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| Università degli Studi di Trento  School of International Studies | Master’s Degree in European and International Studies English LanguageReading Comprehension **Text 2** | 2012 – 2013  6 September 2013 |

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*For questions 23 – 33, provide synonyms or a paraphrase for the words and phrases which are* ***highlighted*** *and underlined in the text. Write your answers on the answer sheet.*

**Tearing down the walls of corporate secrecy – the G8 leads, but will it follow up?**

**By:**Emile van der Does de Willebois - Wednesday, June 19, 2013

The move was momentous and, until a few weeks ago, quite unexpected. In a push to tear down the walls of corporate secrecy, the G8 has just committed to ensuring that each of its members will have immediate access to the identity of the so-called “beneficial owner” - the individual who ultimately 23) **pulls the strings** behind companies- in their jurisdiction. Not very long ago talk of “beneficial ownership” was the domain of a handful of policy wonks and the odd NGO; now it’s taken center stage.

The G8’s statement represents a major breakthrough in fighting financial crime, corruption and tax evasion. Law enforcement and regulatory action have been 24) **hampered** for far too long by the lack of access to information on the individuals who, ultimately, benefit from the 25) **ill-gotten gains** stashed away in a variety of exotic sounding entities around the world. The seemingly impenetrable barriers of corporate secrecy have been lifted and the walls are coming down.

As an aspiration it has been around for quite a while. Already in 2003, member states of the Financial Action Task Force (FATF) the global standard setter on anti-money laundering to which all G8 members belong and to whose standard virtually all countries in the world have subscribed, signed up to a commitment to ensure that they would have access to such information. However, that undertaking remained little more than a 26) **dead letter**. Only a handful of countries have so far addressed the issue in any meaningful way: the overwhelming majority never really bothered 27) **to get their house in order**, and the media and politicians hardly seemed to care. So has transparency and beneficial ownership suddenly become the hot topic of the moment?

In many ways conditions have been building up over the last few years to create the perfect storm – as diverse elements have come together. First there was the financial crisis, shrinking countries’ budgets and the intensifying the need to find money. With this the G20 started 28) **making noise** about unpaid taxes hidden away in tax havens. Secondly, there followed the outrage over those bankers and others who had behaved recklessly with other people’s money while protecting themselves using complicated legal constructions. This drew attention to the clever slicing and dicing by lawyers and banks to seemingly make risk disappear into thin air. Thirdly, from the streets of the Arab World came the calls for accountability for rulers who had been allowed for far too long to 29) **squander** their country’s natural wealth and resources and use it for personal ends. These outbursts showed how ordinary people in developing countries were suffering the most from the theft of public assets.  A point also vividly illustrated in a recent report by former UN Secretary General Kofi Annan, which stated that Africa loses twice as much in illicit financial outflows as it receives in international aid. Further compounding anger of ordinary people were the revelations of the extent to which those rulers had been served by, again, those clever bankers and lawyers in secreting away the 25) **ill-gotten gains**. Fourthly, came the stories of big (mostly US) corporations that had been aggressively avoiding tax by incorporating non-operational companies in tax havens around the world. And finally, 30) **to top it all off**, was  the ‘Off-Shore Leaks’ scandal  brought to light by the  media, which  vividly showed how broad extent by which corporate structures were being (mis)used around the world. What had seemed hitherto confined to a small group of persons and countries, proved much more endemic and widespread.

And so, with unstoppable momentum, a relatively obscure topic was catapulted to the top of the international policy agenda. In the face of so much obfuscation, opacity and complexity, a sharp call for clarity and simplicity: “We want to know who owns what”.  No more corporate dirty tricks, no more clever 31) **cooking of books**, no more phantom companies with dummy directors and non-existent shareholders making it impossible for law enforcement or others to gather information on who is really in control. The time for transparency is now: no army can withstand the strength of an idea whose time has come - not even an army of lawyers, bankers and accountants.

The G8’s call is timely and the voices behind it pertinent. This is by no means a problem confined to the typical off-shore tax haven that only serves non-residents. In fact, as the Stolen Asset Recovery Initiative (StAR) demonstrated in our recent study, “The Puppet Masters”, the US and the UK are amongst the jurisdictions most frequently used to incorporate legal entities that hold proceeds of corruption. Their leadership in this is therefore very welcome.

Of course, words at an international event are one thing - the hard work starts now, when they and the other G8 members, will have to start putting those words into practice. Time and again we have heard from prosecutors and investigators that they have 32) **hit a brick wall** in seeking information on a foreign trust or company that was suspected of holding proceeds of corruption. Corporate transparency is a precondition to asset recovery- without it asset recovery is doomed to fail.

We must hope that countries will take the obligations they have signed up to seriously this time. They will need to make changes to their laws and regulations and then implement them in practice. It is also up to a much wider audience, or ordinary citizens and civil society, to stay alert and 33) **blow the whistle** if a country is not addressing the issue. With this landmark commitment by the G8 secured, we cannot allow the issue to fade from sight and be reduced to a 26) **dead letter** once again.

 http://star.worldbank.org/star/news/tearing-down-walls-corporate-secrecy-–-g8-leads-will-it-follow

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