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THE EUROPEAN UNION**

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NOTE

From: Presidency
To: Delegations
Subject: UK issues paper for discussion at Coreper 2 and Council

Delegations will find attached an issues paper by UK for discussion in Coreper 2 and Council.

UK Issues paper for discussion at ECOFIN

The UK welcomes the Commission's proposals for the 4th Money Laundering Directive (MLD), and commends the Irish and Lithuanian Presidencies for helping to ensure that the EU leads from the front in implementing the recommendations of the Financial Action Task Force (FATF). The UK considers this Directive a key test of the EU's commitment to tackling illicit activity, and as the May 2013 Council Conclusions stated the "revision of the third anti-money laundering Directive should be adopted by the end of the year."

There are a number of important outstanding issues with respect to the 4th MLD that merit discussion at ECOFIN. It is equally clear however, that the most important issue is that of transparency of company beneficial ownership.

Transparency of company beneficial ownership

Numerous studies by the FATF, OECD, World Bank, and UN have identified the central role that hidden company ownership plays in facilitating illicit activity from money laundering to tax evasion.¹ It is why the UK Prime Minister committed to use the UK's Presidency of the G8 to break through the walls of corporate secrecy, and reveal who really owns and controls companies.

We strongly support the Commission's proposals to require companies to obtain and hold information on their beneficial ownership. As a matter of principle, and as the G8 agreed, companies should know who owns and controls them, and as such, they should be required to obtain and hold their beneficial ownership information.

The UK also believes that central registries of company beneficial ownership would maximise the benefits of requiring companies to obtain and hold this information, with minimal additional burden. In particular, such registries would ensure that company beneficial ownership information is freely available to competent authorities across jurisdictions in a timely manner, without tipping off a company under investigation. The UK has already committed to establish such a register, and along with France and Italy, we have proposed a common amendment to the Directive to mandate establishing central registries of company beneficial ownership.

¹World Bank and UNODC, *Stolen Asset Recovery Initiative: Challenges, Opportunities and Action Plan*, 2007
UNODC, *Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes*, 2011
FATF, *The Misuse of Corporate Vehicles including trust and company service providers*, 2006;
OECD, *Behind the Corporate Veil: Using corporate entities for illicit purposes*, 2001

The UK has also gone further in the interests of greater transparency by announcing that the UK's central registry of company beneficial ownership information will be made publicly accessible. Making this information publicly accessible is core to the UK's commitment to openness, will help individuals and companies identify who really owns the companies they are doing business with, allow public scrutiny, and will further help prevent the misuse of companies for illicit purposes. As such, we would strongly encourage other EU Member States to follow the UK's lead, and encourage the Council to consider mandating publicly accessible central registries of company beneficial ownership.

We also agree that it is important to ensure that trusts are not misused for illicit purposes. Through automatic exchange of information agreements, competent authorities across different jurisdictions will be provided with more information on trusts than ever before. In particular, these agreements will provide competent authorities in signatory jurisdictions with information on off-shore trusts where the beneficiary is a domestic tax resident. It is these kinds of off-shore trusts that pose the highest risk of misuse. As such, we strongly agree with the May 2013 Council Conclusions that "priority will be given to efforts to extend the automatic exchange of information at the EU and global levels."

Proposition to ECOFIN Council

The EU has an opportunity to lead from the front on beneficial ownership transparency. Through the automatic exchange of information pilot that the UK, France, Italy, Spain, Germany are leading, the EU is already at the vanguard of tackling tax evasion and potential misuse of trusts. The EU has the same opportunity to set the global standard on transparency of company ownership and control through central registries of company beneficial ownership.

Does the ECOFIN Council agree that central registries of company beneficial ownership are the most effective way to tackle misuse of companies for illicit purposes and should be mandated by the 4th Money Laundering Directive? Does the Council agree that registries of company beneficial ownership should be made publicly accessible?