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THE PRIME MINISTER

*Dear Herman,*

I wrote to you just over six months ago, ahead of the May European Council, emphasising the need to inject the political will necessary to tackle the serious global challenges of tax evasion and corporate secrecy. Since then, good progress has been made across this agenda through the G8, the G20 and the continued efforts by the European Union under the Irish and Lithuanian Presidencies.

However, our work is far from finished. Europe must now, through the 4<sup>th</sup> Money Laundering Directive (MLD), visibly lead global efforts to strengthen transparency of company beneficial ownership. As you know, I put this issue at the heart of the UK's G8 Presidency this year because of the overwhelming evidence behind the need to act. Put simply, a lack of knowledge about who ultimately owns and controls companies facilitates illicit domestic and cross-border money laundering, corruption, tax evasion and other crimes.

There is growing momentum building behind action on the issue. G8 Leaders agreed in June that companies should be required to obtain and hold adequate, accurate and current information on their beneficial ownership. The UK strongly supports this very same commitment in the European Commission's MLD proposal. And I was pleased that G20 Leaders vowed to lead by example in ensuring that the relevant Financial Action Task Force standards in this area are met.

Specifically, the UK committed in June to hold company beneficial ownership information in a central registry, and to consult on whether this information should be publicly accessible. After listening carefully to businesses, NGOs, technical experts and other groups, I announced two weeks ago that the UK's central register of beneficial ownership will be open to the public. I concluded that a publicly accessible registry provides the best outcome for sound corporate behaviour; more effective law and tax enforcement; and for helping authorities, including those in developing countries, prevent misuse of companies for illicit purposes.

I believe this will prove a significant step towards breaking through the walls of corporate secrecy. But as I warned earlier this year, illicit finance is a global problem that can only be addressed effectively through collective action. I hope other Governments will join the UK in making an even bigger difference by taking swift action on company beneficial ownership. In Europe, our first collective step should be to mandate, through the MLD, the establishment of public central registries of company beneficial ownership as the cutting-edge benchmark for countries and major financial centres to emulate across the world. Central registries will not only enable law enforcement and tax authorities to access, discreetly and at short notice, critical information for cross-border investigations; public scrutiny of this information through public registries will also increase the likelihood of inaccuracies and omissions being identified and rectified.

But as we clamp down on the misuse of companies, we must take care not to displace illicit activity elsewhere. Currently, authorities are gaining access to more information than ever before on trusts, especially off-shore trusts, through the automatic tax information agreements being concluded by UK and other EU countries. To tackle tax evasion and prevent the misuse of trusts, the EU must continue supporting efforts by OECD and G20 countries to agree a new single global standard on automatic tax information exchange by next February.

I know some want Europe to go even further to prevent the abuse of trusts and related private legal arrangements. It is clearly important we recognise the important differences between companies and trusts. This means that the solution for addressing the potential misuse of companies – such as central public registries – may well not be appropriate generally. Nonetheless, as Europe leads from the front on company beneficial ownership, I look forward to looking properly at the arguments around trusts and other legal arrangements in order to determine what further action we might take.

I am copying this letter to the President of the European Commission, the President of the European Parliament and other members of the European Council.

Yours,  
David

His Excellency Mr Herman Van Rompuy