

Ottawa, 10 June 2008

Your excellencies,

As you meet in advance of the 2008 Hokkaido Summit, Transparency International, the global coalition against corruption, recommends action by the Group of Eight (G8) to ensure that corruption will not undermine international efforts to alleviate poverty and promote sustainable development.

In particular, we urge you to ensure that the global financial system, and the financial centres and institutions in your countries are not abused for corrupt purposes. Greater transparency of cross border capital flows and better coordination of national controls over this are crucial in deterring the payment of large bribes in connection with international commerce, and to make efforts to detect and recover the proceeds of corruption more effective.

There is abundant evidence that it is a simple matter for kleptocrats and companies engaged in international commerce to collect and disburse hundreds of millions of dollars through major financial centres (e.g., New York, London, Hong Kong) and ultimately to deliver large sums into covertly owned bank accounts for personal enrichment or for corruptly obtaining or retaining business in foreign countries. Despite the existence of new laws in most developed nations that expressly criminalise this conduct, enforcement efforts have been few and recoveries are very rare despite substantial indications that corrupt commerce continues virtually unabated.

The scale of illicit transfers of funds from developing countries through offshore and onshore financial centres is very likely several times higher than the development aid to low-income countries, while widespread corruption continues to make a mockery of international development efforts. Action is therefore urgently needed on the following priority measures:

- (1) Tax evasion through offshore accounts should be made a predicate criminal offense under every nation's anti-money laundering laws, and good faith efforts must be made to expose and prosecute such crimes. Genuine international coordination must be promoted to deter such crimes and to make the placement of illicitly obtained proceeds in offshore bank accounts as risky as possible.
- (2) Governments should call on the IMF, FATF and other inter-governmental organisations to publish information and assessments of countries' compliance with anti-money laundering and transparency standards, and require financial institutions to take that information into account.
- (3) Governments should adopt stronger transparency rules for the global financial markets to effectively prevent the abuse of legal schemes (such as trusts, company services and foundations) for purposes of hiding illicit cross-border transfers of funds while still protecting legitimate concerns about privacy.

(4) International accounting standards should require disclosure of special purpose vehicles and other off book entities and annual reports of multinationals should identify and justify transactions involving offshore centres.

(5) Governments should require greater transparency of asset-backed securities to prevent fraud and should adopt and fully apply FATF anti-money-laundering requirements and increase the transparency of entities or funds (including hedge funds).

G8 Finance Ministers are uniquely placed to lead the coordinated action necessary to ensure integrity and transparency in financial markets. This is not only the most effective way to promote confidence in financial markets, it is essential if we are to eliminate corruption and other obstacles to economic growth and attain the UN Millennium Development Goals.

Sincerely,

A handwritten signature in blue ink, appearing to read "Huguette Labelle". The signature is fluid and cursive, with a large initial 'H' and 'L'.

Huguette Labelle
Chair
Transparency International