



# FINANCIAL TRANSPARENCY COALITION

## NEWSLETTER

July - September 2014

## Highlights

- OECD releases recommendations on Base Erosion and Profit Shifting as well as guidelines for Automatic Exchange of Tax Information
- FTC vice chair Alvin Mosioma named a member of the Open Government Project's Steering Committee
- FTC's annual conference is coming up
- New resources, articles, and blog posts

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### **OECD Releases Recommendations on Base Erosion and Profit Shifting**

In September, the Organization for Economic Cooperation and Development (OECD) released recommendations on Base Erosion and Profit Shifting (BEPS). These recommendations are aimed at cutting down on the ability of corporations to shift profits into tax havens. However, we remain skeptical that the recommendations go far enough. You can find the recommendations [here](#), and the FTC statement about the OECD's recommendations [here](#).

### **New U.S. - African Partnership to Combat Illicit Finance Announced**

Following the U.S.-Africa Leaders Summit, a new bilateral panel tasked with combating illicit financial flows out of Africa was announced. The high-level working group is tasked with developing a plan of action to address the losses suffered by the African continent from illicit financial flows and corruption. You can read more [here](#).

### **OECD Releases its Standard for Automatic Exchange of Financial Account Information in Tax Matters**

In July, the Organization for Economic Cooperation and Development (OECD) released its detailed guidelines on the common reporting standard for automatic exchange of financial information. While the plan inches closer to implementation of a global standard, it continues to keep developing countries looking in from the outside. You can find the guidelines [here](#) and our reaction [here](#).

### **Delaware Legislators Make a Move to Reduce the State's Role as a Corporate Secrecy Haven**

Delaware is one of the easiest states in which to set up an anonymous company. In August one-half of the members of the Delaware State Legislature sent a letter to the Delaware Congressional Delegation, urging them to support bipartisan federal legislation introduced by Senators Levin (MI-D) and Grassley (IA-R) to deal with anonymous companies. You can find their letter [here](#).

## **India Requests Switzerland to Join Early Adopters of Automatic Exchange of Information**

In an effort to combat tax evasion and recover illicit funds stashed abroad, India asked Switzerland to join the Early Adopter Group, a group of countries who are mandating an automatic exchange of information amongst member countries. The Swiss government has recently made changes that allow governments to make group requests for information on illicit funds held in Swiss banks. You can read more [here](#).

## **Russia Proposes Beneficial Ownership Registry**

The Rosfinmonitoring, Russia's Federal Financial Monitoring Service, has proposed that all Russian companies submit information about their beneficial owners for including them in the Unified State Register of Legal Entities. You can learn more [here](#).

## **US Treasury Considers Rule Requiring Banks to Collect Beneficial Ownership Information**

The United States Department of Treasury is proposing a rule to force banks to identify and verify the real, ultimate owners of their corporate account clients. This legislation would be a step toward making it harder for corrupt politicians, drug traffickers and terrorists to make use of the U.S. financial system. You can find a summary of the proposal [here](#).

## **World Bank Procurement Policy Review Underway**

The World Bank is currently reviewing its operational procurement policy and procedures. After an initial round of consultations, in July it released its Framework Paper for Consultation: Phase II: Developing the Proposed New Procurement Framework. It is accepting a second round of consultations until November 30, 2014. You can find the framework paper [here](#).

## **EU AMLD Trilogue Discussions Continue**

The European Union has been busy reviewing its Anti-Money Laundering rules since February 2013, and the final phase – the so-called trilogue negotiations – is expected to start in October. Negotiators from the European Parliament, the European Commission and the Council (currently presided over by the Italian government), will try and work out a final deal. All parties agree that the issue of beneficial ownership transparency is crucial for the talks to succeed, and the proposal to have beneficial ownership of companies and other legal entities on public record is on the table.

## **EVENTS**

### **2014 Annual Conference in Lima, Peru**

The FTC's 2014 annual conference, co-hosted by LATINDADD, will take place October 14 - 15 in Lima, Peru. This event brings together government officials, civil society organizations, journalists, and international experts to discuss a wide-range of issues related to illicit financial flows. You can find a current agenda [here](#).

## **NETWORK NEWS**

### **Alvin Mosioma Named a Member of the Open Government Project's Steering Committee**

FTC Vice-chair and Tax Justice Network – Africa Executive Director Alvin Mosioma was named a member of the Open Government Project's (OGP) Steering Committee. The steering committee oversees the strategic direction of the OGP. You can find out more [here](#).

## **FTC invited to Join the UN Subcommittee on Extractive Industry and Tax**

The Coalition was invited to join the UN Subcommittee on Extractive Industry and Tax. The subcommittee proposes draft guidance on extractive industries taxation issues for developing countries. You can find more information [here](#).

## **FTC Joint Consultations on Beneficial Ownership**

The FTC provided submissions to the governments of Gibraltar and Isle of Man in response to their call for consultations on beneficial ownership. The FTC advocated that these jurisdictions create public and accessible registers of information on the real, beneficial ownership of companies, trusts, and similar legal structures.

## **FTC Submission to the European Commission on the Economic Impact of Country by Country Reporting**

In response to the European Commission's consultation on the potential consequences of implementing country by country reporting standards, the coalition made a joint submission that outlines the positive impact effective reporting standards will have. You can read our submission [here](#).

## **FTC's Work is Expanding**

The FTC has been selected as one of 28 international non-governmental organizations to receive funding from the Ministry of Foreign Affairs of Finland in response to the Ministry's request for proposals. In addition, the William and Flora Hewlett Foundation recently began providing funding to the FTC. These two grants will enable the FTC to further expand its work globally. You can find out more about the Ministry of Foreign Affairs of Finland [here](#) and the William and Flora Hewlett Foundation [here](#).

## **RESOURCES**

### **The Great Rip Off**

This report, produced by Global Witness and partially funded by the FTC, draws on 22 cases involving anonymous companies from 27 U.S. states to show how fraudsters, mobsters, money-launderers, tax-evaders and corrupt politicians are able to use anonymously-owned American companies to cover their tracks and evade the authorities. You can find the report [here](#).

### **Fiscal Justice to Reduce Inequality in Latin America and the Caribbean**

This report by Oxfam looks at how tax collection in Latin America and the Caribbean is low in relation to its potential and does not reflect the huge social needs in the region. It then provides recommendations for reforms that would enable a more fair fiscal system. You can find the report [here](#).

### **Brazil: Capital Flight, Illicit Flows, and Macroeconomic Crises, 1960-2012**

Global Financial Integrity's report finds that trade misinvoicing accounted for 92.7% of Brazil's US\$401.6 billion illicit financial outflows between 1960 and 2012. While the report found that illicit outflows are growing, Global Financial Integrity recommends a number of steps the Brazilian government can take to reduce illicit financial flows. You can find the report [here](#).

## RESOURCES

### **Benefits and Costs of the IFF Targets for the Post-2015 Development Agenda**

This report by the Center for Global Development's Alex Cobham finds that the current course of the post-2015 development agenda does little to stem the flow of illicit financial flows out of developing countries. Alex suggests alternative strategies to reduce the number of anonymous corporate structures and increase transparency through open data exchange on a country-by-country basis. You can find the report [here](#).

### **Taxing Men and Women: Why Gender is Crucial for a Fair Tax System**

This paper by Christian Aid sets out why a strong gender analysis is necessary for work to promote fair and efficient tax systems at national level. It examines how women and men are affected by tax in different ways and how tax policy can contribute to advanced gender equality. You can find the report [here](#).

### **Trillion Dollar Scandal**

Analysis by the ONE Campaign suggests that at least \$1 trillion is being taken out of developing countries each year through a web of corrupt activity. In this report, the ONE Campaign shows the true human cost of this scandal, and how it can be dramatically reduced. You can find the report [here](#).

### **Automatic Exchange of Information: An Opportunity for Developing Countries to Tackle Tax Evasion and Corruption**

This report by Tax Justice Network, details how automatic information exchange standards translate into better tax compliance, enforcement, and increased revenues for developing countries. It finds that many low-income countries support automatic information exchange and that concerns associated with implementation can be easily addressed. You can find the report [here](#).

### **Report of the Intergovernmental Committee of Experts on Sustainable Development Financing**

In this UN commissioned report that will feed into the post-2015 development agenda, experts emphasize the need for greater international cooperation on tax matters. Specifically, the committee recommends greater coordination among national tax authorities to fight illicit finance by engaging in country by country reporting, automatic exchange of tax information, and developing registers of beneficial owner information. The report also calls for capacity building initiatives in developing nations to help achieve these ends. You can find the report [here](#).

### **Honest Accounts? The True Story of Africa's Billion Dollar Losses**

This report published by Jubilee Debt Campaign and World Development Movement (WDM), along with several other organizations including Tax Justice Network, reveals that Africa is losing \$192 billion every year to the rest of the world. This research calculates Africa's losses across a wide range of areas that include illicit financial flows, profits taken out of the continent by multinational companies, and illegal logging and fishing. You can find the report [here](#).

## RESOURCES

### **A Private Affair: Shining a Light on the Shadowy Institutions Giving Public Support to Private Companies and Taking over the Development Agenda**

This Eurodad report examines the way development finance institutions (DFIs) work with the private sector and explores the problems that they must tackle. Eurodad's principal concern is that almost all DFIs are owned and controlled by rich country governments, with little effective input or influence from developing country governments, and even less from other developing country stakeholders. You can find the report [here](#).

### **Economic and Social Survey of Asia and the Pacific: Regional Connectivity for Shared Prosperity**

The 2014 edition of the Economic and Social Survey of Asia and the Pacific, published by the United Nations Economic and Social Commission for Asia and the Pacific, recognizes the need for Asia to address illicit financial flows through enhanced regional cooperation on domestic resource mobilization. You can find the report [here](#).

### **Tax Justice Network App**

The Tax Justice Network's free app provides the Tax Justice Network's latest blogs, videos on tax justice, and daily news updates. You can find the app [here](#).

### **Taxcast**

The Tax Justice Network's monthly podcast, Taxcast, provides the latest global news and expert analysis on tax havens and corruption. You can listen to it [here](#).

### **Drillers in the Mist**

This report by Global Witness looks at how British oil company Soco International and its contractors have made illicit payments, appear to have paid off armed rebels and benefited from fear and violence fostered by government security forces in eastern Congo, as they sought access to Africa's oldest national park for oil exploration. You can find the report [here](#).

### **Tax Justice: A Resource Guide for Education Unions**

This report from Education International makes the case for international action to close tax loopholes and achieve tax justice. The resource guide is an introduction to the concepts associated with tax avoidance strategies and explains how to get involved. You can find the guide [here](#).

## SELECTED PRESS HITS

### **Sydney Morning Herald – [G20: Time to Halt the Flow of Illicit Money](#)**

In this Op-Ed, **Financial Transparency Coalition** members Alvin Mosioma, Subrat Das, and Oriana Suarez call on G20 nations to definitively address

illicit financial flows, particularly from the developing world. They argue that the G20 needs to evaluate and implement the creation of public registers of beneficial ownership, establish an automatic information exchange system that

benefits all countries, and embrace public country-by-country reporting for multi-national corporations. This Op-Ed also ran in German in *Handelsblatt*, in French in [Les Echos](#), and in Spanish in [Gestión](#).

### **The Africa Report – [US-Africa Summit: Avenues of Anonymity and Illicit Financial Flows](#)**

In this Op-Ed, the **Financial Transparency Coalition**'s Savior Mwambwa and Christian Freymeyer show the stark link between instability, poverty, and illicit financial flows. The two authors emphasized the opportunity for the US-Africa Summit to serve as an ideal forum to address the drivers of illicit flows.

### **The New York Times – [O.E.C.D. Calls for Coordinated Fight Against Corporate Tax Avoidance](#)**

This New York Times article examines the Organization for Economic Cooperation and Development's (OECD) recommendations for corporate taxation at an international level. The article quotes **Tax Justice Network** senior advisor Sol Picciotto as saying "these are just tweaks. They're trying to repair an old motorcar, but what they need is a new engine."

### **The Guardian - [Message to the UN: stop the loss of trillions of dollars to tax abuse](#)**

This Op-Ed calls on the United Nations to address illicit finance in order to create more sustainable development goals for the post-2015 agenda. In making the case, the author cites **Christian Aid**'s analysis that governments of developing countries lose \$160 billion in tax revenues each year and that "if that money was available to allocate according to current spending patterns, the amount going into health services could save the lives of 350,000 children under the age of five every year."

### **Bloomberg Markets – [Corruption Fighter Gooch Tackles Abusive Shell Companies](#)**

This profile of **Global Witness** co-founder and director Charmian Gooch by Bloomberg Markets looks at the work of her and her team to expose corruption throughout the world. The article, in looking at her work on eliminating shell companies, quotes former U.N. Secretary General Kofi Annan as saying "by highlighting the importance of transparency, Charmian Gooch and Global Witness have moved global business towards better, fairer, more sustainable practices."

### **BusinessGhana – [Social benefits make taxes attractive](#)**

This article centers on a workshop that brought together approximately 50 African trade union representatives to discuss and select appropriate tools for trade union intervention in tax justice campaigns. It quotes **Tax Justice Network-Africa**'s Executive Director, Alvin Mosioma, as saying "money laundering and the rampant capital flight are usually tele-guided by multi nationals with the support of African collaborators."

### **allAfrica.com – [Africa Loses U.S.\\$555.6 Billion to Illicit Financial Flows Yearly](#)**

This article uses **Global Financial Integrity**'s (GFI) analysis to examine the problems surrounding illicit financial flows in Africa. GFI President, Raymond Baker, is quoted as saying "the traditional thinking has always been that the West is pouring money into Africa through foreign aid and other private sector flows, without receiving much in return. Our research has turned that logic upside down - Africa has been a net creditor to the rest of the world for decades."

### **InterPressService – [World Bank Urged to Rethink Reforms to Business-Friendliness Report](#)**

Civil Society organizations are lobbying the World Bank to drop its “Doing Business” report that ranks countries on their business environments. In this article, Tiago Stichelmans, a policy and networking analyst at the **European Network on Debt and Development**, identifies several flaws with the rankings report, including its bias toward deregulatory measures that have little impact on economic development.

### **Frontline – [Limited Success](#)**

This cover story reviews the success of India’s Planning Commission. **Centre for Budget and Governance Accountability** Executive Director Subrat Das contributes his analysis that “the Planning Commission remains the only institution to think of policy within the realm of public expenditure.”

### **Huffington Post - [The World's Leaders Are Failing To Curb Corruption. Here's Why](#)**

This Op-Ed looks at the progress that needs to be made by world leaders to curb corruption, especially in the cases of multi-national corporations. **Transparency International’s** recent Unmask the Corrupt campaign is cited as one way that organizations are challenging existing corrupt practices.

### **[How to Include Developing Countries In The OECD’s Standard For Automatic Tax Exchange Information](#) by: Ann Hollingshead**

FTC blogger Ann Hollingshead writes about the importance of including developing countries in new guidelines on cross-border information exchange being developed by the G20 and the Organization for Economic Cooperation and Development.

### **[Debate In Delaware On Tackling Anonymous Companies](#) by: Mark Hays**

Mark Hays, of Global Witness, highlights movements in the Delaware state legislature to curtail the use of anonymous companies.

Delaware is one of the easiest places in the world to set up a shell company and has been used by criminals, politicians, and arms dealers to move money undetected.

### **[Nigeria Has Potential, But Needs to Stomp Out Illicit Financial Flows First](#) by: Christian Freymeyer**

Christian looks at the rapid growth experienced by Nigeria, and explores what that growth would look like if illicit financial flows were curtailed. Even with Nigeria surpassing South Africa as the continent’s biggest economy, it still has great strides to make if it wishes to curtail poverty and instability, and illicit financial flows are at the center of the solution.

### **[Building a Movement](#) by: Sarah Bracht and Savior Mwambwa**

Savior and Sarah write about a training and strategy session held by the FTC, Tax Justice Network – Africa, and the African International trade Union Confederation in Naivasha, Kenya. The goal of the event was to bring people together to discuss and analyze the problem of illicit financial flows and the lack of transparency, with added emphasis on the extractive sector.

### **[Walgreens Feels the Heat, Reconsiders Tax Flight](#) by: Porter McConnell**

Porter examines the recent phenomenon of corporate inversions—when a U.S. corporation moves its headquarters overseas to avoid U.S. taxes. Usually, this change of location is in name only, and for all intents and purposes the company continues to operate in the U.S. Walgreens, the behemoth drug store chain, proposed an inversion with a Swiss pharmacy, but rethought the deal after pressure from the public and politicians.



## UPCOMING

### **International Tax Avoidance, Tax Evasion, and Tax Justice Conference**

Hosted by the University of Barcelona on October 2 - 3, participants at this conference will examine topics that include the effects of the offshore system, taxation of the digitalized economy, and the OECD's base erosion and profit shifting programme. You can find more information [here](#).

### **4<sup>th</sup> Illicit Finance Journalism Programme – November 2014 Course**

The Tax Justice Network and the Centre of Investigative Journalism will hold the 4<sup>th</sup> Illicit Finance Journalism Programme training course at City University London on November 4 - 7. This course offers journalists from around the world training in uncovering illicit finance, financial secrecy, and asset recovery. You can find more information [here](#).

### **G20 Leaders' Summit**

The 2014 G20 Leaders' Summit will be held in Brisbane, Australia on November 15 - 16. The summit will result in a communiqué that outlines the G20 policy discussions and commitments. You can find the summit's website [here](#).

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## QUESTIONS OR COMMENTS?

Contact us at [info@financialtransparency.org](mailto:info@financialtransparency.org).

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