the business community. Within ensuring timely access to beneficial ownership information the report states that “competent authorities [will have] information provided by the obliged financial institutions.”<sup>1244</sup> Within supervising entities for compliance with beneficial ownership and applying sanctions, the Federal Financial Supervisory Board will continue guidance and project development in order to help other supervising authorities.

A December 2013 Organisation for Economic Co-operation and Development (OECD)’s report on Measuring OECD Responses to Illicit Financial Flows from Developing Countries reported country compliance with the recommendations on beneficial ownership. The report finds that Germany was non-compliant with both FATF recommendations 33 (beneficial owners — legal persons) and 34 (beneficial owners — legal arrangements).<sup>1245</sup>

Although, Germany has outlined in its action plan seven key features for preventing misuse of legal persons and arrangements. The December 2013 OECD report found that Germany has not complied with the recommendations to take actions to establish transparency mechanisms in identifying beneficial owners. Germany has not complied with FATF recommendations regarding transparency in identifying beneficial owners, but there is evident cooperation and coordination between government agencies, law enforcement and the business community.

Therefore, Germany receives a compliance score of 0.

*Analyst: Irene Ferro Colmenares*

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<sup>1242</sup> G20 Background Policy Brief, InterAction (Washington) March 2013. Access Date: 17 February 2014.  
<http://www.interaction.org/sites/default/files/2013%20G20%20Anti-corruption%20and%20Transparency%20Background%20Policy%20Brief.pdf>.

<sup>1243</sup> Germany’s Action Plan to prevent the misuse of legal persons and legal arrangements, German Federal Government (Berlin). Access Date: 18 February 2014.  
[http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?\\_\\_blob=publicationFile&v=2](http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?__blob=publicationFile&v=2).

<sup>1244</sup> Germany’s Action Plan to prevent the misuse of legal persons and legal arrangements, German Federal Government (Berlin). Access Date: 18 February 2014.  
[http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?\\_\\_blob=publicationFile&v=2](http://www.bundesregierung.de/Content/DE/StatischeSeiten/Breg/G8G20/Anlagen/g8-lough-erne-deutscher-aktionsplan.pdf?__blob=publicationFile&v=2).

<sup>1245</sup> OECD Report: Measuring OECD Responses to Illicit Financial Flows from Developing Countries, Organisation for Economic Co-operation and Development (Paris) 2013. Access Date: 14 February 2014.  
<http://www.oecd.org/dac/governance-development/IFFweb.pdf>.

## India: +1

India has fully complied with its commitment to the Financial Action Task Force (FATF)'s work including fighting money laundering and terrorism financing. Contributions made by the FATF through tackling crimes such as tax crimes, corruption, terrorism, and drug trafficking, as well as supporting strategic anti-money laundering/combating terrorist financing (AML/CFT) are noted.

On 25 June 2013, the FATF released the 2013 Mutual Evaluation Report on India. It affirmed that India has achieved the FATF's key recommendations, and removed it from the regular follow-up process. Since the first report in 2010, the AML/CFT regime in India has been greatly strengthened.<sup>1246</sup>

On 27 August 2013, India passed new amendments to the Prevention of Money Laundering Act and the Unlawful Activities Prevention Act. These implementations have dealt with technical deficiencies implementing effective confiscation and provisional measures as well as preventative measures.<sup>1247</sup>

On 23 February 2014, India passed the Whistleblowers Act that has been awaiting approval since 2011. The bill encourages citizens to disclose information on corruption or the willful misuse of power by public servants as well as Ministers. A procedure for inquiring into the complaints has been set up, as well means to protect whistleblowers from victimisation. Punishments for false or frivolous complaints are also components of the bill.<sup>1248</sup>

On 18 March 2013, amendments to the "The Prevention of Bribery of Foreign Public Officials and Officials of Public International Organisations Bill, 2011" were approved.<sup>1249</sup> A series of bills still await approval by the government, including: the Public Procurement Bill, the Prevention of Bribery of Foreign Public Officials and Officials of Public International Organisations Bill, as well as amendments to existing laws to include bribery in the private sector as a punishable offence.<sup>1250</sup>

On 18 December 2013, India passed the Anti-Corruption Act, also known as the Lokpal and Lokayuktas Bill. It allows for the creation of the institution of Lokpal to verify allegations of corruption, with jurisdiction over all public servants, with its powers extending even to the prime minister.<sup>1251</sup>

India is well underway to achieving the anti-corruption standards set by many international regulatory bodies including the FATF.

Therefore, India receives a score of +1.

*Analyst: Sevdal Sparks*

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<sup>1246</sup> Mutual Evaluation of India: 8th Follow-up report & Progress Report on Action Plan, Financial Action Task Force (Paris) 25 June 2013. Access Date: 23 February 2014. <http://www.fatf-gafi.org/topics/mutualevaluations/documents/india-fur-2013.html>.

<sup>1247</sup> Mutual Evaluation of India: 8th Follow-up report & Progress Report on Action Plan, Financial Action Task Force (Paris) 25 June 2013. Access Date: 23 February 2014. <http://www.fatf-gafi.org/topics/mutualevaluations/documents/india-fur-2013.html>.

<sup>1248</sup> Whistleblowers' Protection Act Passed, The Hindu (New Delhi) 23 February 2014. Access Date: 16 March 2014. <http://www.thehindu.com/news/national/whistleblowers-protection-bill-passed/article5717263.ece>.

<sup>1249</sup> Government Nod to Changes in Bill to Tackle Foreign Bribery by Foreigners, The Economic Times (New Delhi) 18 March 2013. Access Date: 14 March 2014. [http://articles.economictimes.indiatimes.com/2013-03-18/news/37815010\\_1\\_public-international-organisations-foreign-public-officials-bribery](http://articles.economictimes.indiatimes.com/2013-03-18/news/37815010_1_public-international-organisations-foreign-public-officials-bribery).

<sup>1250</sup> India: Countering Corruption in the Private Sector: A Shared Responsibility, United Nations Office on Drugs and Crime (Vienna) 2013. Access Date: March 14 2014. <http://www.unodc.org/southasia/frontpage/2013/may/india-countering-corruption-in-the-private-sector-a-shared-responsibility.html>.

<sup>1251</sup> Salient Features of Lokpal, Lokayuktas Bill, The Hindu (New Delhi) 18 December 2013. Access Date: 16 March 2014. <http://www.thehindu.com/news/national/salient-features-of-lokpal-lokayuktas-bill/article5474256.ece>.



## Indonesia: 0

Indonesia has partially complied with its commitment to combat corruption and crime. It has taken a number of measures to comply with recommendations of the international agreements and organizations; however, it has fallen short in reaching the desired outcomes within the set time limits.

The country has gone through some turbulence when a prominent anti-corruption judge was arrested on charges of Graft in October 2013.<sup>1252</sup>

Indonesia ratified the United Nations Convention against Corruption (UNCAC) on 19 September 2006.<sup>1253</sup>

On 19 October, 2013, according to public statement issued by the Financial Action Task Force (FATF), the country has been active in improving its regime on anti-money laundering/combating terrorist financing (AML/CFT). Despite “Indonesia’s high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Indonesia has not made sufficient progress in implementing its action plan within the agreed timelines, and certain key CFT deficiencies remain regarding the establishment and implementation of an adequate legal framework and procedures for identifying and freezing of terrorist assets.”<sup>1254</sup>

On 14 February 2014, the FATF issued another public statement in which it continued to voice its concerns with Indonesia. It has commended the country on initiating the implementation process of United Nations Security Council Resolution (UNSCR) 1267 and effectively implementing the terrorist asset-freezing system. However, the statement added that the “FATF encourages Indonesia to address its remaining deficiencies in compliance with FATF standards by taking steps to fully implement UNSCR 1267 and to clarify the legal framework and procedures for freezing terrorist assets.”<sup>1255</sup>

Indonesia participates in the 2014–2017 regional program of the United Nations Office on Drugs and Crime (UNODC) to strengthen anti-corruption efforts in the region. In addition, the country has participated in a UNCAC anti-corruption workshop held from 24 to 27 February 2014. The workshop “brought together for the first time some 60 civil society organization members, government officials and anti-corruption practitioners from 14 countries across Asia.”<sup>1256</sup>

On 9 December 2013, an EU led project was launched in partnership with UNODC, Indonesia Corruption Watch, and Transparency International Indonesia. The project “helped enhancing civil society participation in the fight against corruption and the establishment of a national Anti-Corruption

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<sup>1252</sup> Top Indonesian ‘Anticorruption’ Judge Is Arrested for Graft, World Time, (Indonesia) 3 October 2013. Access Date: 7 March 2014. <http://world.time.com/2013/10/04/arrest-of-antigrift-judge-shows-depth-of-indonesias-corruption-crisis/>.

<sup>1253</sup> United Nations Convention Against Corruption Signatures and Ratification Status as of 29 November 2013, United Nations Office on Drugs and Crime (Vienna) 29 November 2013. Access Date: 7 March 2014. <https://www.unodc.org/unodc/en/treaties/CAC/signatories.html>.

<sup>1254</sup> FATF Public Statement, 18 October 2013, The Financial Action Task Force (Paris) 18 October 2013. Access Date: 7 March 2014. <http://www.fatf-gafi.org/countries/s-t/turkey/documents/fatf-public-statement-oct-2013.html>.

<sup>1255</sup> FATF Public Statement, 14 February 2014, The Financial Action Task Force (Paris) 14 February 2014. Access Date: 7 March 2014. <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/public-statement-feb-2014.html>.

<sup>1256</sup> Working together to more effectively fight corruption across Asia, United Nations Office on Drugs and Crime (Vienna) 28 February 2014. Access Date: 7 March 2014. <https://www.unodc.org/southeastasiaandpacific/en/2014/03/kl-workshop/story.html>.

Forum which brings together the government and civil society organizations to enhance cooperation in anti-corruption drive.”<sup>1257</sup>

Indonesia has made efforts at combating crime and corruption through several international agreements and projects, but amidst a corruption scandal it has made little forward motion in taking actions to establish transparency mechanisms in identifying beneficial owners and establishing cooperation and coordination between government agencies, law enforcement and the business community.

Therefore, Indonesia receives a compliance score of 0.

*Analyst: Israa Hamad*

### **Italy: -1**

Italy has not complied with its commitment to take action to meet the standards of the Financial Action Task Force (FATF) regarding the identification of the beneficial owners of companies and establish cooperation and coordination between government agencies, law enforcement and the business community.

In September 2013, “the Italian national anti-corruption authority (the Commissione indipendente per la Valutazione, la Trasparenza e l’Integrità — CIVIT) approved the three-year national anti-corruption plan prepared by the Department of Public Administration.”<sup>1258</sup> The plan “focuses on preventive and transparency measures for the public administration, but also comprises few measures aimed at increasing detection of corrupt practices.”<sup>1259</sup> Some performance indicators are also provided, while deadlines for fulfillment of the measures are not defined in detail.<sup>1260</sup>

On 18 December 2013, the “CONSOB’s [the Italian securities regulator] resolution no. 18731, set out implementation measures in relation to customer due diligence obligations to be complied with by financial promoters.”<sup>1261</sup>

On 1 January 2014, “two regulations, issued by the Bank of Italy in April 2013, entered into force, which deal with the customer due diligence in the field of anti-money laundering and the keeping of the Single Financial Transactions Database [Archivio Unico Informativo].”<sup>1262</sup>

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<sup>1257</sup> EU and UNODC support Indonesia in fighting corruption, United Nations Office on Drugs and Crime (Vienna) 12 December 2013. Access Date: 7 March 2014. <https://www.unodc.org/indonesia/en/2013/12/fighting-corruption/story.html>.

<sup>1258</sup> Annex - Italy to the EU Anti-Corruption Report, European Commission (Brussels) 3 February 2014. Access Date: 2 March 2014. [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014\\_acr\\_italy\\_chapter\\_en.pdf](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014_acr_italy_chapter_en.pdf).

<sup>1259</sup> Annex - Italy to the EU Anti-Corruption Report, European Commission (Brussels) 3 February 2014. Access Date: 2 March 2014. [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014\\_acr\\_italy\\_chapter\\_en.pdf](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014_acr_italy_chapter_en.pdf).

<sup>1260</sup> Annex - Italy to the EU Anti-Corruption Report, European Commission (Brussels) 3 February 2014. Access Date: 2 March 2014. [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014\\_acr\\_italy\\_chapter\\_en.pdf](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014_acr_italy_chapter_en.pdf).

<sup>1261</sup> United States: Recent Developments In The Italian Anti-Money Laundering Legislation, Mondaq (New York) 27 January 2014. Access Date: 2 March 2014. <http://www.mondaq.com/unitedstates/x/288818/Financial+Services/RECENT+DEVELOPMENTS+IN+THE+ITALIAN+ANTIMONEY+LAUNDERING+LEGISLATION>.

Although Italy has been working to enhance its anti-corruption legislation, no actions were taken to meet the FATF standards on identifying the beneficial owners of companies. Thus, Italy warrants a score of -1.

*Analyst: Angel Chu*

### **Japan: -1**

Japan has not complied with its commitment to meet the standards of the Financial Action Task Force (FATF) regarding the identification of the beneficial owners of companies.

On 5 February 2014, the Organisation for Economic Co-operation and Development's Working Group on Bribery reported on Japan's effort to implement the recommendations of the Phase 3 report. The working group has significant concerns about the low level of foreign bribery enforcement in Japan, with many allegations involving Japanese companies. It also believes that the implementation of the Anti-Bribery Convention is not given adequate priority by Japanese authorities, citing a lack of targeted resources for the purpose of detecting, investigating, and prosecuting foreign bribery cases, the lack of a legal authority in charge of confiscating foreign proceeds, or having foreign bribery as a predicate offence leading to money laundering. There is a bill amending the Anti-Organized Crime Law that has not been passed by the Diet that could deal with many of the weaknesses Japan has to address in regards to the Anti-Bribery Convention.<sup>1263</sup> The same report also cites areas where Japan has made progress. Japan intends to expand its bilateral tax treaties to allow the sharing of tax information by tax authorities with other law enforcement and judicial authority on foreign bribery cases. Targeted training on foreign bribery to contact points in Japan's overseas mission has been implemented.

On 6 December 2013, the Japanese government passed the State Secrets Bill, which outlines new penalties for potential whistleblowers. Whistleblowers can now be criminally prosecuted for disclosing evidence to the public.<sup>1264</sup>

On 19 November 2013, at the European Union-Japan Summit in Tokyo, the mutual legal assistance in criminal matters agreement, which had been signed on 2 January 2011, was reiterated to continue cooperation between the two trading partners.<sup>1265</sup>

Although Japan has been working to strengthen its anti-corruption legislation, no action has been taken with regards to the identification of beneficial owners of companies. Hence, Japan has failed to comply with the commitment and receives a score of -1.

*Analyst: Sevda Sparks*

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<sup>1262</sup> United States: Recent Developments In The Italian Anti-Money Laundering Legislation, Mondaq (New York) 27 January 2014. Access Date: 2 March 2014. <http://www.mondaq.com/unitedstates/x/288818/Financial+Services/RECENT+DEVELOPMENTS+IN+THE+ITALIAN+ANTIMONEY+LAUNDERING+LEGISLATION>.

<sup>1263</sup> Japan's Follow-Up to the Phase 3 Report and Recommendations, Organisation for Economic Co-operation and Development (Paris) February 2014. Access Date: 13 March 2014. <http://www.oecd.org/daf/anti-bribery/JapanP3WrittenFollowUpReportEN.pdf>.

<sup>1264</sup> Japan's State Secrets Bill Polarizes Society, The Diplomat (Tokyo) 28 November 2013. Access Date: 13 March 2014. <http://thediplomat.com/2013/11/japans-state-secrets-bill-polarizes-society/>.

<sup>1265</sup> EU-Japan relations and the 21st EU-Japan Summit, Press Release Database (Tokyo) 19 November 2013. Access Date: 13 March 2014. [http://europa.eu/rapid/press-release\\_MEMO-13-999\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-999_en.htm).

## **Korea: -1**

Korea has not complied with its commitment to enact the standards of the Financial Action Task Force (FATF) regarding the identification of the beneficial owners of companies. Although actively battling crime and corruption, Korea has not taken actions specifically in relation to the identification of the beneficial owners of companies.

Korea became a member of the FATF in October 2009.<sup>1266</sup>

On 29 November 2013, the Anti-Corruption and Civil Right Commission of Korea demonstrated its goals and achievements to the fifth session of the Conference of the States Parties to the United Nations Convention against Corruption. Many initiatives are ready, including a bill on the Prevention of Illegal Solicitation and Conflict of Interest that is under review at the National Assembly.<sup>1267</sup>

Korea has not been compliant with the commitment. Since the St. Petersburg Summit, Korea has not made steps towards the enactment of the FATF's standards relating to the identification of beneficial owners of companies. Thus, for the lack of compliance Korea receives a score of -1.

*Analyst: Senda Sparks*

## **Mexico: 0**

Mexico has partially complied with its commitment to combat crime and corruption through the establishment of transparency mechanisms in identifying beneficial owners and establishing cooperation and coordination between government agencies, law enforcement, and the business community.

On 24 October 2013, in order to enhance and reinforce coordination between the United States and Mexican authorities on a variety of operational and regulatory anti-money laundering initiatives, the Financial Crimes Enforcement Network Director Jennifer Calvery and Mexico's National Banking and Securities Commission President Jaime Gonzalez Aguade signed a Memorandum of Understanding, strengthening both countries' ability to fight transnational financial crime.<sup>1268</sup> The memorandum supports each countries' anti-money laundering and combating terrorist financing (AML/CTF) missions. The partnership is conducted through the exchange of supervisory information as well as providing more strict controls and safeguards to ensure that the shared information is well protected and used in confidential and authorized manner for AML/CTF supervision purposes only.

On 7 February 2014, in the promulgation of the Constitutional Reform in Matters of Transparency, President Enrique Peña Nieto, emphasized that the government was determined to perform a public management in an efficient and transparent fashion.<sup>1269</sup> Among the main points of the Constitutional

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<sup>1266</sup> Republic of Korea (South Korea), Asia-Pacific Group on Money Laundering (Bangkok) 2014. Access Date: 14 March 2014. <http://www.apgml.org/members-and-observers/members/details.aspxm=b9d16e34-607e-4850-8c92-3a6cdfa70254>.

<sup>1267</sup> ACRC Chairman reaffirms Korea's strong support for implementation of UNCAC, Anti-Corruption & Civil Rights Commission (Seoul) 2 January 2014. Access Date: 14 March 2014. <http://www.acrc.go.kr/eng/board.docommand=searchDetailViewInc&menuId=020501&boardNum=35634>.

<sup>1268</sup> U.S. and Mexican AML/CFT Supervisors Sign First-Ever MOU to Exchange Financial Information to Thwart Drug Crime, Financial Crimes Enforcement Network (Washington) 24 October 2013. Access Date: 26 February 2014. [http://www.fincen.gov/news\\_room/nr/html/20131024.html](http://www.fincen.gov/news_room/nr/html/20131024.html).

<sup>1269</sup> La transparencia acompañará y reforzará la transformación que estamos impulsando en el país: Enrique Peña Nieto, Presidencia de la República (Mexico City) 7 February 2014. Access Date: 26 February 2014. <http://www.presidencia.gob.mx/articulos-prensa/la-transparencia-acompanara-y-reforzara-la-transformacion-que-estamos-impulsando-en-el-pais-enrique-pena-nieto/>.

Reform were the strengthening of the right to public information access, the creation of new and more solid transparency institutions, and the establishment of new faculties for the national body.

On 12-14 February 2014, under the Russian presidency, the plenary meeting of the Financial Action Task Force (FATF) was held. Among the issues dealt with was the approval and publishing of follow-up reports to the mutual evaluation of Mexico in order to assess the advancements and update the country's steps towards complying with FATF standards since October 2012.<sup>1270</sup>

Mexico has taken steps towards combating crime and corruption through changes in legislation with the intent of increasing transparency, and alliances to combat money laundering and tax evasion. However, Mexico has not taken actions to adhere to the FATF standards on beneficial ownership, as prescribed in the commitment. Thus, Mexico has received a compliance score of 0.

*Analyst: Artur Pereira*

### **Russia: +1**

Russia has fully complied with the commitment on crime and corruption.

In Russia, the issue of beneficial ownership is dealt with in the context of de-offshorization of the economy. On 12 December 2013, in the Presidential Address to the Federal Assembly, President Vladimir Putin proposed several measures for “relieving the economy of offshore activity,” so that the “incomes of companies that are registered in offshore jurisdictions and belong to Russian owners or whose ultimate beneficiaries are Russian nationals follow Russian tax laws, and tax payments made to the Russian budget.”<sup>1271</sup>

On 27 May 2014, the Russian Ministry of Finance published draft law on amending Part I and Part II of the Tax Code of the Russian Federation (concerning taxation of the profits of controlled foreign companies and foreign entities). The draft law introduces the terms of beneficial ownership and controlled foreign companies, which are entities controlled by Russian tax residents.<sup>1272</sup>

On 14 February 2014, President Putin met with Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs (RSPP), which is the main Russian employers association. Shokhin discussed with the President the de-offshorization of the Russian economy and presented the views of Russian business on this issue.<sup>1273</sup>

On 18 June 2014, Russian Prime Minister Dmitry Medvedev met with key Russian business people — members of the RSPP board — to discuss the draft law on de-offshorization.<sup>1274</sup> The business people emphasized the need to counter tax evasion through the use of offshore and foreign jurisdictions, while considering the interests of the bona fide taxpayer; to keep competitiveness of Russian companies as

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<sup>1270</sup> Outcomes from the meeting of the FATF Plenary, Paris 12-14 February 2014, Financial Action Task Force (Paris) 14 February 2013. Access Date: 26 February 2014. <http://www.fatf-gafi.org/countries/j-m/mexico/documents/plenary-outcomes-feb-2014.html>.

<sup>1271</sup> Presidential Address to the Federal Assembly, President of Russia 12 December 2013. <http://eng.kremlin.ru/transcripts/6402>.

<sup>1272</sup> Draft law On Amending Part I and Part II of the Tax Code of the Russian Federation (concerning taxation of the profits of controlled foreign companies and foreign entities), Russian Ministry of Finance 27 May 2014. [http://www.minfin.ru/common/upload/library/2014/05/main/zakonoproekt\\_izm\\_NK\\_RF\\_nalogoobl\\_pribyli\\_kont\\_in\\_kom.pdf](http://www.minfin.ru/common/upload/library/2014/05/main/zakonoproekt_izm_NK_RF_nalogoobl_pribyli_kont_in_kom.pdf).

<sup>1273</sup> Meeting with President of the Russian Union of Industrialists and Entrepreneurs Alexander Shokhin, President of Russia 14 February 2014. <http://eng.kremlin.ru/news/6667>.

<sup>1274</sup> Meeting with members of the board of the Russian Union of Industrialists and Entrepreneurs national employers association, Government of Russia 18 June 2014. <http://government.ru/en/news/13152>.

compared to one foreign ones; to prevent new constraints on the export of Russian capital; and to ensure the ability to implement the law on de-offshorization and manage new regulation.

Russia has thus taken actions to establish transparency mechanisms in identifying beneficial owners and establish cooperation and coordination between government agencies, law enforcement and the business community. It has therefore been awarded a score of +1.

*Analyst: Mark Rakhmangulov*

### **Saudi Arabia: -1**

Saudi Arabia has failed to comply with its commitment to fight crime and corruption by establishing transparency mechanisms in identifying beneficial owners and establishing cooperation and coordination between government agencies, law enforcement and the business community.

On 29 September 2013, Saudi Arabia ratified the United Nations Convention against Crime (UNCAC).<sup>1275</sup> In this light, in October 2013, Saudi Arabian officials and experts participated in a three-day training program to strengthen the participants' understanding of the UNCAC review mechanism and "provid[ed] participants with the requisite expertise in UNCAC provisions to undergo and perform reviews."<sup>1276</sup> The training included a number of departments that are related to anti-corruption and combating money laundering such as the judiciary, Public Prosecution, Saudi Arabian Monetary Agency, National Anti-Corruption Commission, and representation from the private sector.

In January 2014, a Shoura Council member expressed dissatisfaction with the Anti-Corruption commission, stating that it has failed in taking the measures needed to contain corruption. According to the Shoura Council member this has resulted in the growth of corruption in the Kingdom and the loss of credibility before its citizens.<sup>1277</sup>

Saudi Arabia has failed to comply with the commitment as it has taken no steps to adhere to the FATF standards in relation to beneficial ownership. Thus, Saudi Arabia has received a score of -1.

*Analyst: Israa Hamad*

### **South Africa: 0**

South Africa has partially complied with its commitment to take measures to ensure meeting the standards of the Financial Action Task Force (FATF) regarding the identification of the beneficial owners of companies and fostering cooperation and coordination between government agencies, law enforcement and the business community.

South Africa has been a member of the FATF since 2003.<sup>1278</sup> It is also a member of the Eastern and Southern Africa Anti-Money Laundering Group. The government of South Africa set up a Financial Intelligence Centre in 2002. Its mission is "to establish and maintain an effective policy and compliance

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<sup>1275</sup> United Nations Convention Against Corruption Signatures and Ratification Status as of 29 November 2013, United Nations Office on Drugs and Crime (Vienna) 29 November 2013. Access Date: 7 March 2014. <https://www.unodc.org/unodc/en/treaties/CAC/signatories.html>.

<sup>1276</sup> Corruption And Economic Crime Branch Anti-Corruption Update, United Nations Office on Drugs and Crime (Vienna) February 2014. Access Date: 5 March 2014. [http://www.unodc.org/documents/corruption/Newsletter/CEB\\_ACU\\_ISSUE7\\_2014.pdf](http://www.unodc.org/documents/corruption/Newsletter/CEB_ACU_ISSUE7_2014.pdf).

<sup>1277</sup> Citizens have 'lost trust' in anti-corruption body, Arab News (Jeddah) 5 February 2014. Access Date: 5 March 2014. <http://www.arabnews.com/news/509376>.

<sup>1278</sup> South Africa, Countries, Financial Action Task Force (Paris) 2014. Access Date: 20 February 2014. <http://www.fatf-gafi.org/countries/s-t/southafrica/>.

framework and operational capacity to oversee compliance and to provide high quality, timeous financial intelligence for use in the fight against crime, money laundering and terror financing.”<sup>1279</sup>

The Financial Intelligence Centre makes public all the outcomes, communiqués, reports, documents and directives associated with the FATF, and expresses South Africa’s commitment to FATF recommendations and regulations.<sup>1280</sup> Financial legislation, compliance guidance and schedules, and all information relating to financial reporting is publicly available. However, there is no public information available regarding the actions South Africa is taking to ensure its compliance with the commitments to meet FATF standards regarding the identification of beneficial owners of companies.

The Financial Intelligence Centre provides information on the relevant law enforcement agencies and supervisory bodies it interacts with in fostering cooperation and communication to ensure FATF standards are met. The Financial Intelligence Centre works with several supervisory bodies such as: South African Reserve Bank, Law Society of South Africa, JSE Securities Exchange, etc.<sup>1281</sup> The law enforcement agencies it interacts with include the South African Police Service, National Prosecuting Authority, and the Special Investigations Unit. As a result, the Financial Intelligence Centre works alongside government agencies and law enforcement in order to foster cooperation and communication regarding financial transactions.

On 7 November 2013, the Tax Justice Network’s Financial Secrecy Index released a report on South Africa.<sup>1282</sup> One of the key indicators the country was assessed on was the transparency of beneficial owners. This indicator was divided into three main sections: banking secrecy, trust and foundations register, and recorded company ownership. The report states “South Africa does not adequately curtail bank secrecy ... South Africa partly discloses or prevents trusts and private foundations [and] South Africa does not maintain company ownership details in official records.”<sup>1283</sup> South Africa demonstrated partial compliance in banking secrecy and trust and foundations register, and non-compliance in recorded company ownership.

South Africa has a Financial Intelligence Centre that works towards implementing FATF recommendations regarding financial security, money laundering and terrorist financing. The Financial Intelligence Centre lists the law enforcement agencies and supervisory authorities that it works alongside in order to foster coordination and cooperation in its fight against crime and corruption regarding to financial security. However, the Tax Justice Network’s Financial Secrecy Index found that South Africa has only partially complied in some areas of transparency for beneficial ownership. Thus, South Africa receives a compliance score of 0.

*Analyst: Irene Ferro Colmenares*

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<sup>1279</sup> About Us, Government of South Africa Financial Intelligence Centre, (Pretoria) 2014. Access Date: 22 February 2014. <https://www.fic.gov.za/SiteContent/ContentPage.aspx?id=1>.

<sup>1280</sup> About Us, Government of South Africa Financial Intelligence Centre, (Pretoria) 2014. Access Date: 22 February 2014. <https://www.fic.gov.za/SiteContent/ContentPage.aspx?id=1>.

<sup>1281</sup> About Us, Government of South Africa Financial Intelligence Centre, (Pretoria) 2014. Access Date: 22 February 2014. <https://www.fic.gov.za/SiteContent/ContentPage.aspx?id=1>.

<sup>1282</sup> About Us, Government of South Africa Financial Intelligence Centre (Pretoria) 2014. Access Date: 22 February 2014. <https://www.fic.gov.za/SiteContent/ContentPage.aspx?id=1>.

<sup>1283</sup> Report on South Africa - Financial Secrecy Index, Tax Justice Network (United Kingdom) 7 November 2013. Access Date: 24 February 2014. <http://www.financialsecrecyindex.com/PDF/SouthAfrica.pdf>.

## Turkey: -1

Turkey has failed to comply with its commitment to combat crime and corruption. Since the St. Petersburg Summit, Turkey has taken no actions to meet the standards of the Financial Action Task Force (FATF) regarding the identification of the beneficial owners of companies.<sup>1284</sup>

On 12-14 February 2014, during the meeting of the FATF Plenary, an FATF report concerning the voluntary tax compliance (VTC) found that Turkey is “in compliance with the FATF’s four basic principles, and no suspicious transactions were detected.”<sup>1285</sup>

In October 2013, a public statement by FATF stated that Turkey has taken several measures to combat terrorist financing. These measures include the Council of Ministers’ Decree, which called for the implementation of United Nations Security Council resolutions (UNSCRs) 1267, 1988 and 1989. The FATF continued on to state that “Turkey should take further steps to implement an adequate legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373. Turkey should also continue to ensure that terrorist financing has been adequately criminalized.”<sup>1286</sup>

While the FATF welcomed the positive measures taken by Turkey, the country remains on the organization’s Gray List. The Gray List is defined as “jurisdictions with strategic AML/CFT [anti-money laundering/combating terrorist financing] deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies.”<sup>1287</sup>

Turkey has taken measures to implement the FATF regulations, especially with relation to terrorist financing. However, it has not advanced legislation on the standards outlined by the FATF regarding beneficial ownership. Thus, Turkey has not complied with the commitment and receives a score of -1.

*Analyst: Israa Hamad*

## United Kingdom: +1

The United Kingdom has fully complied with its commitment to take action to establish transparency mechanisms in identifying beneficial owners and establish cooperation and coordination between government agencies, law enforcement and the business community.

On 31 October 2013, Prime Minister David Cameron announced that the central register of private company beneficial ownership, announced in June 2013, will be open to the public.<sup>1288</sup> He also announced that an ownership list of “shell” corporations that keep profits offshore to avoid tax will also be published.<sup>1289</sup> The register will include individuals with a cumulative interest in more than 25 per cent of a company’s shares or voting rights, including “where the interest is held through dispersed

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<sup>1284</sup> Turkey protesters clash over 'fake' wiretap, Al Jazeera News (Ankara) 26 February 2014. Access Date: 6 March 2014. <http://www.aljazeera.com/news/europe/2014/02/turkey-protesters-clash-over-fake-wiretap-2014226531712540.html>.

<sup>1285</sup> Outcomes from the meeting of the FATF Plenary, Paris 12-14 February 2014, Financial Action Task Force (Paris) 17 February 2014. Access Date: 6 March 2014. <http://www.fatf-gafi.org/documents/news/plenary-outcomes-feb-2014.html>.

<sup>1286</sup> FATF Public Statement, 18 October 2013, Financial Action Task Force (Paris) 18 October 2013. Access Date: 6 March 2014. <http://www.fatf-gafi.org/countries/s-t/turkey/documents/fatf-public-statement-oct-2013.html>.

<sup>1287</sup> Turkey, only NATO country on FATF’s gray list, Today’s Zaman (Istanbul) 16 February 2014. Access Date: 6 March 2014. <http://www.todayszaman.com/news-339617-turkey-only-nato-country-on-fatfs-gray-list.html>.

<sup>1288</sup> Identifying the beneficial owners of companies: Prime Minister confirms the new register will be public, Osborne Clarke (London) 4 November 2013. Access Date: 17 March 2014. <http://www.osborneclarke.com/connected-insights/blog/identifying-beneficial-owners-private-companies-prime-minister-confirms-new-register-will-be-public/>.

<sup>1289</sup> Secret owners of ‘shell’ companies to be made public, BBC News (London) 31 October 2013. Access Date: 17 March 2014. <http://www.bbc.com/news/uk-24752633>.



shareholdings or through an agreement to act in concert.”<sup>1290</sup> All companies incorporated in the UK will appear on the register, with the only exception being “companies listed on a regulated market, which are already subject to strict disclosure rules.” A government statement mentioned some exemptions to these rules, including “where it is necessary to protect individuals whose safety may be put at risk.”

In October 2013, the National Crime Authority (NCA) and the Serious and Organised Crime Strategy were launched in the UK.<sup>1291</sup> These initiatives create a more “coordinated and proactive approach to tackling illicit finance domestically and through international cooperation” by all levels of government within the United Kingdom.<sup>1292</sup> The NCA was launched in order to lead and coordinate corruption investigation in four main areas: organised crime, economic crime, borders and international work, and child exploitation and online protection.<sup>1293</sup> The NCA will “will develop and bring together intelligence on all types of organised crime, prioritise crime groups according to the threats they present and, in conjunction with the police, then lead, coordinate and support our operational response.”

The NCA’s Economic Crime Command (ECC) “will work on financial crime with the City of London Police (which will remain the lead police force for fraud). The City of London Police will assume responsibility for creating a stronger end to end system between the Action Fraud reporting system and the National Fraud Intelligence Bureau. The ECC will also work with the Financial Conduct Authority (FCA), which now protects and regulates the United Kingdom financial services industry and alongside Her Majesty’s Revenue and Customs, which will remain the lead agency for tackling fiscal fraud.”<sup>1294</sup> The NCA will work alongside a variety of crime prevention organisations including “the Anti-Money Laundering Supervisors Forum (which brings together the supervisors of the regulated sector 61) and the Money Laundering Advisory Committee, chaired by the Home Office and HM Treasury.”

The NCA will also, where possible, share information identifying organised groups engaging in corrupt practices with the public sector, thereby allowing the private sector to take action against corruption.<sup>1295</sup> The NCA will also work with the private sector in advising how to protect systems, processes and people against attacks of corruption. The NCA will work alongside regional police to ensure community engagement and communication plans are followed. The NCA will also work with the Home Office to establish a Voluntary, Community and Social Enterprise, which will provide a communication structure for all organisations involved to utilize in identifying corruption involving cases of beneficial ownership.

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<sup>1290</sup> Identifying the beneficial owners of companies: Prime Minister confirms the new register will be public, Osborne Clarke (London) 4 November 2013. Access Date: 17 March 2014. <http://www.osborneclarke.com/connected-insights/blog/identifying-beneficial-owners-private-companies-prime-minister-confirms-new-register-will-be-public/>.

<sup>1291</sup> Anti-money laundering and counter terrorist finance supervision report 2012-13, HM Treasury (London) 28 November 2013. Access Date: 17 March 2014. <https://www.gov.uk/government/publications/anti-money-laundering-and-counter-terrorist-finance-supervision-reports/anti-money-laundering-and-counter-terrorist-finance-supervision-report-2012-13>.

<sup>1292</sup> Anti-money laundering and counter terrorist finance supervision report 2012-13, HM Treasury (London) 28 November 2013. Access Date: 17 March 2014. <https://www.gov.uk/government/publications/anti-money-laundering-and-counter-terrorist-finance-supervision-reports/anti-money-laundering-and-counter-terrorist-finance-supervision-report-2012-13>.

<sup>1293</sup> Serious and Organised Crime Strategy, HM Government (London) October 2013. Access Date: 17 March 2014. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/248645/Serious\\_and\\_Organised\\_Crime\\_Strategy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/248645/Serious_and_Organised_Crime_Strategy.pdf).

<sup>1294</sup> Serious and Organised Crime Strategy, HM Government (London) October 2013. Access Date: 17 March 2014. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/248645/Serious\\_and\\_Organised\\_Crime\\_Strategy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/248645/Serious_and_Organised_Crime_Strategy.pdf).

<sup>1295</sup> Serious and Organised Crime Strategy, HM Government (London) October 2013. Access Date: 17 March 2014. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/248645/Serious\\_and\\_Organised\\_Crime\\_Strategy.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/248645/Serious_and_Organised_Crime_Strategy.pdf).

On 15 November 2013, in the Prime Minister’s Letter on Tax Evasion and Corporate Secrecy, David Cameron urged Europe, through the fourth Money Laundering Directive (MLD) to establish “public central registries of company beneficial ownership as the cutting-edge benchmark for countries and major financial centres to emulate across the world. Central registries will not only enable law enforcement and tax authorities to access, discreetly and at short notice, critical information for cross-border investigations; public scrutiny of this information through public registries will also increase the likelihood of inaccuracies and omissions being identified and rectified.”<sup>1296</sup>

The United Kingdom has fully complied with its commitment to combat crime and corruption by creating a publicly accessible register for identifying the beneficial owners of companies as well as launching the National Crime Authority to combat crimes of fraud while establishing cooperation and coordination between government agencies, law enforcement and the business community. The United Kingdom receives a compliance score of +1.

*Lead Analyst: Caitlin Gillespie*

### **United States: 0**

The United States has partially complied with its commitment to take action to establish transparency mechanisms in identifying beneficial owners and establish cooperation and coordination between government agencies, law enforcement and the business community.

On 19 September 2013, Senator Carl Levin re-introduced an updated version of the Stop Tax Haven Abuse Act (the Levin Bill), which he had previously introduced in 2005, 2007, 2009, and 2011.<sup>1297</sup> The Levin bill is similar to the Cutting Unjustified Tax Loopholes Act, introduced in February 2013. The provisions in the updated Levin bill center on foreign financial reporting issues. One of the two categories proposed in the bill addresses deterring the use of tax havens for tax evasions by:

- “Authorizing special measures against foreign jurisdictions, financial institutions, and others that significantly impede US tax enforcement
- Strengthening FATCA [Foreign Account Tax Compliance Act]
- Reporting US beneficial owners of foreign-owned financial accounts
- Addressing swap payments made from the United States to persons offshore.”<sup>1298</sup>

On 23 October 2013 there were two pieces of legislation introduced in the House of Representatives to target anti-money laundering standards, individuals responsible for money laundering and shell corporations.<sup>1299</sup> The first of the two bills, introduced by Representative Maxine Waters, entitled “the Holding Individuals Accountable and Deterring Money Laundering Act would hold top executives at United States financial institutions responsible for oversight of anti-money laundering (AML) compliance at their bank while increasing the penalties faced by bankers for violating AML laws—bringing them in line with the penalties faced by drug dealers on the streets.” The act also includes a

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<sup>1296</sup> Prime Minister’s letter on tax evasion and corporate secrecy, Prime Minister’s Office (London) 15 November 2013. Access Date: 17 March 2014. <https://www.gov.uk/government/publications/pm-letter-on-beneficial-ownership/prime-ministers-letter-on-tax-evasion-and-corporate-secrecy>.

<sup>1297</sup> Senator Levin reintroduces anti-tax haven proposals with few changes, US Outbound Newsletter - PricewaterhouseCoopers (New York) 24 September 2013. Access Date: 17 March 2014. [http://www.pwc.com/en\\_US/us/tax-services-multinationals/newsletters/us-outbound-tax/assets/pwc-senator-levin-reintroduces-proposals.pdf](http://www.pwc.com/en_US/us/tax-services-multinationals/newsletters/us-outbound-tax/assets/pwc-senator-levin-reintroduces-proposals.pdf).

<sup>1298</sup> Senator Levin reintroduces anti-tax haven proposals with few changes, US Outbound Newsletter - PricewaterhouseCoopers (New York) 24 September 2013. Access Date: 17 March 2014. [http://www.pwc.com/en\\_US/us/tax-services-multinationals/newsletters/us-outbound-tax/assets/pwc-senator-levin-reintroduces-proposals.pdf](http://www.pwc.com/en_US/us/tax-services-multinationals/newsletters/us-outbound-tax/assets/pwc-senator-levin-reintroduces-proposals.pdf).

<sup>1299</sup> GFI Welcomes House Bills to Return Rule of Law to US Financial System, Expose Anonymous Shell Firms, Global Financial Integrity (Washington) 23 October 2013. <http://www.gfintegrity.org/content/view/660/70/>.

provision that “would make all felonies underlying crimes for money laundering, a provision that would bring the United States in line with the highest standards of the Financial Action Task Force.”

The second bill, entitled the Incorporation Transparency and Law Enforcement Assistance Act, introduced by Representative Carolyn Maloney “proposes to fix this problem by requiring that firms incorporated in the U.S. disclose their true, human, “beneficial owners” in a central registry that is accessible by law enforcement.”<sup>1300</sup> The Act will help the US government detect the beneficial owners of companies as well as deter the use of shell companies for tax evasion purposes.<sup>1301</sup>

The United States has swiftly moved on its commitment to combat crime and corruption through the identification of beneficial ownership on three occasions with the introduction of three acts into both Congress and the House of Representatives. Although the United States government has begun the process of implementing beneficial ownership legislation, it has not begun work on its commitment to establish cooperation and coordination between government agencies, law enforcement and the business community. Therefore, the United States receives a compliance score of 0.

*Analyst: Caitlin Gillespie*

### **European Union: +1**

The European Union has fully complied with its commitment to take action to establish transparency mechanisms in identifying beneficial owners and establish cooperation and coordination between government agencies, law enforcement and the business community.

On 3 February 2014 the European Commission issued a report on anti-corruption efforts to the Council and the European Parliament.<sup>1302</sup> In this report, the European Commission provided a “clear picture of the situation in each Member State: measures in place, outstanding issues, policies that are working and areas that could be improved.”<sup>1303</sup>

On 20 February 2014 the members of the European Parliament voted to end anonymity of owners of companies and trusts.<sup>1304</sup> The ultimate owners of companies and trusts would now have to be listed in public registers in European Union countries, under the updated draft anti-money laundering rules approved by the Economic Affairs and the Justice and Home Affairs committees on Thursday. Casinos are included in the scope of the draft rules, but decisions to exclude other gambling services posing a low risk are left to members.

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<sup>1300</sup> GFI Welcomes House Bills to Return Rule of Law to US Financial System, Expose Anonymous Shell Firms, Global Financial Integrity (Washington) 23 October 2013. <http://www.gfintegrity.org/content/view/660/70/>.

<sup>1301</sup> Leading House Democrats Introduce Bills to Deter Money Laundering and Hold Executives Responsible, Committee on Financial Services - Democrats (Washington) 24 October 2014. <http://democrats.financialservices.house.gov/press/PRArticle.aspx?NewsID=1597>.

<sup>1302</sup> Report from the Commission to the Council and the European Parliament: EU Anti-Corruption Report, European Commission (Brussels) 3 February 2014. Access Date: 5 March 2014. [http://ec.europa.eu/dgs/home-affairs/e-library/documents/policies/organized-crime-and-human-trafficking/corruption/docs/acr\\_2014\\_en.pdf](http://ec.europa.eu/dgs/home-affairs/e-library/documents/policies/organized-crime-and-human-trafficking/corruption/docs/acr_2014_en.pdf).

<sup>1303</sup> Home Affairs: Anti-Corruption report, European Commission (Brussels) 3 February 2014. Access Date: 5 March 2014. [http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/index\\_en.htm](http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/index_en.htm).

<sup>1304</sup> Money laundering: MEPs vote to end anonymity of owners of companies and trusts, European Parliament News (Brussels) 20 February 2014. Access Date: 5 March 2014. <http://www.europarl.europa.eu/news/en/news-room/content/20140210IPR35562/html/Money-laundering-MEPs-vote-to-end-anonymity-of-owners-of-companies-and-trusts>.

On 24 February 2014, the “Council of the European Union published a compromise proposal on the proposed Fourth Money Laundering Directive or MLD4.”<sup>1305</sup> This followed “a press release from the EU Parliament announcing that its Economic and Monetary Affairs Committee and Civil Liberties, Justice and Home Affairs Committee have voted to adopt a draft report on the proposed Fourth Money Laundering Directive, which would replace the Third Money Laundering Directive (2005/60/EC).”

As demonstrated by these measures above, the European Union has fully complied with its commitment on crime and corruption and therefore receives a compliance score of +1.

*Analyst: Angel Chu*

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<sup>1305</sup> Anti-money laundering and counter terrorist financing, Lexology (London) 28 February 2014. Access Date: 7 March 2014. <http://www.lexology.com/library/detail.aspx?g=0af8a7ed-4351-4599-837b-0b33f703bb83>.