

Transparency International  
**Curbing grand corruption and money-laundering  
and increasing participation of civil society in anti-corruption efforts**

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Although the consequences of corruption have been obvious for decades and led to the adoption of the UN Convention against Corruption (UNCAC), it often takes major scandals such as the Panama Papers leaks to produce concrete action.

Together with the Panama Papers, the commitments made by forty world leaders and high level country representatives at the recent London Anti-Corruption Summit in May 2016 have given new impetus to international anti-corruption efforts. Transparency International (TI) welcomes those commitments and calls for their implementation without delay.<sup>1</sup> TI also welcomes the fact that the United Kingdom, with strong support from a wide range of countries and in partnership with Interpol, will establish an International Anti-Corruption Coordination Centre to bolster cross-border cooperation to investigate and punish corrupt elites and recover stolen assets.

Transparency International has the following recommendations to the 7th session of the UNCAC Implementation Review Group:

**Increase efforts to curb money-laundering**

As evidenced by the Panama Papers, today the corrupt can use a global web of anonymous companies, trusts and other legal arrangements across multiple jurisdictions to transfer and hide their illicitly sourced funds. Importantly, it is not just financial sector entities that assist money launderers, but the non-financial business professions (known as DNFBPs) including jewellers, dealers in luxury goods, lawyers, accountants, real estate agents, and company service providers, due to weaker oversight of these areas.

Corrupt politicians used secret companies to obscure their identity in 70 per cent of more than 200 cases of grand corruption surveyed by the World Bank.<sup>2</sup> In 35 per cent of the 427 foreign bribery cases examined by the OECD, corporate vehicles were used as intermediaries.<sup>3</sup> TI's research in the United Kingdom found that 75% of properties whose owners are under investigation for corruption made use of offshore corporate secrecy to hide their identities.<sup>4</sup>

We therefore urge States Parties to:

**Establish public registers to end company ownership secrecy.** This issue should be given the highest priority by the UNCAC Conference of States Parties in its discussions and in the UNCAC review process. States Parties should establish central registries that publicly disclose beneficial ownership information. This will help law enforcement, journalists, and governments to do their jobs and help investors and citizens know who is behind the companies they invest in or buy from. The UK has established a public register that goes live on 1 July 2016 and public commitments to public registers have been made by countries including France, Kenya, the Netherlands, Nigeria, Norway, the Ukraine and South Africa. In addition, Australia, Georgia, Ireland, Indonesia, Jordan and New Zealand announced at the London Anti-Corruption Summit that they are considering doing so.<sup>5</sup>

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<sup>1</sup> [https://www.transparency.org/news/pressrelease/transparency\\_international\\_welcomes\\_anti\\_corruption\\_summit\\_pledges\\_and\\_call](https://www.transparency.org/news/pressrelease/transparency_international_welcomes_anti_corruption_summit_pledges_and_call)

<sup>2</sup> The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to Do About It  
<https://star.worldbank.org/star/publication/puppet-masters>

<sup>3</sup> <http://www.oecd.org/corruption/oecd-foreign-bribery-report-9789264226616-en.htm>

<sup>4</sup> <http://www.transparency.org.uk/publications/corruption-on-your-doorstep/>

<sup>5</sup> [https://www.transparency.org/news/feature/anti\\_corruption\\_summit\\_now\\_the\\_hard\\_work\\_begins](https://www.transparency.org/news/feature/anti_corruption_summit_now_the_hard_work_begins)

Beneficial ownership registries should have the mandate and sufficient human, technical and financial resources to collect, verify and maintain beneficial ownership information and have the power to request information and sanction legal entities for non-compliance. The registries should be publicly available, in open data format and free of charge. Governments should support the initiative of TI and other partners to create a Global Public Beneficial Ownership Registry, which can be populated by government-held beneficial ownership information.

**Enforce sanctions for professional enablers that are found to be complicit in corruption.**

Governments should fully comply with international standards to require professionals in law, accountancy and real estate, as well as company formation agents and banks to have in place anti-money laundering procedures and report suspicions of money laundering. Governments should establish more effective oversight and sanctions for these sectors. Professional bodies should withdraw professional licenses from those implicated in wrongdoing.

**Require any company bidding for public contracts or purchasing property to disclose on whose behalf they are operating.** Governments should require any company, whether incorporated domestically or in a foreign jurisdiction to be transparent about who is ultimately in control of the company. This would help to put additional pressure on companies to be more transparent in order to qualify for lucrative government contracts.

**Strengthen legislation and increase enforcement regarding money-laundering in luxury sectors**

Governments should strengthen legislation to ensure dealers in high-value goods and luxury sectors have customer due diligence and reporting requirements that meet international standards. Governments should also ensure high-value goods and luxury sectors have a designated competent authority charged with their oversight and regulation. The competent authorities should have the mandate, resources and independence necessary to effectively carry out their oversight duties, including having the authority to sanction non-compliant businesses. Government should minimise money laundering risks by requiring all high-net purchases to be processed through a bank rather than in cash.

**Step-up efforts against Grand Corruption**

TI defines grand corruption as the abuse of high-level power that benefits the few at the expense of the many and causes widespread harm to individuals and society. It refers to the involvement of high-level officials in large-scale bribery or embezzlement of state assets, as well as other corruption offences. Grand corruption is a major obstacle to the achievement of sustainable development.

In a global poll commissioned by TI, covering 60,000 people, the majority of people in 58 out of the 60 countries surveyed said their government should not allow corrupt foreign politicians and business people to spend the proceeds of corruption in their country.<sup>6</sup>

There is no distinct typology of grand corruption, only a distinct scale of bribes, enrichment, and harm, facilitated by an abuse of high-level power. On a domestic level, offenders profit from an overall weak governance framework, or even from being part of a corrupt elite controlling the entire state (state capture). On an international level, offenders can hide in political safe havens. Therefore, new and strengthened responses are needed that could effectively address the current impunity of many grand corruption offenders.

Measures to tackle grand corruption should include:

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<sup>6</sup> Win/Gallup International Association partners' survey, conducted in October and November 2014.

**Increase enforcement against active bribery of foreign public officials and criminalise passive bribery by foreign public officials.** Foreign bribery contributes to and often constitutes grand corruption. Despite the UNCAC's requirement to criminalise and prosecute it, enforcement against it is weak in all major exporting countries, with a few exceptions<sup>7</sup>. The States Parties should also criminalise and enforce against passive foreign bribery associated with grand corruption and exercise extraterritorial jurisdiction.

**Legislate for and exercise universal extraterritorial jurisdiction in instances of large-scale embezzlement of state assets or other grand corruption offences. Enable private prosecution for corruption offences.** In many cases, there is no possibility of enforcement in the home country, due to perversion or weakness of the justice system. If a country is unable or unwilling to sanction its domestic grand corruption, then other countries should assume this responsibility. Civil society organisations or representatives of particular social groups should have the right to initiate criminal proceedings against those responsible for grand corruption.

**Eliminate abuse of immunities and allow victims of grand corruption greater recourse to the courts, in both criminal and civil proceedings.** Domestic and international immunities are sometimes abused to shield individuals from accountability for corruption offences. Steps should be taken to counter such abuse.

**Increase immigration and visa disclosure requirements for politically exposed persons.** Corrupt individuals often launder and enjoy the proceeds of grand corruption abroad via the purchase of luxury goods and real estate. "Golden visa" or "significant investor" programmes should include stringent checks on the origin and legality of funds provided by applicants.

#### **Increase participation of civil society in anti-corruption efforts**

UNCAC Article 13 describes clearly how civil society should be involved in the fight against corruption. Yet in too many countries, anti-corruption experts and activists are under threat. This is a matter of great concern. The UNCAC review process should also reflect UNCAC's transparency and participation standards.

TI commends the 61 countries that published their full 1<sup>st</sup>-cycle review reports and the large majority that included civil society organizations in the country visit consultations. We look forward to a second review cycle of the UNCAC that is transparent and participatory for civil society both on national and international levels.

We therefore urge States Parties to:

**Create safe and effective conditions for civil society and engage with non-state actors.** Governments should provide effective protection to civil society organizations and actively consult and engage with civil society across all areas of corruption policy development, implementation, and monitoring. In some countries civil society faces serious challenges in this regard.

**Enable civil society to be actively involved throughout the review process.** All country review reports should include a section on civil society involvement in the review process and in national implementation. UNODC's periodic status reports on progress with the review process and its thematic reports should reference civil society contributions to the reviews.

**Sign the UNCAC Review Transparency Pledge<sup>8</sup>.** States Parties should adopt the six principles of UNCAC review transparency to support civil society participation by signing up to the UNCAC Review Transparency Pledge proposed by the UNCAC Coalition. Eighteen countries have already signed up to the pledge.

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<sup>7</sup> Exporting Corruption reports of Transparency International, [http://www.transparency.org/exporting\\_corruption](http://www.transparency.org/exporting_corruption)

<sup>8</sup> <http://www.openupuncac.org/>