

The Rt Hon Gordon Brown MP
Prime Minister
10 Downing Street
London SW1A 2AA
Great Britain

13 March 2009

Dear Prime Minister,

As Transparency International looks to the forthcoming meeting of the leaders of the Group of 20, we are heartened that the starting points – the last G-20 Summit Communiqué and many key statements from national leaders – have emphasised the vital importance of ensuring greater transparency and accountability in all aspects of economic and financial policy-making and implementation by all institutions, both public and private, in the immediate period ahead. We write to you on behalf of the members of more than 90 national chapters and partner organisations of Transparency International, 17 of which are in G-20 countries.

We have every confidence that you, together with your G-20 Summit colleagues, recognise not only the importance of heightened transparency and accountability, but also the need to assure the public that all action is grounded in integrity. Failure to restore trust will condemn the prospects of national economic stimulus programmes, however well-intentioned they may be.

The comprehensive programme that we urge the G-20 countries to adopt and promote on a global scale must be founded in transparency, accountability and integrity from the start. Concrete measures have to be taken in order to fight the current crisis and prevent similar ones in the future. All measures must relate to enhancing transparency in areas where a lack of it directly caused, or failed to counter, the global crisis.

Transparency International formulated the following constructive recommendations that we ask you to bring to the attention of your fellow leaders.

Regulation and supervision

Secure greater transparency, public accountability and integrity in order to restore public trust, and adopt a far more consistent and internationally coordinated framework of regulation and supervision of all financial institutions.

- Undertake a comprehensive inventory of all types of risks taken by banks and other financial actors which led to the crisis. Without this inventory suspicion will remain. Ensure that the ongoing activities of official agencies with responsibilities in this area are much more frequently, fully and effectively reported to the general public. International

cooperation between these agencies should be fortified and those in leadership positions should recognise their explicit responsibilities for public accountability.

- Increased cross-border coordination of accounting standards in the financial area is crucial, with all countries requiring disclosure of all forms of derivative products and off-the-book entities of financial institutions.

Rescue measures

Ensure effective safeguards, with transparency and accountability at the forefront, in all aspects of public management of taxpayers' funds in support of efforts to restore the sound functioning of financial institutions and markets.

- Report all public funds used in "bail-out" programmes for all financial service and other firms to the public at the time at which funding decisions and disbursements are made – there needs to be full public disclosure of all terms and conditions.

Offshore havens and other non-cooperative financial centres

Halt evasion of all taxes and the facilitation of illicit activities through the use of offshore havens and other non-cooperative financial centres, and ensure that these centres cooperate fully with other national and international authorities on the exchange of information.

- Initiate actions that make clear to all financial service firms that their licenses are at risk in the world's leading financial markets if they act intentionally to use foreign centres to evade full reporting of their clients' accounts to the tax, customs and judicial authorities of the leading mature economies. Official supervisory authorities should ensure that global banks make certain their units in offshore havens are audited properly for consolidation purposes; and that the goals pursued and the material risks incurred by their activities in offshore havens are disclosed in their annual reports. They should not maintain units or activities in blacklisted territories.
- As appropriate, the leading countries in global finance should establish national registries of all trusts and investment funds with investor relationships under their jurisdiction. In the case that parent companies are incorporated in offshore havens or other non-cooperating financial centres, then these registries should detail for public inspection the identities of the founders of the trusts and the beneficiaries, as well as the names and qualifications of the trustees themselves. In policing and monitoring these financial entities, every effort should be made to strengthen cross-border cooperation between judicial authorities and ensure that channels of communications between judges in different jurisdictions are made more efficient.
- With the leadership of the governments of the mature economies, action should be taken to end tax evasion through offshore accounts, promote international coordination to deter financial crimes using these centres, and raise penalties for all actors who are found to have facilitated the placement of illicitly obtained proceeds in offshore bank accounts, including those who help to realise such placements: lawyers, accountants and asset managers. In addition, efforts should be made to strengthen the work of the IMF, FATF and other international governmental organisations by publishing information and assessments of countries' compliance with anti-money laundering and transparency standards, and require that financial institutions take this information into account.

- An important step in the fight against abuses of non-cooperative financial centres is to update a credible list of non-cooperative jurisdictions. In this regard, the OECD initiative to evaluate state practices through its standards must be supported.

Governance

Build stronger corporate governance in financial service firms with an emphasis on executive compensation, risk management and disclosure of financial products, including greater accountability of boards of directors. Extend whistleblowing procedures and protection to anonymous information on excessive risk-taking.

- Ensure all national stock exchange regulatory authorities and all other authorities responsible for the oversight of financial service firms require companies to report publicly (via the Internet and not in low circulation technical documents) on the qualifications of all members of the boards of directors of publicly listed financial service firms and fully disclose to the public compensation committee decisions, the full compensation to senior corporate officers, any and all shareholdings owned by directors, and any stock transactions of directors and senior officers. This is a standard practice in some countries which should become the norm globally.

Conflicts of Interest

Take measures to prevent conflicts of interest in the activities of credit rating agencies and auditing firms, and in relationships between financial firms and the public sector.

- Establish or strengthen regulatory authorities, with publicly accountable mandates and transparent approaches, to oversee the activities and the products of the rating agencies and accounting firms with regard to the world's largest 50 public financial services firms and other public corporations, and adopt the standards thus established across the international financial sector. Without such actions, public questioning of the integrity of current practices will persist.

Investigations and Sanctions

Pursue appropriate criminal investigations, in compliance with existing laws and regulations, and impose strong sanctions where corruption, insider trading and other abuses are found.

- All governments should strengthen the resources they are currently deploying to investigate and prosecute fraud and corruption, and report as fully and swiftly as is practicable on the initiation of major investigations to make the heads of supervisory authorities far more accountable.

Aid

Take urgent action to address rising global poverty resulting from the current crisis by increasing trade opportunities and official development assistance to these countries, with particular emphasis on those in greatest need and with the necessary transparency and accountability

mechanisms in place. It is essential that all donor commitments, including pledges to support development in Africa, are maintained.

To conclude, Transparency International calls on the G-20 to strengthen the ability of the UN Convention Against Corruption (UNCAC), to be used as one of the major global instruments to promote transparency in the business world, through the ratification of the UNCAC by all G-20 countries and successful establishment of an effective review mechanism in 2009. All measures and reforms undertaken should be globally coordinated to ensure future growth stability and equitable development for people around the world.

Yours sincerely,

A handwritten signature in cursive script, reading "Huguette Labelle". The signature is written in black ink and is positioned below the "Yours sincerely," text.

Huguette Labelle

Chair