

6TH COSP PREVENTION PLENARY REMARKS – IN SUPPORT OF BENEFICIAL
OWNERSHIP TRANSPARENCY

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Mr. President, Excellences, distinguished delegates, ladies and gentlemen, thank you for the opportunity to address you today. Let me start by expressing my gratitude to the Russian Federation for its excellent hosting of this conference and welcoming us all to the beautiful city of St. Petersburg this week. I would also like to express my deepest condolences to the people of Russia on the tragic loss of so many lives in Saturday's plane crash.

Global Financial Integrity is an advocacy and research organization in the United States that works on issues of illicit finance in the context of development. We estimate that developing countries lost US\$6.6 trillion due to illicit outflows from 2003-2012, facilitated by a global shadow financial system. This figure represents corruption, the proceeds of crime, and commercial tax evasion. These illicit financial flows are a critical issue for development, and curtailing them is a formal target of SDG Goal 16.

In addition to my work with GFI, I have the honor of serving as a vice-chair of the Coordinating Committee of the UNCAC Civil Society Coalition. The UNCAC Coalition is a global network of over 350 civil society organizations (CSOs) in over 100 countries, committed to promoting the ratification, implementation and monitoring of the UN Convention Against Corruption (UNCAC). The genuine and thorough inclusion of civil society in the UNCAC bodies and processes are

fundamental to the Convention having success in combatting corruption.

I wish to address the Plenary today on a key foundation of this shadow financial system: secret company ownership.

Transparency of beneficial ownership is vital for the effective prevention of corruption. Perpetrators of corruption use a global web of anonymous shell companies and trusts and fake foundations to conceal the true sources and controllers of stolen assets and other money laundering. Formation documents for these entities, if any exist, list a nominee director or nominee shareholders, so that no record exists linking the ultimate owner to his or her account and thus to his or her true activities.

Beneficial ownership transparency supports prevention by reducing the incentive to engage in corruption in the first place in three key ways. First, it significantly curtails the ability of perpetrators of corruption to transfer the assets they have stolen outside of the country. Second, it increases the risk of being caught. Third, it limits their ability to spend the money on the properties, investments, yachts, cars, and other luxury goods that they may desire. After all, much of corruption is just a means to an end.

The Convention includes several articles that refer to beneficial ownership transparency. In particular, **Article 12 (2) (c)** specifically calls for *“Promoting transparency among private entities, including, where appropriate, measures regarding the identity of legal and natural persons involved in the establishment and management of corporate entities”*. **Article 12 2 (d)** also refers to “Preventing the misuse of

procedures regulating private entities,” which would include the formation of shell companies or trusts for the purpose of concealing the beneficial owner to circumvent AML and other laws governing financial transactions. **Article 14 (1) (a)** calls on States parties to institute comprehensive money laundering regulations and oversight for financial institutions, including a recommendation for record-keeping of beneficial ownership. States parties are also supposed to apply such regulations to service providers involved in the transfer of money or other forms of value, whom the Article recognises as being a particular risk for money laundering. The Convention also calls for beneficial ownership in the Asset Recovery chapter in **Article 52**. The precedent is there, but States parties need to follow up on their commitments.

Resolution 4/4 “encourages States parties” to collect beneficial ownership information as a measure for removing barriers for asset recovery. **Resolution 5/3** “Urges States parties” to collect beneficial ownership information “to remove barriers to asset recovery.” This Resolution also “Urges States parties to ensure that reliable beneficial ownership information on companies is accessible onshore to law enforcement agencies and other relevant authorities.” The Resolution “encourages States parties to cooperate” on implementing beneficial ownership requirements. **Resolution 5/4** “encourages States parties” to promote and exchange information on best practices for implementing Article 12 (2) (c).

This week at the 6th COSP, GFI and the Coalition call on States parties to include further language on public access of beneficial ownership information for the purpose of prevention corruption, and for the

benefit of asset recovery. Our experience as civil society is that such language should include reference to the public availability of beneficial ownership, and enforcement must have a particular focus on lawyers, banks and other corporate service providers, who create the global webs of secret companies. We look forward to collaborating with States parties on this important issue in negotiations this week and in implementation after the COSP. With the 2nd review cycle beginning soon, the time for action is now.

On behalf of Global Financial Integrity and on behalf of the UNCAC Civil Society Coalition, I urge the States Parties to make it a priority to require the collection of beneficial ownership in your jurisdictions and to make this information publicly available. At a minimum, this information should be available to law enforcement, tax authorities, investigators, and fraud compliance officers. You cannot prevent what you cannot see, and you cannot return what you cannot trace.

In closing, thank you Mr. President, Excellences, distinguished delegates, ladies and gentlemen for allowing me to address you.