

## CATCHING UP TO THEMSELVES

*G20's unfinished business on financial transparency*

For the last few years, the G20 has been writing the script on financial transparency. Just last year, at the 2015 Summit in Turkey, G20 leaders signed off on two important measures being implemented by the Organization for Economic Cooperation and Development (OECD) to cut down on cross-border tax abuse and multinational profit shifting. But a lot has happened since last year, and despite bold commitments at global summits, many G20 countries are still lagging behind.

This past April, the Panama Papers scandal showed us how a small group of the wealthy and powerful around the world have a second financial system at their disposal that isn't available to the rest of us. At the heart of this system was the secrecy that can be bought for the price of a lawyer and some incorporation fees. Being able to hide the beneficial owner—the real person benefitting from or in control of a company—is an easy way for someone to conceal their identity to hide shady business deals, tax avoidance strategies, or corruption and money laundering.

Barely a month after the Panama Papers investigation went public, the UK played host to an anti-corruption summit that featured heads of state from more than 40 countries. By the week's conclusion, a number of G20 governments had made new, bold commitments to transparency measures. And with the Panama Papers still generating debate around transparency, we've seen further commitments at the national level. This year's summit in Hangzhou, China is an opportunity to bring these to the G20 table.

Some of the most promising commitments made outside the G20 forum focus on transparency of company ownership and increased transparency on reporting for multinational corporations:

- At the UK Anti-Corruption Summit this May, **four G20 member countries** committed to either establishing public registers of beneficial ownership, or exploring how to go about doing so
- Also at the Summit, **seven G20 member countries** supported public country by country reporting for large multinational corporations
- **South Africa** committed to a public register of beneficial ownership in May, as part of a revised Open Government Partnership National Action Plan

**Public registers of beneficial owners**, or the natural persons who ultimately control or profit from a company or other legal entities, is a critical transparency reform to deter the use of anonymous shell companies aiding crime and corruption.

**Public country-by-country reports** would enable the public to better understand the actions of multinational corporations at country level, particularly bringing to light cases involving profit shifting to tax havens.

- At the recent UNCTAD meeting in Nairobi, developing countries continued to highlight the particularly devastating consequences of existing loopholes in the global financial system. **Four G20 countries** have supported G77's call for an intergovernmental tax body at the United Nations to better coordinate efforts

But as these ambitious pledges move further into the rearview mirror, governments are now in limbo—they have made bolder commitments outside of the G20 space, without the forum to hold them accountable. Some G20 countries have already supported the idea of having a space for global discussions at the United Nations, something that's been demanded by their developing country counterparts for some time.

And it's important that there is a forum to follow up on the commitments made; the G20's focus currently seems to center around implementing limited policy objectives made prior to Panama Papers, rather than taking advantage of the political consensus and appetite for stronger reforms since the 11.5 million documents were leaked. With this approach, G20 governments risk having to catch up to even their own commitments, rather than being at the forefront of the policy discussion around financial transparency.

It was only in 2009 that G20 leaders declared that they were ready to deploy sanctions against tax havens to protect their public finance. Since then, there have been countless assertions that 'the era of bank secrecy is over'. But the series of scandals and leaks that have come out in the past few years—Swiss Leaks, Lux Leaks, and the Panama Papers—have only increased skepticism about equity in the global financial system. As the public's interest in the shadow financial system continues to grow, it's important that the G20 uses the current climate to enact a bolder reform agenda. After all, many of the very same countries have committed to stronger action by themselves; it's time for them to step up in unison, as well.

**SEE ANNEX FOR VISUAL MAPPING OF NEW COMMITMENTS FROM G20 COUNTRIES**

#### FOR MORE INFORMATION:

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#### EDITOR'S NOTES:

- In 2015, G20 Leaders signed off on two transparency measures implemented by OECD: <http://www.dw.com/en/g20-economies-back-clampdown-on-tax-avoidance/a-18853601>
- United Kingdom hosted the Anti-Corruption Summit on May 12, 2016: <https://www.gov.uk/government/topical-events/anti-corruption-summit-london-2016>
- [Australia](#), [France](#), [Indonesia](#) and the [United Kingdom](#) committed to setting up, or exploring the creation of public registers of beneficial ownership information at the Anti-Corruption Summit in May 2016. The UK's register became live in June 2016.
- [Australia](#), [France](#), [India](#), [Italy](#), [Mexico](#), [Russia](#), and the [United Kingdom](#) supported public country-by-country reporting for large multinational corporations at the Anti-Corruption Summit in May 2016
- On May 6, 2016 South Africa announced an updated Open Government Partnership National Action Plan, which included plans to create a public register of beneficial ownership: <https://financialtransparency.org/month-panama-papers-south-africa-commits-end-anonymous-companies/>
- Brazil, China, India and South Africa have all publicly stated support for an intergovernmental body on tax at the United Nations: <http://www.huffingtonpost.in/pooja-rangaprasad-/why-india-must-keep-this-international-tax-reform-on-top-of-bric>
- View annex below for visual mapping of new commitments from G20 countries

ANNEX 1:

# CATCHING UP TO THEMSELVES:

*How do G20 governments stack up on latest global transparency commitments?*

Many G20 governments have made commitments to transparency measures that actually go further than what they've agreed to together. Here's how they stack up:

-  Global public country-by-country reporting for large multinational corporations
-  Public registers of beneficial ownership
-  An intergovernmental body at the United Nations to work on tax matters

